



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

26 October 2017

BANKING ACT DIRECTIONS

No. 05 of 2017

ENHANCEMENT OF MINIMUM CAPITAL REQUIREMENT OF BANKS

In terms of Sections 46(1) and 76J(1) read with Sections 19(3) and 76G, respectively, of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board has determined with the concurrence of the Minister to increase the minimum capital requirements for licensed commercial banks (LCBs) and licensed specialised banks (LSBs), respectively:

1. Empowerment under the Banking Act
 - 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB or LSB, respectively, regarding the manner in which any aspect of the business of such banks is to be conducted.
 - 1.2 In terms of the provisions of Sections 19(3) and 76G of the Banking Act, the Monetary Board may vary the amounts specified as the minimum amount of capital required to be maintained by LCBs and LSBs, respectively, having regard to the assets, liabilities and the viability and stability of the banking system and the interest of the national economy.
2. Minimum Capital Requirements
 - 2.1 Commencing 31.12.2020, the minimum capital requirement of all existing LCBs and LSBs shall be as given in Table 1:

Table 1: Minimum Capital Requirements for Banks

Type of Bank	Amount (Rs. Bn)
Locally Incorporated LCBs	20.0
Banks Incorporated Outside Sri Lanka	
– with assets over Rs.100 Bn	10.0
– with assets upto Rs.100 Bn	5.0
Locally Incorporated LSBs	7.5



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- 3. Interpretation** 3.1 Capital for this purpose shall mean the sum of the following Web Based Return Codes of Appendix I of Schedule I to the Banking Act Direction No. 01 of 2016 dated 29 December 2016 on Capital Requirements under Basel III for LCBs and LSBs.

Web Based Return Codes	Item
20.2.1.1.1.1	Equity capital or stated capital/assigned capital
20.2.1.1.1.2	Reserve fund
20.2.1.1.1.3	Published retained earnings/(Accumulated retained losses)
20.2.1.1.1.5	General or other disclosed reserves
20.2.1.1.1.6	Only unpublished current year's profit/(losses) included in this Web based return code
20.2.2.1.1.1	Qualifying additional Tier I capital instruments

- 4. Capital Planning Process** 4.1 LCBs and LSBs shall, where necessary, include capital augmentation plans to meet the above capital requirements in the annual Internal Capital Adequacy Assessment Process (ICAAP) and submit such ICAAP document to the Director of Bank Supervision.
- 5. Steps to Secure Compliance** 5.1 Where an LCB or LSB has failed to comply with these Directions, such LCB or LSB shall not pay dividends or repatriate profits or adopt any other measure that will further deteriorate the capital of such LCB or LSB until such compliance is effected and confirmed by the Director of Bank Supervision.
- 5.2 Restrictions in terms of asset growth and branch expansion will be imposed on LCBs and LSBs which are non-compliant with the above Directions.

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