



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

19 December 2019

BANKING ACT DIRECTIONS

No. 08 of 2019

**ASSESSMENT OF FITNESS AND PROPRIETY OF DIRECTORS OF
LICENSED BANKS IN SRI LANKA**

In terms of the powers conferred by Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board hereby issues these Directions to licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, on assessment of fitness and propriety of Directors and information to be submitted by the persons proposed to be appointed, elected or nominated as a Director of a licensed bank in Sri Lanka for the purpose of obtaining approval of the Director of Bank Supervision in terms of Section 42 read with Section 76H of the Banking Act.

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| 1 | Empowerment | 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 licensed bank, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| | | 1.2 In terms of Sections 42(1) and 76H of the Banking Act, no person shall be appointed, elected or nominated as a Director of a licensed bank or continue as a Director of such bank unless that person is a fit and proper person to hold office and if he is not prevented from doing so by any provision of this Act or of any other written law. |
| 2 | Information to be furnished and deadline for submission | 2.1 The person proposed to be appointed, elected or nominated as a Director of a licensed bank shall submit the original Affidavit as given in Schedule I, before such person is appointed to the designated post of a licensed bank. |



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- 2.2 The Affidavit shall be completed in line with the attached Guidelines for completing same.
- 2.3 The Company Secretary shall attest and forward the Affidavits with respect to the Directors of a licensed bank in order to assess the fitness and propriety of the proposed persons.
- 2.4 The Affidavit should be submitted under confidential cover to the Director of Bank Supervision 15 working days prior to the expected date of appointment.
- 2.5 Licensed banks shall inform the Director of Bank Supervision of the retirement/resignation/removal of Directors of a licensed bank with reasons within 3 working days of such retirement/resignation/removal.
- 3 Assessment of Fitness and Propriety
- 3.1 The Director of Bank Supervision shall assess the fitness and propriety of the proposed person based on the criteria set out in the Banking Act and the Directions issued thereunder.
- 3.2 The Director of Bank Supervision shall assess the information submitted through the Affidavit and issue a letter approving or declining to approve the proposed appointment.
- 3.3 Directors shall undertake to keep the licensed banks fully informed, as soon as possible, of all subsequent events relevant to the information provided in the Affidavit which may have an impact on the assessment of fitness and propriety.
- 3.4 The Company Secretary of the licensed bank shall notify the Director of Bank Supervision of all subsequent events



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as informed by the Directors under Direction 3.3 above within 15 days of becoming aware of such facts.

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| 4 | Re-assessments | 4.1 Continuing Directors shall submit the Affidavit annually, 15 working days before the Annual General Meeting of the respective licensed bank or by 31 st March of each year, whichever is earlier. |
| | | 4.2 Fitness and propriety of Directors will be carried out at any time where there are supervisory concerns in respect of any Director as may be determined by the Director of Bank Supervision. |
| 5 | Date of Implementation | 5.1 This Direction shall come into effect commencing 01 January 2020. |
| 6 | Revocation of Circulars | 6.1 The following Circulars issued by the Director of Bank Supervision are hereby revoked.
(i) Circular No.02/04/002/0012/002 dated 31 March 2005 on Appointment of Directors of Banks (Section 42 of the Banking Act, No. 30 of 1988 as amended)
(ii) Circular No.02/04/0012/002 dated 12 April 2005 on Appointment of Directors of Banks
(iii) Circular No.02/17/600/0017/001 dated 27 August 2010 on Appointment of Directors |

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

Assessing Fitness and Propriety of Directors of Licensed Banks

AFFIDAVIT

Section 1: Information to be submitted in terms of Sections 42 and 76H of the Banking Act, No. 30 of 1988 (As amended)



Name of the Bank:

I *(full name)*,
 holder of National Identity Card No¹. and Passport No.
of.....
 *(address)*, being a [Buddhist / Hindu/ Muslim/ Christian / Catholic/other.....
(please specify)] do hereby [solemnly, sincerely and truly declare and affirm/make oath and state
(please specify as appropriate)] as follows:

(1) I am the [affirmant / deponent] above named and I have been appointed/elected/ nominated or proposed to be appointed/elected/nominated as *(designation)* of *(name of bank)* which is a licensed commercial bank/licensed specialised bank under the Banking Act No. 30 of 1988.

(2) I state that my personal details are as follows:

2.1	(i) Name with Initials:	
	(ii) Title: Mr/Mrs/Ms/Dr/Prof/Other <i>(Please specify)</i>	(iii) Age as at date of signing the affidavit: days/months/years
	(iv) Date of Birth: dd/mm/yyyy	
	(v) Gender:	
	(vi) Civil Status:	(vii) Nationality:
		(viii) Citizenship ² :
		(ix) Local/expatriate:

¹ Not applicable for expatriates

² A Dual Citizen is required to state whether he/she should be considered as local or expatriate

2.2	Contact Details	Permanent Address:			
		Residential Address:			
	(i) Telephone	Mobile			
		Fixed line			
		Fax			
(ii) E-mail	Personal				
	Official				
2.3	Occupation or Profession:				
2.4	(i) Appointed, Elected or Nominated Post/Designation in the bank:		(ii) Date of appointment to the Post/Designation (dd/mm/yyyy)		
2.5	(i) Nature of the appointment (<i>Please mark X in relevant box(es)</i>):				
	Independent ³		Executive		Alternate
	Non-Independent		Non-Executive		Ex-officio
	Working Director		Senior Director		Other (<i>Please Specify</i>)
	(ii) If non-independent, reasons for determining as non-independent:				
	(iii) If nominated by major shareholder/s, name/s of such nominating shareholder/s:				
	(iv) If an Alternate, name of the Principal Director:				
2.6	2.6.1 Details of close relations in terms of Section 86 of the Banking Act				
	(i) Full name of the Spouse:				
	(ii) NIC No ¹ :		(iii) Passport No:		
	2.6.2 Details of dependent children				
	(i) Full Name		(ii) NIC No ¹ :	(iii) Passport No:	

(3) I state that I possess the following academic and/or professional qualification/s:

Qualifications (Academic)	Relevant discipline ⁴	Country	Name of the Institution	Year of completion
(i)				
(ii)				
Qualifications (Professional)				
(i)				

In this regard, licensed banks are required to maintain documentary evidence and shall submit such evidence as and when required by the Director of Bank Supervision.

³ In terms of Direction 3(2)(iv) of the Banking Act Direction No. 11 & 12 on Corporate Governance

⁴ (i) Banking/Finance (vii) Strategic Planning
(ii) Business /Administration (viii) Risk Management
(iii) Economics (ix) Human Resource Management
(iv) Accounting /Auditing / Financial Analysis (x) Law and Regulation
(v) Investment Management / Capital Markets (xi) Marketing
(vi) Information Technology (xii) Specific Qualifications according to the Mandate of the bank

(4) I state that the effective experience that I possess in banking, finance, business or administration or of any other relevant discipline⁴ is as follows:

Current Positions	Name of the Institution/ own business	Designation /Position	Nature of Appointm ent (as per item 2.5 as applicable)	Work Specializati on	Date of Appoin tment (dd/mm/ yyyy)	Service period (dd/mm/ yyyy to dd/mm/y yyy)
Directorships						
(i) Specified Business Entities ⁵						
(ii) Other						
Other Positions						
Previous Positions						
Directorships						
(i) Specified Business Entities ⁵						
(ii) Other						
Other Positions						

In this regard, licensed banks are required to maintain documentary evidence and shall submit such evidence as and when required by the Director of Bank Supervision.

(5) In addition to the above information, I state that I possess the following additional qualifications:

Special Assignments / Consultancy	Name of the Institution	Description	Service Period (dd/mm/yyyy to dd/mm/yyyy)
(i)			
(ii)			
Outstanding Contributions (Publications, Seminars Conducted, Research etc.)			
Topic of the Research/publication		Institute/Place	Year

⁵ In terms of the Sri Lanka Accounting & Auditing Standards Act No.15 of 1995

(6) I state that I hold/do not hold shares in licensed banks & their related companies (Subsidiaries⁶, Associates⁷ and Other Companies⁸), finance companies, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the Institution/s	Voting/Non-voting	No. of shares		Percentage holding	
		Direct	Indirect	Direct	Indirect

(7) Business Transactions

7.1. I state that I have/do not have deposits with the bank, its subsidiaries or associate companies. *(If yes, please state name of the institution/s).*

7.2. I state that I currently have/had the following business transactions during the two years immediately preceding the appointment, with the licensed banks & their related companies (Subsidiaries, Associates and Other Companies), other related parties⁹ of the licensed bank, finance companies, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the Institution/s	Date of Transaction (dd/mm/yyyy)	Amount as at dd/mm/yyyy (Rs.mn)		Classification (performing/non-performing)	Type and Value of Collateral (Rs.mn)	% of Bank's regulatory Capital
		Limit	Outstanding			
Borrowings						
<i>(i)Current</i>						
<i>(ii)Prior to appointment</i>						
Investments¹⁰						
<i>(i)Current</i>						
<i>(ii)Prior to appointment</i>						

⁶ 'Subsidiary' as defined by Section 17(3) of the Banking Act

⁷ 'Associate Company' as defined by Section 46(1) of the Banking Act

⁸ Holds a substantial interest in terms of Section 86 of the Banking Act.

⁹ 'Related parties' as defined by Section 3(7)(i) of the Banking Act Direction Nos.11 and 12 of 2007 on Corporate Governance for Licensed Banks in Sri Lanka.

¹⁰ Investments in Debt Instruments

(8) Appointments, Shareholdings and Business Transactions of Close Relations

8.1. I state the following details of my close relations presently employed as Directors, Chief Executive Officers or Officers Performing Executive Functions of any licensed bank, its related companies (Subsidiaries, Associates, and Other Companies), finance companies, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the Close Relation	Name of the Institution	Position Held

8.2. I state the following details of direct or indirect share ownership in the licensed bank, its related companies (Subsidiaries, Associates, and Other Companies), finance companies, leasing companies & primary dealers registered with/licensed by the Central Bank of Sri Lanka, if any, presently held by any close relation.

Name of the Close Relation	Name of the Institution	No. of Shares		Percentage of Holding	
		Direct	Indirect	Direct	Indirect

8.3. I state that the close relation of mine currently has/had the following business transactions with licensed banks, its related companies (Subsidiaries, Associates and Other Companies), finance companies, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka, during the two years immediately preceding my appointment.

Name of the Close Relation	Name of the Institution	Date of Transaction (dd/mm/yyyy)	Amount as at dd/mm/yyyy (Rs.mn)		Type and value of collateral (Rs mn)	% of Bank's regulatory capital
			Limit	Outstanding		
Borrowings						
Investments¹⁰						

(9) I state that there is a finding/no finding of any regulatory or supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law in Sri Lanka or abroad, to the effect that I have committed or have been connected with the commission of any act which involves fraud, deceit, dishonesty or any other improper conduct.

- (10) I state that I am subject to/not subject to an investigation or inquiry consequent upon being served with notice of a charge involving fraud, deceit, dishonesty or other similar criminal activity, by any regulatory authority, supervisory authority, professional association, Commission of Inquiry, tribunal or other body established by law, in Sri Lanka or abroad.
- (11) I state that I have been convicted /not been convicted by any Court in Sri Lanka or abroad in respect of a crime committed in connection with financial management or of any offence involving moral turpitude.
- (12) I state that I am/am not an undischarged insolvent and have been/not been declared a bankrupt in Sri Lanka or abroad.
- (13) I state that I have failed/not failed, to satisfy any judgment or order of any Court whether in Sri Lanka or abroad, or to repay a debt.
- (14) I state that I have been/not been declared by a Court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind.
- (15) I state that I have been/ not been removed or suspended by an order of a regulatory or supervisory authority from serving as a Director/Chief Executive Officer/Officer Performing Executive Functions or any other officer in a licensed bank or any other financial institution or corporate body, in Sri Lanka or abroad.
- (16) I state that I have been/not been a Director, Chief Executive Officer or have held/not held any other position of authority in any bank or financial institution –
 - (i) Whose licence has been suspended or cancelled; or
 - (ii) Which has been wound up or is being wound up, or which is being compulsorily liquidated; whether in Sri Lanka or abroad.
- (17) I state that I am aware of the provisions of the Banking Act on assessment of fitness and propriety of my position and confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the bank fully informed, as soon as possible, of all subsequent events, which are relevant to the information provided above.
- (18) I state that I am not prevented by any written law from being appointed to the above post.
- (19) I state that to the best of my knowledge I am a fit and proper person to be appointed, nominated or elected as(designation) of a licensed commercial bank/licensed specialised bank in terms of the provisions of the Banking Act.

The averments contained herein were read over to the [affirmant/deponent] who having understood the contents hereof and having accepted same as true, affirmed/swore to and placed his/her signature at on this day of(Month, Year)

.....
 Affix Stamps
 as applicable

Before me
 JUSTICE OF THE PEACE /
 COMMISSIONER FOR
 OATHS

Section 2: To be filled by the Company Secretary

1. Corporate Information

Recommendation of the Nomination Committee/Appointing Authority for Directors	
Assessment Criteria (Please specify the specific knowledge/skills considered by the Nomination Committee / Appointing Authority)	
Recommendation (Please attach minutes of the resolution/decision of the Nomination Committee/Appointing Authority)	

2. Remarks of the Board of Directors

- (1) Any other explanation / information regarding the details furnished above.
- (2) Submitted to the Board of Directors of the Bank /Approval has been granted by the Board of Directors for above appointment, nomination or election/proposed appointment, nomination or election at the meeting dated.....(dd/mm/yyyy)

Name:

Date:

**Signature of the Company Secretary and
the official stamp**

**Guidance to Duly Complete the Affidavit
to be submitted by the Directors of Licensed Banks**

This guidance is issued to ensure that sufficient and accurate information is provided by banks for assessing the fitness and propriety of Directors of licensed banks in Sri Lanka.

1. Purpose of Obtaining the Affidavit

- (i) The purpose of obtaining Affidavits of Directors of Licensed Banks (LBs) is to enable the Bank Supervision Department to assess their fitness and propriety in terms of the provisions of the Banking Act. Accordingly, the Bank Supervision Department requires comprehensive information to evaluate the qualifications, experience, integrity and compliance with other requirements specified in the Banking Act, to assess the suitability of the Directors. This Affidavit shall be the legally binding document in the event of any dispute.

2. Affidavit

- (i) It is preferable that the Affidavit is prepared as a fresh document, based on the format provided by the Bank Supervision Department, so as to avoid inclusion of unnecessary words. However, if the given format is filled, all alterations, erasures and interlineations should be initialed by the Commissioner for Oaths/Justice of the Peace immediately after all such amendments.
- (ii) All blank spaces should be completed appropriately.
- (iii) Appropriate words should be used based on the religion of the officer. If the officer refrains/objects to disclose his/her religion, a confirmation should be submitted by the officer stating that:
 - He/she is an atheist or belongs to a religion not mentioned in this Affidavit; or
 - He/she objects to disclosing his/her religion.
- (iv) Strike-out the irrelevant word(s). If the irrelevant words are stricken out, the Commissioner for Oaths/Justice of the Peace should place his initials immediately after all such amendments.
- (v) If the person is a foreigner and signs the Affidavit while overseas:
 - Signature of the person should be attested by a Commissioner for Oaths or an equivalent in the country in which he places his signature.

- Attestation should be made in front of the diplomatic or consular officer of Sri Lanka in the country where the Director resides or in terms of the laws applicable in such country.
- (vi) Affix a stamp for the value applicable as at the date of signing the Affidavit, if applicable.
- (vii) Attest by a Commissioner for Oaths/Justice of the Peace immediately after the signature of the person at 'Before me'.
- (viii) Section 2 should be filled by the Company Secretary annexing a copy of the minutes of the Nominations Committee or Approving Authority pertaining to the relevant appointment.
- (ix) In item 2(1) of Sections 2 if there is no comment, it should be stated as Not Applicable/Nil/None.