



MONETARY BOARD

CENTRAL BANK OF SRI LANKA

03 March 2017

MICROFINANCE ACT DIRECTIONS

No. 01 of 2017

OPENING, CLOSURE AND RELOCATION OF BUSINESS PLACES

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

1. Informing the Director
1.1 Licensed Microfinance Company (LMFC) shall inform the Director prior to opening a business place or closing any existing business place or effecting a change in the location of any existing business place, in any part of Sri Lanka.

2. Opening of New Business Places
2.1 LMFC shall establish a prudent policy on Business expansion and submit the Annual Business Expansion Plan (ABEP) to the Director on or before 31st January each year.
2.2 In establishing policies on ABEP as referred to in Direction 2.1 above, every LMFC shall largely consider the potential for business at the new business place, profitability, efficiency of the internal control system, redeployment of staff where surplus manpower has been identified, extension of prompt and cost-effective customer service to the clientele etc.
2.3 LMFC shall submit the information regarding the opening of new business place/s to the Director prior to such opening in accordance with the format given in Appendix I (Page No. 4 to 6).
2.4 LMFC shall submit an economic feasibility study for each business place to be opened, showing the need of financial services in the area where LMFC is applying to open a business place. Such a study shall cover, at least, the following areas;
 - i. The need of financial services in the proposed area based on the financial institutions density (Population in the Divisional Secretariat divided by Number of Branches of Financial

Institutions in the Divisional Secretariat).

- ii. Expected increase in demand for financial services in that area, and the period within which the activity of the business place will become profitable.
- iii. The financial assumptions of the applied business place, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.

- 2.5 LMFC shall ensure to obtain prior approval of its board of directors before opening of a new business place/s.
- 2.6 LMFC shall ensure to obtain appropriate clearance from the respective Government Authorities.
- 2.7 LMFC shall submit a Police Clearance Certificate for the proposed new business place.
- 2.8 LMFC shall inform the Director significant changes affecting any of the commitments, representations or projections contained in the original form of information during/after the formation and establishment of the new business place.
- 2.9 LMFC shall ensure to notify the Director the date of new business place opened within ten business days after opening.

3. Closure of
Business Places

- 3.1 LMFC shall inform the Director prior to closing of existing business places in accordance with the format given in Appendix II (Page No. 7).
- 3.2 LMFC shall ensure to obtain prior approval of its Board of Directors before closure of a business place.
- 3.3 LMFC shall ensure that no further microfinance business would thereafter be carried out at the location of the business place by LMFC after the date of closure.
- 3.4 LMFC shall ensure to notify the Director the date of business place closure within ten business days after such closure.

4. Relocation of

- 4.1 LMFC shall inform the Director prior to changing the location of

Business Places

any existing business place to the Director in accordance with the format given in Appendix III (Page No. 8).

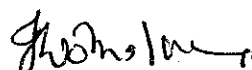
- 4.2 LMFC shall submit a police clearance certificate for the proposed new business place.
- 4.3 LMFC shall ensure to obtain prior approval of its Board of Directors for a change in the location of any existing business place.
- 4.4 LMFC shall ensure that no further microfinance business by the company would thereafter be carried out at the original location of the business place after the relocation.

5. Interpretations

In this Direction,

“Business Place” shall mean any place where a LMFC conducts microfinance business.

“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

Opening of a New Business Place

1	General			
1.1	Name of the Licensed Microfinance Company			
1.2	Date of approval of the Board of Directors for the proposed opening			
1.3	Contact Person			
a.	Name of Officer			
b.	Designation			
c.	Telephone			
d.	Email			
2	Projected Financial Information: Please provide the financial projections for next three year period of company operations, including the proposed business place/s.			
	Item	Year 1	Year 2	Year 3
2.1	Non-performing Accommodations Ratio,%			
2.2	Total Deposits, Rs. million			
2.3	Total Loans and Advances, Rs. million			
2.4	Core Capital, Rs. million			
2.5	Profit/ (Loss), Rs. million			
3	Opening of New Business places			
3.1	Number of Proposed New Business places			Total
3.2	Details of New Business Places, please provide the details of proposed business place separately as per appendix I(a)			
4	Certification			
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.			
	Name:			
	Title:			
	Signature:			
	Date:	dd/mm/yyyy		

Details of the New Business Place

1 General					
1.1	Please provide the official name to be used by the business place				
1.2	Location				
a.	Administrative District				
b.	Name of Town				
c.	Divisional Secretariat				
d.	Specify whether it is within or outside a Municipal Council/Urban Council				
e.	Postal Address, if available				
2 Staff Requirements					
2.1	Staff Grade	Clerical	Minor Staff	Security	Total
2.2	Provide the staff profiles of the proposed business place indicating their qualifications, experience and job description (submit the details on a separate annexure).				
3 Financial Information - Please provide the financial projections in the proposed business places/s for first three years					
	Item (Rs. million)	Year-1	Year-2	Year-3	
3.1	Deposits				
3.2	Loan and Advances				
3.3	Interest Income				
3.4	Interest Expenses				
3.5	Employee's Expenses				
3.6	Profit/(Loss)				
4 Information of other financial institutions operating within the Divisional Secretariat of the proposed business place to be located					
	Item				No.
4.1	Licensed Banks/branches				
4.2	Licensed Finance Companies/branches				
4.3	Specialized Leasing Companies/branches				
4.4	Licensed Microfinance Companies/business places				
	Registered Microfinance NGOs/business places				
4.5	Divineguma Community Based Banks				
5 Population of the Divisional Secretariat of the proposed Business Place					
6 Economic Feasibility Report					

	Name: Title: Signature: Date:
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Note: Please provide details in separate sheets if the proposed number of business places is more than one.

Appendix II

Closure of a Business Place

1	General	
1.1	Name of Microfinance Company	
1.2	Date of approval of the Board of Directors for the proposed closure:	
1.3	Reasons for the closure of business place	
2	Location	
2.1	Administrative District	
2.2	Divisional Secretariat	
2.3	Postal Address	
3	Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:	
4	Certification	
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	<i>Name:</i>	
	<i>Title:</i>	
	<i>Signature:</i>	
	<i>Date:</i>	

Relocation of a Business Place

1	General	
1.1	Name of Microfinance Company	
1.2	Date of Board of Directors Approval for the proposed relocation:	
1.3	Reasons for the relocation of business place	
2	Location	
2.1	Existing	
	a. Administrative District	
	b. Name of Town	
	c. Divisional Secretariat	
	d. Postal Address	
2.2	New (Proposed)	
	a. Administrative District	
	b. Name of Town	
	c. Divisional Secretariat	
	d. Postal Address	
3	Key information of the proposed relocation (Rs. million)	
3.1	Total Assets	
3.2	Loans and advances	
3.3	Other assets	
3.4	Deposits	
3.5	Total borrowings	
3.6	Other Liabilities	
3.7	No. of employees	
4	Certification	
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	
	Title:	
	Signature:	
	Date:	