

GUIDELINES ON OPENING OF NEW BANKS IN SRI LANKA



BANK SUPERVISION DEPARTMENT

CENTRAL BANK OF SRI LANKA

JUNE 2024

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Guidelines on Opening of New Banks in Sri Lanka

1. Introduction

1.1 **Purpose:** These ‘Guidelines on Opening of New Banks in Sri Lanka’ intend to provide general information on the economy, the banking industry of the country, the regulatory framework applicable to banks and guidance to the prospective applicants on the procedure for obtaining a licence to carry on banking 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 commercial banks (LCBs) and licensed specialised banks (LSBs), either as locally incorporated banks, branches or subsidiaries of banks incorporated outside Sri Lanka (commonly referred to as branches or subsidiaries of foreign banks) and representative offices. These guidelines intend to provide guidance for prospective applicants and are not binding in nature.

1.3 **Applicable Laws:** These Guidelines shall be read together with the Banking Act, No. 30 of 1988, the Companies Act, No. 7 of 2007 and the Central Bank of Sri Lanka Act, No. 16 of 2023 as amended from time to time, and the Directions, Circulars and other regulations issued by CBSL from time to time. The amendments to the Banking Act as of to date are by Acts No. 39 of 1990, No. 33 of 1995, No. 2 of 2005, No. 15 of 2006, No. 46 of 2006, and No. 24 of 2024. The Banking Act, Directions, Circulars, and other regulations can be downloaded from the CBSL web site www.cbsl.gov.lk.

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

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Bank Supervision Department
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2. An Overview of the Economy, Capital Market and the Banking Industry

- (a) The island of Sri Lanka, strategically located on the major shipping routes of South Asia, has a population of approximately 22 Mn. The real GDP growth has been around (-2) % to (-4.5)% in the recent past, except for the contraction of 4.6% which took place in 2020 due to the global COVID-19 pandemic and the contractions of 7.3 % and 2.3% in 2022 and 2023, respectively, due to the extraordinary macro-economic circumstances, prevailed in the country. The per capita income of Sri Lanka stood at USD 3,830 as at end 2023. The latest key economic and social indicators are available in the Annual Economic Review 2023 of CBSL which could be downloaded from the CBSL official website (Annual Economic Review 2023; [Click Here](#)).
- (b) The banking sector maintained stability during the recent years while exhibiting resilience amidst challenging macro-economic conditions, both globally and domestically including the onset of the COVID-19 pandemic, the economic crisis and the challenging business environment.
- (c) Amidst challenges, the banking sector which dominates the financial sector, was able to maintain stability and resilience by preserving adequate level of capital and maintaining liquidity.
- (d) The country has implemented various development projects in the recent past to upgrade the sea, air, road, power, and telecom industries of the country to provide infrastructure to facilitate long term investments.
- (e) Sri Lanka has a sound, modern banking system that dominates the financial system with an asset base of over Rs. 20 Tn and accounting for around 61.5% per cent of the total assets in the financial system. The structure of the financial system during the past few years, is given in Table 1. The latest information on the financial system and the performance of the banking sector is available in the Annual Economic Review 2023 of CBSL ([Click Here](#)).
- (f) The banking sector consists of 30 banks, out of which 24 are LCBs (2 state-owned banks, 11 domestic private banks and 11 branches of foreign banks) and 6 are LSBs. The main distinction between LCBs and LSBs is that only the former is permitted to accept demand deposits (current accounts with cheques and overdraft facility) from the public and engage in a full range of foreign exchange transactions.

Table 1 - Total Assets of the Financial System

Item	2021		2022		2023	
	Rs. Bn	Share (%)	Rs. Bn	Share (%)	Rs. Bn	Share (%)
Central Bank of Sri Lanka	3,046.3	11.4	4,510.3	14.4	4,205.4	12.7
Banking Sector	16,923.5	63.3	19,417.7	60.7	20,406.0	61.5
Licensed Commercial Banks	14,820.5	55.4	17,226.3	53.85	18,121.0	54.6
Licensed Specialised Banks	2,103.0	7.9	2,191.4	6.85	2,285.0	6.9
Other Deposit Taking Financial Institutions	1,636.7	6.1	1,812.1	5.8	1,914.1	5.8
Licensed Finance Companies	1,452.0	5.4	1,610.2	5.1	1,692.0	5.1
Co-operative Rural Banks	183.9	0.7	201.2	0.6	221.3	0.7
Thrift and Credit Co-Op. Societies	0.8	0.0	0.8	0.0	0.9	0.0
Specialised Financial Institutions	387.7	1.4	328.9	1.0	728.7	2.2
Specialised Leasing Companies	35.7	0.1	1.0	0.0	1.2	0.0
Licensed Microfinance Companies	8.4	0.0	9.9	0.0	11.7	0.0
Primary Dealers	78.7	0.3	131.7	0.4	270.8	0.8
Stock Broking Companies	36.5	0.1	24.8	0.1	24.3	0.1
Unit Trusts/Unit Trust Management Companies	198.5	0.7	153.5	0.5	411.6	1.2
Market Intermediaries	11.8	0.0	8.0	0.0	9.1	0.0
Venture Capital Companies	18.2	0.1	N/A	N/A	N/A	N/A
Contractual Savings Institutions	4,756.1	17.8	5,320.3	16.9	5,945.5	17.9
Insurance Companies	879.8	3.3	947.3	3.0	1,086.9	3.3
Employees' Provident Fund	3,166.1	11.8	3,491.8	11.1	3,895.1	11.7
Employees' Trust Fund	419.1	1.6	465.0	1.5	520.5	1.6
Approved Private Provident Funds	207.6	0.8	330.4	1.1	347.2	1.0
Public Service Provident Fund	83.5	0.3	85.9	0.3	95.8	0.3
Total	26,750.4	100.0	31,989.4	100.0	33,199.8	100.0

Source: Central Bank of Sri Lanka

- (g) The stability of the banking sector was maintained during 2023 despite the looming challenges arising from continuously declining credit quality, acute pressure on liquidity, low level of profitability due to high impairments, and deteriorating capital buffers to absorb unexpected losses. Meanwhile, the sector grew in terms of assets and deposits while broadly in compliance with the prudential requirements of CBSL.
- (h) The profitability of the banking sector has remained at a stable level, as reflected by the Return on Assets (ROA) and Return on Equity (ROE) ratios of banks. The key prudential indicators of the banking sector, viz, Capital Adequacy Ratio (CAR) and Liquidity Coverage Ratio (LCR) were well above the regulatory minimum requirement during the recent years.

- (i) The number of banking outlets and the Self-Service Machines (SSMs) operated by the banking sector were around 7,517 and 6,943, respectively, whereas the banking density (branches only) per 100,000 persons was 16.5 during 2023.
- (j) Despite the challenging business environment of the country, Sri Lanka's banking sector continued to expand during the recent past.

Table 2 - Banking Sector Highlights

Item	2017	2018	2019	2020	2021	2022	2023
Assets Rs. Bn	10,292	11,793	12,522	14,666	16,826	19,417	20,406
Gross Loans and Advances Rs. Bn	6,430	7,693	8,122	9,091	10,727	11,312	11,017
Deposits Rs. Bn	7,399	8,492	9,162	11,140	12,879	15,299	16,624
Capital Funds Rs. Bn.	866	1,030	1,129	1,254	1,348	1,598	1,767
Key Financial Performance Indicators							
Capital Adequacy Ratio %	13.4	13.1	13.7	13.6	16.5	16.2	16.9
Gross NPL Ratio %	2.5	3.4	4.7	4.9	4.5	-	-
Stage 3 Loans to Total Loans and Advances %	-	-	-	-	-	11.3	12.8
Liquidity Coverage Ratio - LKR	187.5	176.5	212.8	202.1	171.8	191.2	288.4
Liquidity Coverage Ratio – All Currency	155.7	152.1	178.2	255.9	217.8	237.5	343.6
Statutory Liquid Assets Ratio %	31.3	27.6	31.0	37.8	33.8	29.9	44.9
Net Stable Funding Ratio	-	-	130.1	136.3	135.1	141.1	158.4
Return on Assets (Before Tax) (ROA) %	2.0	1.8	1.4	1.1	1.4	0.9	1.5
Return on Equity (ROE) %	17.6	13.2	10.3	9.4	13.4	10.4	10.6

Source: Central Bank of Sri Lanka

3 Licensing Procedure

3.1 Applicable Provisions of the Banking Act

- (a) In terms of Sections 2, 2A, and 76A to 76D of the Banking Act No. 30 of 1988 (as amended), the business of an LCB or an LSB, respectively, can be carried out only under the authority of a licence issued by the Governing Board of CBSL, with the approval of the Minister concerned. The provisions on licensing procedure are contained in Sections 2 to 5 of the Banking Act, as amended.
- (b) In terms of section 12(1) (d) of the Banking Act, No. 30 of 1988 (as amended), prior approval of CBSL is required for the opening of a Representative Office in Sri Lanka subject to an application fee as may be determined by CBSL.

3.2 Format of the Application

An application for a licence shall be made in writing to the Governing Board of CBSL, along with the application fee as may be determined by CBSL and specimens are given in Annex I and Annex II.

3.3 Eligibility Criteria to Apply for a Licence

The following matters shall be taken into consideration by CBSL in determining whether a company is eligible to apply for a licence:

- (a) Compliance with the initial capital requirements as may be determined by CBSL, from time to time
- (b) Nature and adequacy of the financial resources as a means of continuing financial support for the bank to be established in Sri Lanka
- (c) Capital and other funding sources shall not derive from unlawful activities
- (d) Suitability of material shareholders in terms of Section 12 (1B) of the Banking Act
- (e) Fitness and propriety of directors, chief executive officer (CEO) and officers performing executive functions or any other person proposed to be appointed to any of the above positions, as the case may be, in terms of the criteria set out in Section 42(2) of the Banking Act
- (f) Track record for operating in a manner consistent with the standards of good governance and integrity
- (g) Transparency in ownership structure and the beneficial ownership
- (h) Establishment of an LCB or an LSB in Sri Lanka will be in the interest of the viability and stability of the banking system and the interest of the national economy
- (i) Compliance with any other requirements under the Banking Act, No. 30 of 1988, as amended or any other written law in Sri Lanka or outside Sri Lanka

3.4 Documents/Information to be submitted with the Application

- (a) In the case of a company to be formed to carry on banking business:
 - a) A certified copy of the draft Articles of Association of the company to be formed or the draft Constitution or any relevant/similar document of such company; and
 - b) A statement containing the names, addresses, occupations, and qualifications of the persons proposed as directors, and if a CEO has been identified, details of such officer.
- (b) In the case of a company formed before the date of the application and which intends to commence banking business -
 - a) A certified copy of the Certificate of Incorporation of the company

- b) A certified copy of the Articles of Association of such company or the Constitution or any relevant/similar document of such company together with the proposed amendments, if any; to such documents;
 - c) A statement containing the names, addresses, occupations and qualifications of the current directors and any directors proposed to be nominated or appointed, and of the CEO of such company; and
 - d) A copy of the audited financial statements of the company for the preceding three years.
- (c) In the case of an application by a bank incorporated outside Sri Lanka, the following documents will be required in addition to the duly completed application.
- a) A written undertaking, supported by a resolution passed by the Board of Directors, stating that the company or body of corporate shall, on demand by CBSL, provide such funds as may be necessary to cover all obligations and liabilities incurred by the branch in carrying on banking business in Sri Lanka; and
 - b) A certificate from the regulatory authority of the country in which the bank is incorporated stating that permission has been granted for the bank to establish a branch in Sri Lanka.
- (d) In addition, a feasibility report supported by at least a five-year business plan relating to the establishment of the proposed bank should be submitted along with the application. The business plan shall contain the following details:
- a) A description of the objectives of the proposed bank
 - b) Proposed customer base
 - c) Opening balance sheet and three year projections as certified by an auditor
 - d) Management structure
 - e) Anti-money laundering policies and provisions
 - f) A feasibility study
 - g) The economic need that the bank intends to meet
 - h) A description of internal systems and controls
 - i) A copy of the ownership structure including group members and affiliated companies
- (e) The Director of Bank Supervision may, where deemed necessary, require the applicant to furnish such other documents, information, or other particulars, subsequent to the receipt of the application and may conduct further investigations as it may consider necessary.

3.5 Issue of a Letter of Provisional Approval

- (a) After consideration of the documents submitted, and other investigations, if the Governing Board of CBSL is satisfied that the application may be approved in principle, the Board may issue a Letter of Provisional Approval. This will be valid for the period stated in such letter, which shall not exceed a period of twelve months. During this period, the applicant should take all necessary preliminary measures specified therein. The issue of a Letter of Provisional Approval does not bind the Governing Board of CBSL to issue a licence.
- (b) A company in respect of which a Letter of Provisional Approval has been issued should not commence banking business before the issue of a licence. Every advertisement, prospectus, notice, etc. issued prior to the issue of the licence should specify that it is a provisional approval and has not yet been issued a licence to carry on banking business.

3.6 Issue of a Licence

- (a) An applicant upon complying with the conditions specified in the Letter of Provisional Approval may make a request to CBSL to issue the licence.
- (b) The Governing Board of CBSL being satisfied that a licence may be issued to an applicant to carry on banking business, may, with the approval of the Minister of Finance, issue a licence to such applicant.
- (c) An LCB or LSB should commence business within nine months of the issue of the banking licence.

4 Evaluation Criteria

4.1 Evaluation Process

- (a) The Governing Board of CBSL, based on the policy considerations and the legal requirements as detailed in 4.2 below, evaluates the merits of each application to open a new bank on a case-by-case basis.
- (b) The Governing Board of CBSL is required to satisfy itself as to the suitability of the applicant having regard to the interests of the national economy, including the banking needs of Sri Lanka. For this purpose, the applicant should satisfy the Board in particular on the following:
 - a) Validity and acceptability of documents/information submitted
 - b) Financial status and history of the company
 - c) Financial standing, experience and suitability of the material shareholders, directors, CEO and other senior officers
 - d) Adequacy of the capital and legitimacy of the source of capital of the company and the ability to raise adequate capital

- e) Ability to cover all obligations and liabilities incurred in the conduct of the banking business and to comply with the provisions of the Banking Act
- f) Compliance with the provisions of the Banking Act and any directions issued under the Banking Act in relation to the application for a licence
- g) Transparency in ownership structure and the beneficial ownership

4.2 The Policy Considerations Adopted by CBSL

(a) Potential for a New Bank

CBSL should satisfy itself that there is potential for a new bank to operate viably. A proper assessment of the potential is considered to be important so as to ensure that the establishment of new banks will not pose a threat to the stability of the existing banks and the financial system of the country. The possible impact of establishing new banks on existing banks, particularly the implications on costs, savings, profitability, and staffing, and on the financial system are given due consideration.

(b) Contribution/Benefits to the Economy

- a) Consideration is given to the specific benefits such as innovative banking facilities, new technology, creation of employment opportunities, new financial instruments, extension of services to the unbanked or under-banked areas etc. that would accrue to the country. CBSL should satisfy itself that the proposed bank would be in a position to provide value addition to the financial system of the country by offering enhanced financial services.
- b) Priority will be given to service enhancing proposals which address the present needs in the banking industry, rather than to those proposals which intend to share the existing banking business. As such, if CBSL satisfies itself that the proposed bank is capable of fulfilling the gaps/needs in the sectors/areas which have been identified below, the application may be given favourable consideration:
 - The small and medium enterprise sector
 - Micro finance
 - Agricultural finance
 - Asset reconstruction/management and business recovery
 - Corporate debt restructuring
 - Enhancement of worker remittances
 - Digital banking and fintech
 - Sustainable Financing

- Any other attempts to introduce innovative financial products/services, which are advantageous to the Sri Lankan banking sector.

(c) **Promoters of the Bank**

In the case of locally incorporated banks, CBSL should satisfy itself with regard to the integrity of the promoters of the bank and their acceptability to the business community, in relation to their financial standing, association with and interests in business undertakings, and their background in finance related business. At least some of the promoters should have experience in finance related business, in particular commercial/specialised banking. In this regard the Criteria for shareholder suitability as given under Section 12 (1B) of the Banking Act would be considered including *inter alia* track record of the individual or the directors of the body corporate, soundness & feasibility of the business plans of the individual or body corporate, nature & sufficiency of financial resources of the individual or body corporate, business track record and experience of the body corporate, and transparency of the ownership structure & beneficial ownership of the applicant will be considered when granting approval to a person to acquire a material interest (over 10% of the issued capital carrying voting rights or, if CBSL determines that there exists a significant influence over the bank to nominate, appoint or remove a director, CEO or an officer performing executive functions of the LCB or to exercise control over the policies of such bank pursuant to a contract or otherwise).

(d) **Proposed Board of Directors**

In the case of locally incorporated banks, the promoters are expected to provide information on the financial standing, experience, and suitability of the members of the first Board of Directors. In addition, the proposed Board of Directors should comply with the 'fit and proper' criteria for the appointment of Directors as indicated under the Section 42 of the Banking Act ([Click Here](#)), as amended by the [Banking \(Amendment\) Act No. 24 of 2024](#)) and requirements under the Directions on Corporate Governance ([Click Here](#)).

(e) **Initial Capital**

- a) The existence of strong banks that are resilient to internal and external shocks is important in promoting a robust and stable financial system. Accordingly, the following minimum capital requirements are applicable to new banks to place them on a sound financial footing, to provide adequate protection to depositors and to encourage the entry and growth of strong, competitive banks in Sri Lanka.

Table 3 – Minimum Initial Capital Requirement for Banks

Type of Bank	Rs. Bn
Locally Incorporated Licensed Commercial Bank (LCB)s	20.0
Banks Incorporated Outside Sri Lanka	10.0
Locally Incorporated Licensed Specialised Bank (LSB)s	7.5

b) The Governing Board of CBSL should satisfy itself with the ability of the promoters to raise the requisite initial capital as well as the capacity to raise any future capital requirements, subject to any restrictions on ownership limits.

(f) **Competence of the CEO and Other Senior Officers**

a) The promoters should satisfy the Governing Board of CBSL of the suitability of the CEO and such other officers of the company performing executive functions for the respective positions. As such, prior to the issue of licence, the curriculum vitae of the officers designated in key managerial positions in the proposed bank are examined to check whether they possess the requisite experience and qualifications to hold such positions in order to carry on the affairs of the bank in a viable manner.

b) Promoters are requested to refrain from employing persons who hold positions of strategic importance in existing banks, as recruitment of such persons would be detrimental to the smooth functioning of those banks. The presence of competent management staff who could be expected to carry on the business of the bank in compliance with statutory and prudential requirements, is an important criterion in evaluating an application for the establishment of a new bank.

c) In addition, the CEO and other senior officials should comply with the ‘fit and proper’ criteria for the appointment of the CEO, Secretary and such other officers performing executive functions in the bank as indicated under Sections 42, 43 and 44 of the Banking Act.

(g) **Employment of Expatriate Staff:**

Branches of foreign banks should limit the employment of expatriate staff to the maximum number of expatriate officers permitted in terms of the Guidelines on Employment of Expatriate Officers in licensed banks in Sri Lanka ([Click Here](#)). Further, locally incorporated banks may be permitted on a case-by-case basis taking into consideration the specific needs of the banks, with special attention on employing foreign experts in the fields of risk management, International Accounting Standards, risk modelling and data warehousing, structuring of derivative products and corporate governance.

(h) **Business Projections**

The feasibility study should clearly indicate the bank’s business model and be supported with a comprehensive five-year business plan, along with the basis for any projections. These projections are examined, *inter alia*, by comparing them with the present and expected future performance of existing banks to ascertain whether the forecasts are realistic and feasible.

(i) **Training Facilities**

A comprehensive Training Plan should be available indicating the specific training needs of each category of employee and the training facilities that will be provided to each category.

(j) **Risk Management Systems**

The promoters should satisfy the Governing Board of CBSL on their ability to operate the proposed bank with sound risk management systems and processes commensurate with the size and complexity of its business operations.

Further, under the Banking Act Directions No. 16 of 2021 on Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks amended by the Banking Act Directions No. 05 of 2023, licensed banks are required to ensure compliance with the requirements imposed by the regulatory framework on technology risk management and resilience imposed by CBSL.

(k) **Additional Criteria with respect to Subsidiaries and Branches of Foreign Banks**

In addition to the above, the Guidelines in Annex IV will be adopted in processing applications to establish branches/subsidiaries of foreign banks.

Moreover, the following factors shall be taken into account when requiring any existing branch of a foreign bank to be established as a subsidiary:

- The soundness of the financial position
- Risk management practices
- Governance structure
- Capital adequacy
- Availability of liquidity

4.3 **Requirements of the Banking Act to Incorporate/Establish Banks or Representative Offices in Sri Lanka**

(a) **Requirements for Locally Incorporated Banks**

- a) It should be a Public Company registered under the Companies Act, No. 7 of 2007.
- b) The Articles of Association of the Company should set out the “carrying on of banking business” as defined in the Banking Act, as a primary object.

- c) The Articles of Association should not provide for forms of business other than those specified in Schedule II or Schedule IV to the Banking Act to be carried on by the Company depending on whether the application is for an LCB or LSB, respectively ([Click Here](#)).
- d) The capital of the company should not be less than the minimum capital required by CBSL from time to time for new banks entering the market in Sri Lanka (Please refer Table 03)
- e) The Company cannot have a foreign shareholding in excess of the limit established from time to time by the Governing Board of CBSL (At present, there are no such restrictions).
- f) No company, incorporated body or individual can hold more than a percentage of the issued share capital of the company as determined by the Governing Board of CBSL. (At present, the limit has been specified as 10% and 15% for LCBs and LSBs, respectively, out of the issued share capital carrying voting rights in a licensed bank and 20% for Multilateral Financial Organisations such as the World Bank, International Finance Corporation (IFC), Asian Development Bank (ADB) and any other Multilateral Financial Organisation as approved by CBSL).
- g) The directors of the company should not be subject to any disqualification in terms of Section 42(2), 44B and Section 76 of the Banking Act and the Banking Act Directions No. 11 and 12 of 2007 on Corporate Governance for Licensed Commercial Banks and Licensed Specialised Banks, respectively, and any amendments thereto ([Click Here](#)).
- h) The Secretary of the proposed bank should fulfil the requirements of Section 43 of the Banking Act.
- i) The CEO and the other officers performing executive functions of the proposed bank as determined in the Banking Act Determination, should be fit and proper persons to hold such positions as specified in Sections 42, 44A and 76H of the Banking Act.

(b) Requirements for Establishment of Subsidiaries and Branches of Foreign Banks

- a) The parent bank should be a company incorporated outside Sri Lanka or a body corporate formed in pursuance of any statute of a foreign country, royal charter, or letters patent and shall not include CBSL, a shell bank or a private company.

- b) CBSL may require any company or body corporate incorporated outside Sri Lanka to carry out banking business through a branch or through establishing as a subsidiary of its parent company or principal body corporate.
- c) Further, CBSL may require subsidiarization of any existing foreign bank considering the soundness of the financial position, risk management, governance structure, capital adequacy and availability of liquidity subject to such terms and conditions as may be specified by CBSL.
- d) The branch of the bank should have an assigned capital of not less than the minimum capital required by CBSL from time to time. This sum has to be assigned to the branch by its Head Office.
- e) In addition to the assigned capital, the Head Office of a foreign bank, which proposes to establish a branch in Sri Lanka, may be required to remit to Sri Lanka a sum of money as determined by the Governing Board of CBSL, in case additional capital is required.
- f) The capital of the subsidiary of the foreign bank should not be less than the minimum capital required by CBSL from time to time for new banks entering the market in Sri Lanka (Please refer Table 03)
- g) The CEO and the other senior officers of the proposed bank branch or subsidiary as the case may be, should be fit and proper persons to hold such positions, as specified in Sections 42 and 44 of the Banking Act.

(c) Requirements for Setting up a Representative Office in Sri Lanka

- a) In case of setting up a Representative Office in Sri Lanka, the following documents will be required together with the duly completed application (Annex III).
 - Specific request letter from the parent bank to open a Representative Office in Sri Lanka addressed to the Director of Bank Supervision.
 - Certified copy of the Board approval (certified copy of the Board minute extract) to open a Representative Office in Sri Lanka.
 - Feasibility report along with brief history, business profile and the global presence of the parent bank.
 - Annual audited financial statements for the last three years.
 - Certificate of Incorporation/Certificate of Corporate Existence of the parent bank.
 - Details of the Board of directors and key management personnel of the parent bank.

- Current business activities of the parent bank conducted in the South Asian region.
 - Activities to be carried out by the proposed Representative Office and the future expansion plans, if any.
 - Reporting line of the proposed Representative Office in Sri Lanka to the regional offices.
 - Number of staff (local and expatriates) to be allocated to the proposed Representative Office including the Country Head.
- b) After receiving the required approval, the relevant party can take the necessary steps to register the company as an "Overseas Company" in terms of the Companies Act No. 7 of 2007.

4.4 Annual Licence Fee

Licensed banks shall pay an annual licence fee. The fees applicable for 2024 and 2025, based on the total assets of such bank as at end of the previous year are as set out in Table 4 below:

Table 4 – Annual Licence Fee for the years 2024 and 2025

Total Assets as at end of the Previous Year Rs. Bn.	Licence Fee Rs. Mn.
Above 2,000	40.0
Above 1,000 to 2,000	37.0
Above 500 to 1,000	30.0
Above 200 to 500	26.5
Above 125 to 200	19.5
Above 75 to 125	13.5
25 to 75	7.0
Less than 25	3.5

5 Main Prudential Requirements for Licensed Banks

- 5.1 The regulatory and supervisory framework currently applicable to licensed banks is based on international best practices and Basel Core Principles for effective banking supervision set out by the Basel Committee for Banking Supervision. In keeping with the global trends, CBSL has adopted a risk-based supervisory approach for the licensed banks placing a strong emphasis on early identification of emerging risks. All LCBs and LSBs should comply with the Directions, Circulars and Guidelines issued by CBSL from time to time in terms of the provisions of the Banking Act and other relevant statutes ([Click Here](#)). All

prudential requirements are equally applicable to locally incorporated banks and branches and subsidiaries of foreign banks, unless specifically stated.

5.2 All licensed banks are required to comply with the following prudential and regulatory requirements.

(a) **Capital Adequacy – Basel III Requirement:**

- a) Banking Act Directions No. 01 of 2016 was issued requiring licensed banks to maintain the minimum capital ratios and buffers in respect of total risk weighted assets commencing 01 July 2017, under Basel III ([Click Here](#)).
- b) The requirements were increased with a Higher Loss Absorbency (HLA) requirement for Domestic Systemically Important Banks (D-SIBs), by the Banking Act Directions No. 11 of 2019 including amendments to the Directions on Capital Requirements under Basel III ([Click Here](#)).

Table 5 – Capital Requirements for Licensed Banks

Components of Capital	Capital Adequacy Ratio to be Maintained
Common Equity Tier 1 (CET1) including Capital Conservation Buffer	7.0%
Total Tier 1 including Capital Conservation Buffer	8.5%
Total Capital Ratio including Capital Conservation Buffer	12.5%

Table 6 – Capital Requirements for D-SIBs

Components of Capital	Capital Adequacy Ratio to be Maintained
CET1 including Capital Conservation Buffer	7.0% + HLA
Total Tier 1 including Capital Conservation Buffer	8.5% + HLA
Total Capital Ratio including Capital Conservation Buffer	12.5% + HLA

- c) The Direction has been issued along with the Regulatory Framework on Supervisory Review Process as a set of guidelines to develop and maintain an Internal Capital Adequacy Assessment Process (ICAAP) in the licensed banks.

d) **Domestic Systemically Important Banks:**

- Banks with domestic systemic significance, as recognised based on the size, complexity, interconnectedness, substitutability, and financial institutions infrastructure, are required to adopt more stringent capital buffers and maintain HLA given their impact on the financial system ([Click Here](#)).
- At present, 4 LCBs have been determined as D-SIBs ([Click Here](#)) and such D SIBs are required to maintain, at all times, the minimum capital surcharge as prescribed below.

Table 7 – Minimum Capital Surcharge on D-SIBs

Bucket	HLA Requirement (CET1 as a % of risk-weighted assets)
3	2.0
2	1.5
1	1.0

(b) **Liquidity:**

- a) In terms of Section 21(1) of the Banking Act, every licensed bank shall maintain liquid assets that are required to meet its liabilities as may, from time to time, be determined by CBSL and comply with the requirements on liquidity having regard to the developments in the regulatory requirements, and CBSL shall, as far as practicable, adopt international standards applicable on liquidity requirements of every licensed bank.
- b) CBSL may from time to time, determine additional liquid assets required to be maintained by any licensed bank and all licensed banks are required to maintain such assets in such ratios as determined by the Central Bank.
- c) In this regard, CBSL has determined that licensed banks shall maintain Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as the statutory liquidity ratios of such banks in accordance with the Basel III Liquidity Standards.
- d) Accordingly, the licensed banks are required to maintain an LCR and NSFR of 100% as per the Banking Act Determination No. 01 of 2024 ([Click Here](#)).

(c) **Leverage:**

CBSL has adopted the Basel III Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirement in order to restrict the build-up of leverage in the banking sector effective from January 2019 as per the Banking Act Directions No. 12 of 2018 issued on 28 December 2018. Accordingly, the licensed banks are required to

maintain a Leverage Ratio of 3 per cent against their Tier 1 capital measure and the exposure measure ([Click Here](#)).

(d) **Share Ownership by Multilateral Financial Organisations**

Multilateral Financial Organisations (MFOs) such as the World Bank, International Finance Corporation (IFC), Asian Development Bank (ADB) and any other Multilateral Financial Organisation as approved by the Governing Board of CBSL, may acquire a material interest not exceeding 20 per cent of the issued capital carrying voting rights in a licensed specialised bank as approved by the Governing Board of CBSL subject to the condition that the material interest so acquired shall be reduced to 15 per cent within a period of 10 years from the date of stipulation.

(e) **Large Exposures:**

a) Banking Act Directions No. 01 of 2024 on “Large Exposures of Licensed Banks” was issued to mitigate the potential credit concentration risks in order to ensure safety and soundness and preserve public confidence in the banking sector which will be effective from 01.01.2026 ([Click Here](#)).

b) Large exposures shall mean those exposures of a licensed bank to an individual borrower of a group of connected borrowers, which is equal to or in excess of 10 per cent of the Tier 1 capital.

c) The maximum limit of large exposures of a licensed bank to an individual borrower as well as to a group of connected borrowers shall be 25% of Tier 1 capital.

d) The aggregate limit applicable to the total sum of the large exposures of a licensed bank to all individual and connected borrowers would be 55 per cent of the total exposures of the licensed bank to all borrowers as at the end of the immediately preceding quarter.

(f) **Maintenance of Statutory Reserve Requirement (SRR):** The proportion of rupee deposit liabilities that LCBs are required to maintain as a cash deposit with the Central Bank, is equal to 2% of the total of deposit liabilities.

(g) **Corporate Governance:** Directions Nos. 11 & 12 of 2007 on Corporate Governance for LCBs and LSBs, respectively, and the subsequent amendments are applicable. The main aspects covered are the broad responsibilities of the board of directors; the board’s composition; criteria to assess the fitness and propriety of directors; management functions delegated by the board; separation of the duties of the Chairman and the CEO; board appointed committees; and disclosure of financial statements. CBSL is currently in

the process of reviewing the Directions on Corporate Governance in line with the international regulatory standards and best practices.

(h) **Classification, Recognition and Measurement of Credit Facilities**

The Banking Act Directions No. 13 of 2021 on the Classification, Recognition, and Measurement of Credit Facilities ([Click Here](#)) & the Banking Act Directions No. 14 of 2021 on the Classification, Recognition, and Measurement of Other Financial Assets other than Credit Facilities ([Click Here](#)) were introduced to strengthen and harmonize the regulatory framework with the Sri Lanka Accounting Standard, ‘SLFRS 9: Financial Instruments’. These directions are aimed to enhance the credit governance framework and prudent banking practices, while facilitating a more accurate assessment of both current and potential risks associated with credit facilities and other financial assets of licensed banks.

(i) **Recovery Planning**

The Banking Act Directions No. 09 of 2021 on “Recovery Plans for Licensed Commercial Banks and Licensed Specialised Banks” was issued to licensed banks requiring them to maintain recovery plans to deal with shocks to capital, liquidity and all other aspects that may arise from institution specific stresses, market wide stresses, or a combination of both ([Click Here](#)).

(j) **Offshore Banking Business and Designated Foreign Currencies**

Banking Act Direction No. 02 of 2024 on “Off-shore Banking Business of Licensed Commercial Banks” ([Click Here](#)) that consists of directions on authorised businesses under off-shore banking business, eligible customers, accommodations, etc. was issued to facilitate the conduct of off-shore banking business with the implementation of the Banking (Amendment) Act, No. 24 of 2024. Further, Banking Act Order No. 01 of 2024 on Banking (Off-shore Banking Business) Order – Designated foreign currencies ([Click Here](#)) was issued determining the designated foreign currencies for the purpose of carrying on off-shore banking business by LCBs.

(k) **Establishment of Bank Branches:** All licensed banks are required to obtain the prior approval of CBSL to carry on their business in any place. Moreover, all licensed banks are required to establish a minimum of two branches outside the Western Province for each new branch established in the Western Province (Circular dated 26.05.2008 on Establishment of Bank Branches and the Circular No: 02/04/002/0015/002 dated 15.04.2015 ([Click Here](#))).

- (l) **Employment of Expatriate Staff:** The maximum number of expatriate officers permitted (Circular No. 01 of 2019 dated 04.01.2019 on Guidelines for the Employment of Expatriate Officers in Licensed Banks in Sri Lanka), *inter alia*, are as follows:
- a) For foreign banks:
 - 3 for banks whose staff strength is less than 75
 - 5 for banks with staff strength of 75 to 400
 - 10 for banks with staff strength of more than 400
 - b) For locally incorporated banks:

Permitted on a case-by-case basis taking into consideration the needs of the banks, with special attention on employing foreign experts in the fields of risk management, International Accounting Standards, risk modelling, data warehousing and information technology risk management, structuring of derivative products and corporate governance, etc.
- (m) **Rules on “Know Your Customer and Customer Due Diligence”:** In terms of the provisions of the Financial Transactions Reporting Act No.6 of 2006 (FTRA), all licensed banks are required to have detailed information on customers and the nature and sources of their financial transactions. Further, the licensed banks should report to the Financial Intelligence Unit of CBSL, all cash transactions and electronic fund transfers exceeding the threshold limit (currently Rs 1.0 Mn) or its equivalent foreign currency and all suspicious transactions relating to money laundering and terrorist financing activities.
- (n) **Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT):** Sri Lanka’s AML and CFT regime requires licensed banks to;
- a) appoint a Compliance Officer who shall be responsible for ensuring the Institution’s compliance with the requirements of FTRA,
 - b) establish and maintain procedures and systems to implement the customer identification and due diligence requirements, record keeping and retention requirements, suspicious transactions and terrorist financing monitoring requirements and regulatory reporting requirements,
 - c) ensure its officers and employees are aware of the laws relating to money laundering and financing of terrorism, train its officers, employees, and agents to recognize suspicious transactions and screen all persons before hiring them as employees,
 - d) establish an audit function to test its procedures and systems for the compliance with the provisions of relevant Acts;
 - e) In this regard, licensed banks are required to comply with:

- Conventions on the Suppression of Terrorist Financing Act No 25 of 2005 (CSTFA) as amended by Conventions on the Suppression of Terrorist Financing (Amendment) Act No 41 of 2011 and Conventions on the Suppression of Terrorist Financing (Amendment) Act No 03 of 2013
- Prevention of Money Laundering Act No 05 of 2006 (PMLA) as amended by Prevention of Money Laundering (Amendment) Act No 40 of 2011
- Financial Transactions Reporting Act No. 06 of 2006 (FTRA).

(o) **Display of Interest Rates, Exchange Rates, Service Charges, Fees and Commissions:**

All licensed banks are required to display and publish their interest rates/penal interest rates per annum (with the basis of calculation, whereas the penal interest, if any, shall be charged only for the amount in arrears during the overdue period.) on credit products, deposits & advances, per annum, and buying and selling rates for foreign currencies as well as the fees charged from customers for fund transfers for the information of the general public and shall be updated regularly to reflect the current rates in all of their banking outlets and on their respective websites.

(p) **Market Conduct and Practices for Treasury Operations:** Licensed Banks are required to adhere to the Banking Act Direction No. 6 of 2019 on Market Conduct and Practices for Treasury Operations of Licensed Banks in Sri Lanka. The main aspects covered are: policies, procedures and code of conduct for treasury operations and market risk management, risk monitoring and control framework for treasury operations, responsibilities of the board and senior management and all other staff involved, ethics and standards of market conduct, framework of limits, risk measurement and reporting, stress testing, money laundering, fraud and other criminal activities, internal controls and independent audit, qualifications of persons engaged in foreign exchange business and knowledge levels, introduction of new products, services and activities, contingency planning and sanctions on non-compliance ([Click Here](#)).

(q) **Disclosure of Financial Statements:** Licensed banks are required to adopt Sri Lanka Financial Reporting Standards (SLFRS) 9 and all disclosure of financial statements should be in line with these Standards as well as the formats provided by the Governing Board from time to time. In this regard, licensed banks are required to adhere to the Circular No. 02 of 2019 dated 18.01.2019 on “Publication of Annual and Quarterly Financial Statements and other Disclosures by Licensed Banks” ([Click Here](#)).

Further, licensed banks are required to comply with the minimum disclosure requirements under pillar III of Basel III capital standards ([Click Here](#)), disclosure requirements under

Corporate Governance and the additional disclosure requirements for domestic systemically important banks (D-SIBs) ([Click Here](#)), under the respective Directions.

(r) **Information Security Management of Licensed Banks:** Considering the rising trend in the automation of banking services and associated IT risks, licensed banks were required to comply with the Baseline Information Security Standard ([Click Here](#)) based on ISO 27000 series of international standards from 01 July 2015 onwards and are requested to submit the reports on Cyber Security Events (CSE) to Central Bank, with effect from 25 January 2016 ([Click Here](#)). Also, licensed banks are expected to meet with the minimum regulatory requirements on technology risk management and resilience as per the Banking Act Directions No. 16 of 2021 (and its amendments issued on 08.12.2023) based on the sensitivity of data, criticality of information systems, and type of information system infrastructure used ([Click Here](#)).

(s) **Sri Lanka Deposit Insurance Scheme (SLDIS):** All licensed banks were required to join the Sri Lanka Deposit Insurance Scheme with effect from 1 October 2010 (Direction No. 05 of 2010, dated 27.09.2010 on Insurance of Deposit Liabilities). Further, Part III of the Banking (Special Provisions) Act, No. 17 of 2023 provides for the establishment of the Deposit Insurance Scheme to insure the deposits made by the depositors in an institution which is a member of the Scheme in order to compensate such depositors up to any maximum amount as may be determined by the Central Bank, from time to time and establishing a system for providing appropriate financial assistance to facilitate transfer of assets and liabilities of a member institution as a resolution measure, subject to safeguards ([Click Here](#)).

The amount of compensation payable to a depositor of insured deposits will be limited up to a maximum amount of Rupees One Million and One Hundred Thousand (Rs. 1,100,000) as per the Banking (Special Provisions) Act Directions No. 01 of 2023 on “Administration and Management of the Sri Lanka Deposit Insurance Scheme” and the premium levied from licensed banks ranges between 0.10% to 0.125% per annum and it is to be paid quarterly is also included in the same Direction ([Click Here](#)).

(t) **Customer Charter:** Direction No.8 of 2011 on Customer Charter of Licensed Banks was effective from 5 October 2011. The ‘Customer Charter of Licensed Banks’, specifying the rights and obligations of licensed banks and customers, has been issued as a Directive mandating a ‘Code of Conduct’ in banking operations. Subsequently, areas pertaining to the accessibility to banking services for customers with special needs were included as an addendum to the Customer Charter through the Banking Act Direction No. 06 of 2022.

- (u) **Foreign Currency Borrowings by Licensed Banks:** Licensed banks are required to adhere to the policy framework on foreign currency borrowings stipulated by the Banking Act Directions No. 11 of 2018 ([Click Here](#)). These were introduced to address the high dependence on foreign currency borrowings, and the resulting exposure of licensed banks to foreign exchange risk, minimising the pressure on the reserves and exchange rate of the country arising from large borrowings in foreign currency.
- (v) **Financial Derivative Transactions:** In accordance with the Banking Act Directions No. 04 of 2018 ([Click Here](#)) as amended by the Banking Act Directions No. 10 of 2020 ([Click Here](#)), LCBs, which intend to engage in financial derivative transactions shall notify its interest, prior to the commencement of the initial transaction, to the Director of Bank Supervision with a copy to the Director of International Operations Department of CBSL. LSBs shall obtain the written approval of the Director of Bank Supervision to engage in each derivative transaction specified in the Direction.
- (w) **Designated Foreign Currencies:** The foreign currencies listed in the Schedule of the Banking (Offshore Banking Business Scheme) Order are determined as designated foreign currencies and the list of the same can be accessed through the weblink provided ([Click Here](#)).
- (x) **Outsourcing of Business Operations:** Licensed banks are permitted to outsource non-core operations to third-party service providers subject to meeting the requirements stipulated by the Banking Act Direction No.02 of 2012 on Outsourcing of Business Operations of a Licensed Commercial Bank and a Licensed Specialised Banks.
- (y) **Sustainable Finance:** All licensed banks shall identify and develop appropriate guidelines to conduct their business activities in a sustainable manner. Further licensed banks shall develop innovative financial solutions to support sustainable initiatives and the priority sectors identified and further details can be accessed through the web link: ([Click Here](#))
- (z) **Keeping up-to-date with the Regulations, Directions, Rules, Guidelines, Circulars and Operating Instructions issued by CBSL:** All licensed banks are required to keep up-to-date with the regulations, directions, rules, guidelines, circulars and operating instructions issued by CBSL which can be accessed through the web-link: ([Click Here](#))

6. Administrative Fines

As per the Banking Act, No. 30 of 1988, as amended by the Banking (Amendment) Act No. 24 of 2024, CBSL has been granted the power to impose administrative fines for

contravention of provisions relating to certain areas such as liquidity, capital, large exposures, share ownership, and publication of financial statements.

Accordingly, CBSL shall determine the procedure for imposing an administrative fine on a person and the amount of such fine, in proportion to the contravention so committed.

7. Off-shore banking under the Colombo Port City Economic Commission Act

As per the Colombo Port City Economic Commission Act, No. 11 of 2021, the licensing procedure to establish off-shore banking branches in the area of authority of the Colombo Port City shall be determined by the Colombo Port City Economic Commission ([Click Here](#)).

Such off-shore banking units will be permitted to carry out a range of activities within the definition of off-shore banking business as well as engage in any other transaction in designated foreign currency as envisaged by the Colombo Port City Economic Commission Act, as authorized by the Colombo Port City Economic Commission with the concurrence of the Governing Board of CBSL.

Inquiries on the establishment of off-shore banking branches in the Colombo Port City shall be made to the office of the Port City Economic Commission, Unit 901, 9th Floor, One Galle Face Tower, No. 1A, Centre Road, Colombo 02, Email: inquiries@portcity.gov.lk, Tel: +94 11 7560 006

**APPLICATION FOR A LICENCE
IN TERMS OF SECTION 3 OF THE BANKING ACT NO. 30 OF 1988 AS AMENDED, FOR THE
BANKS TO BE INCORPORATED LOCALLY**

1. Details of the promoters of the proposed bank
 - (i) Full name
 - (ii) Name with Initials
 - (iii) National Identity Card Number and Passport Number
 - (iv) Date of Birth
 - (v) Nationality
 - (vi) Occupation
 - (vii) Academic Qualifications
 - (viii) Professional Qualifications
 - (ix) Experience
 - (x) Percentage of ownership of the proposed bank
2. Name of the proposed bank:
3. The address of registered office (existing or proposed):
4. In the case of an existing company, the date of incorporation and a brief history of its business venture:
5. Please provide an ownership structure (showing all subsidiaries and associates, if any) of proposed bank and group (including holding company)
6. The objectives of establishing a bank in Sri Lanka and the contribution/benefits to the country:
7. Type of business for which licence is required:
(e.g., Licensed Commercial Bank (LCB) or Licensed Specialised Bank (LSB))
8. Amount of capital and the source of such funds:
9. The nature of shareholding and list of major shareholders with their subscriptions and sources of such funding:
10. Name of the Chief Executive Officer (CEO):
(Please attach curriculum vitae)
11. Names of other Key Management Personnel (KMPs):
(Please attach curriculum vitae)
12. Staffing of the proposed bank:
(Numbers, positions, organizational chart etc.)
13. Training facilities for officers:
(e.g., local, foreign)
14. Technological status of the proposed bank:
(e.g., extent of computerization)

15. Projections for the first 3 to 5 years :
 - (a) Deposits :
 - (b) Lending :
 - (c) Profit/Loss :
16. Plans for Branch Expansion in the first 3 years:
17. Risk management systems and processes:
18. Governance structure:
19. Any other information which may be considered relevant to this application:

Documents to be attached to the Application

1. In the case of a company to be formed for the purpose of carrying on banking business-
 - (i) a copy of the draft Articles of Association of the company to be formed or the draft Constitution or any other document associated with the formation of such company; and
 - (ii) Affidavits and declarations of the material shareholders, directors as per forms specified by the Central Bank containing the names, addresses, occupations, and qualifications of the persons proposed as directors, and if a CEO has been identified, details of such officer.
2. In the case of a company formed before the date of the application and which intends to commence banking business-
 - (i) a certified copy of the Articles of Association of such company or the Constitution or any other document associated with the formation of the company together with the proposed amendments, if any;
 - (ii) a certified copy of the Certificate of Incorporation of the company;
 - (iii) Affidavits and declarations of the material shareholders, directors as per forms specified by the Central Bank containing the names, addresses, occupations and qualifications of the directors and any directors proposed to be appointed and of CEO of such company;
 - (iii) a copy of the audited financial statements of the company for the preceding three years;
3. A feasibility report relating to the establishment of the proposed bank should be submitted with the application.
4. An organization chart (showing all subsidiaries and affiliates) of the proposed bank and any holding company with material interest or ability to exercise significant influence over the proposed bank, as the case may be.
5. Proof of payment of application fee

I, the undersigned, certify that the information and documents submitted herein are complete and true to the best of my knowledge and belief (the application should be signed by a person duly authorized by the Board of Directors and a certified copy of such authority should be enclosed with the application).

Date:

Signature of Authorized Person
(Affix Official Seal)

**APPLICATION FOR A LICENCE
IN TERMS OF SECTION 3 OF THE BANKING ACT FOR BANKS INCORPORATED
OUTSIDE SRI LANKA TO ESTABLISH A BANK IN SRI LANKA**

1. Name of Bank:
2. Address of Head Office:
3. Date and place of incorporation of Head Office:
(Describe briefly the history of the Bank including any take-over or amalgamations with other banks, credit rating, activities including areas of specialization, branches, representative offices in other countries, subsidiaries, and their business activities)
4. Names of Directors and a list of companies or other business undertakings in which the Directors have an interest and the nature of such interest:
5. List of shareholders holding more than 10 per cent of the issued shares of the Bank:
6. The proposed ownership structure of the Sri Lankan branch/subsidiary, which should include the reporting lines to the bank's head office and/or any intermediate entity exercising control over the subsidiary/branch, where applicable.
7. The Bank's ranking in terms of capital, deposits, and total assets in home country/region/globally:
8. The objectives of establishing a bank in Sri Lanka and the contribution/benefits to the country:
9. Type of business for which licence is required:
(e.g.: domestic banking, offshore banking, or both)
10. Amount of initial capital to be brought into Sri Lanka and the source of such funds:
11. Name of the CEO to be posted to Sri Lanka:
(Please attach curriculum vitae and approval of the home country supervisor)
12. Names of Key Management Personnel (KMPs):
(Please attach curriculum vitae)
13. Training facilities for officers:
(In Sri Lanka or abroad)
14. Staffing of the proposed branch/subsidiary:
(Numbers, positions, and total strength indicating number of expatriate personnel, organizational chart)
15. Are customer deposits insured in the home country? If so by whom?

16. Technological status of the proposed branch/subsidiary:
(e.g., extent of computerization)
17. Projections for the first three to five years :
 - (i) Deposits :
 - (ii) Lending :
 - (iii) Profit/Loss :
18. Plans for branch expansion in the first three years (if any):
19. Risk management systems and processes:
20. Governance structure:
21. Regulatory system and supervisory framework in home country:
 - (i) Briefly describe the banking system in your bank's home country and the functions and powers of the supervisory authority of your bank and holding company that are in accordance with internationally accepted best practices and standards. If your bank's home country issues more than one type of banking licence, please provide details on the licence that your bank operates.
 - (ii) Please describe the extent to which your bank's supervisory authority exercises consolidated supervision, including the supervisory arrangements your bank, its subsidiaries and associates are subject to in assessing your bank's overall financial condition and compliance with laws and regulations. Please also indicate if your home country's legislation allows for the exchange of information between overseas supervisory authorities.
22. Any other information which may be considered relevant to this application:

Documents to be attached to the Application¹

1. A certified copy of the Certificate of Incorporation.
2. A certified copy of the Articles of Association.
3. Copies of the audited financial statements and Annual Reports for the last three years.
4. A certified copy of a resolution passed by the Board of Directors of the Bank authorising the establishment of a branch/subsidiary in Sri Lanka.
5. A certificate issued by the relevant Monetary authority of the country stating that permission has been granted to establish a branch/subsidiary in Sri Lanka and agreement to co-operate in the supervision of the proposed branch/subsidiary in Sri Lanka, in terms of the Basel Concordat.

¹ All documents which are in a foreign language should be accompanied by a notarized English translation. The English translation should be completed by a qualified translator.

6. A written undertaking supported by a resolution passed by the Board of Directors, stating that the company or body corporate shall, on demand by the Central Bank of Sri Lanka, provide such funds as may be necessary to cover all obligations and liabilities incurred by the branch in carrying on banking business in Sri Lanka.
7. A written undertaking by the Bank to keep the Central Bank of Sri Lanka informed of any material adverse developments, including breach of legal and prudential requirements.
8. A feasibility study on establishing a branch/subsidiary in Sri Lanka.
9. Attach an organization chart of the Sri Lankan branch/subsidiary, which should include the reporting lines to the bank's Head Office (including intermediate entity, where applicable)
10. Proof of payment of application fee
11. Any other particulars or documents that may be required by the Governing Board.

I, the undersigned, certify that the information and documents submitted herein are complete and true to the best of my knowledge and belief (the application should be signed by a person duly authorized by the Board of Directors and a certified copy of such authority should be enclosed with the application).

Date:

Signature of Authorized Person
(Affix Official Seal)

**APPLICATION FOR AN APPROVAL
IN TERMS OF SECTION 12 OF THE BANKING ACT FOR THE ESTABLISHMENT OF A
REPRESENTATIVE OFFICE OF A BANK INCORPORATED OUTSIDE SRI LANKA**

1. Name of Bank:
2. Address of Head Office:
3. Current business activities of the parent bank conducted in the South Asian region:
4. Names of Directors and a list of companies or other business undertakings in which the Directors have an interest and the nature of such interest:
5. List of shareholders holding more than 10 per cent of the issued shares of the Bank:
6. The Bank's ranking in terms of capital, deposits, and total assets in home country/region/globally:
7. Date and Place of Incorporation of the Office:
(Describe briefly the history of the Bank including any take-over or amalgamations with other banks, credit rating, activities including areas of specialization, branches, representative offices in other countries, subsidiaries and their business activities)
8. The objectives of establishing a Representative Office in Sri Lanka and the contribution/benefits to the country:
9. Activities to be carried out by the proposed Representative Office and the future expansion plans, if any.
10. Name of the Chief Representative Officer (CRO) to be posted to Sri Lanka:
(Please attach curriculum vitae and approval of the home country supervisor)
11. Staffing of the proposed branch:
Number of staff (local and expatriates) to be allocated to the proposed Representative Office including the Country Head (positions and total strength indicating number of expatriate personnel and organizational chart)
12. Reporting line of the proposed Representative Office in Sri Lanka to the regional offices.
13. Proof of payment of application fee
14. Any other information which may be considered relevant to this application.

Documents to be attached to the Application

1. Specific request letter from the parent bank to open a Representative Office in Sri Lanka addressed to the Director of Bank Supervision.
2. Certified copy of the Board approval (certified copy of the board minute extract) to open a Representative Office in Sri Lanka.
3. Feasibility report along with brief history, business profile, and the global presence of the parent bank.
4. Annual audited financial statements for the last three years.
5. Certificate of Incorporation/Certificate of Corporate Existence of the parent bank.
6. Details of the board of directors and key management personnel of the parent bank.

I, the undersigned, certify that the information and documents submitted herein are complete and true to the best of my knowledge and belief (the application should be signed by a person duly authorized by the Board of Directors and a certified copy of such authority should be enclosed with the application).

Date:

Signature of Authorized Person
(Affix Official Seal)

GUIDELINES FOR PROCESSING APPLICATIONS TO ESTABLISH NEW BRANCHES/SUBSIDIARIES OF FOREIGN BANKS

- (a) In addition to the Basel Minimum Standards as set out above, CBSL would take into account the following factors:
- (i) The financial capacity and ability of the parent bank to establish an overseas presence, including the implications on its capital adequacy and liquidity.
 - (ii) The managerial capacity of the parent bank to ensure that the activities of the overseas establishment are conducted in a prudent and reputable manner.
 - (iii) The other countries where the bank has established branches/subsidiaries/offices, including the nature of the supervisory arrangements and whether there are any secrecy constraints which would inhibit effective consolidated supervision.
 - (iv) The track record, international standing, reputation and financial soundness of the applicant and its parent institutions/major shareholders. The bank should be one with a high ranking among banks in terms of assets, capital strength and soundness in the home country and in the world/region. The reason for this is that a larger bank is perhaps more likely to have reached the stage at which an overseas presence can be justified and supported on business grounds. Determination of the ranking of the bank in the home country could be based on information supplied by the bank's supervisory authority in that country. Determination of the ranking in the region could be based on ranking lists prepared and published by reputable organisations. The global reputation of the applicant bank may also be measured by its international presence e.g., number of branches with full banking authority outside the home country.
- (b) There should not be any adverse reports or information with regard to personnel comprising the management of the Head Office of the bank.
- (c) The bank should be widely owned and listed in a stock exchange authorised by the Government of the home country (except in the case of state-owned banks).
- (d) Consideration could be given as to whether any banks from the home country of the applicant bank are already represented in Sri Lanka and whether the home country would permit a Sri Lankan bank to be established in that country.

- (e) Consideration could be given as to whether the home country of the applicant foreign bank would promote financial assistance to and investments in Sri Lanka as well as promote trade between Sri Lanka and that country.