



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

23 February 2017

**FINANCE BUSINESS ACT DIRECTIONS**

**No. 02 of 2017**

**MINIMUM CORE CAPITAL**

In terms of powers conferred by sections 12 and 17 of the Finance Business Act, No. 42 of 2011, the Monetary Board issues Directions as follows on the minimum amount of core capital held by Licensed Finance Companies (LFCs) with a view to encouraging consolidation of LFCs in the interest of safety and soundness of the LFC sector.

1. Minimum core capital
  - 1.1 Every LFC shall at all times maintain an unimpaired core capital at a level not less than Rs. 400 million until 31.12.2017, and thereafter, maintain an unimpaired core capital at a level not less than the amounts stipulated below.
    - i. Rs. 1.0 billion by 01.01.2018
    - ii. Rs. 1.5 billion by 01.01.2019
    - iii. Rs. 2.0 billion by 01.01.2020
    - iv. Rs. 2.5 billion by 01.01.2021
2. Regulatory measures to secure the compliance
  - 2.1 In the event of non-compliance by an LFC with above Directions, the Director shall act on any one or more of the following.
    - i. Impose maximum ceilings on deposit liabilities and borrowings of such LFCs.
    - ii. Freeze distribution of dividends or repatriation of profits of such LFCs.
    - iii. Restrict expansion of business operations of such LFCs.
  - 2.2 The Director shall lift the above regulatory measures when such non-compliance is rectified.
3. Interpretations
  - 3.1 In these Directions,
    - i. "Core capital" shall have the same definition as given in the Finance Business Act, No. 42 of 2011.
    - ii. "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
4. Revocation of previous Direction
  - 4.1 The Finance Companies (Minimum Core Capital) Direction, No. 01 of 2011 is hereby revoked.

**Dr. Indrajit Coomaraswamy**

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