



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

27 October, 2016

MICROFINANCE ACT DIRECTIONS

No. 06 OF 2016

**ASSESSMENT OF FITNESS AND PROPRIETY OF DIRECTORS AND CHIEF
EXECUTIVE OFFICER/GENERAL MANAGER**

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

1. Criteria for assessment of fitness and propriety
 - 1.1. No person shall be appointed and /or elected as a director or chief executive officer/general manager of a Licensed Microfinance Company (LMFC) or hold such position, if that person :-
 - a) does not possess academic or professional qualifications or effective experience, in microfinance business, banking, finance, law or administration or other relevant discipline;
 - b) is being subjected to any investigation or inquiry in respect of a fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body, established by law, in Sri Lanka or abroad;
 - c) has been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that such person has committed or has been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
 - d) is being subject to court proceedings or has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
 - e) has been convicted by any court for an offence involving moral turpitude;
 - f) has been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;
 - g) has failed to satisfy any judgment or order of any court to repay a debt;

- h) has been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad;
 - i) has been declared by a court of competent jurisdiction to be of unsound mind;
 - j) is a chief executive officer, director or holding any other position of authority in any licensed bank or non-bank financial institution;
 - i) whose licence or business has been cancelled or suspended on grounds of regulatory concerns; or
 - ii) which has been wound up or is being wound up or which is being compulsorily liquidated whether in Sri Lanka or abroad
 - k) is a director or an employee of another LMFC.
- 1.2. A person over the age of Seventy (70) years shall not serve as a director of a LMFC. Provided however, a director who is over the age of 70 years or who will reach the age of 70 years prior to December 31, 2016 may continue in office for a further maximum period of Three (03) years commencing from January 01, 2017.
2. Procedure to be followed in assessing the fitness and propriety
- 2.1. Each LMFC shall obtain from persons selected for appointment as a director or chief executive officer/general manager an affidavit and declaration as in Annexure I and II, respectively, and submit to the Director/Department of Supervision of Microfinance Institutions (D/DSMI).
 - 2.2. In addition to the Direction 2.1, at the time of first appointment, a letter from the former employer immediately preceding the appointment regarding the level of performance of duties assigned to him/her in the particular institution shall be submitted to D/DSMI.
 - 2.3. In respect of every continuing director, a LMFC shall obtain and submit affidavits and declarations to D/DSMI annually one month before the Annual General Meeting of the respective LMFC if such directors are nominated for re-appointment.
3. Approval of the Director
- 3.1. D/DSMI may, having regard to the matters specified in Direction 1, approve or refuse to approve the appointment or continuation, as the case may be, as a director or chief executive officer/general manager of a LMFC.
 - 3.2. D/DSMI shall notify the LMFC of such approval or refusal (giving reasons therefore, in the case of a refusal) and it shall be the duty of the LMFC to communicate such notification to the director or the chief executive officer/general manager concerned and implement the same.

4. Subsequent ineligibility to be notified
- 4.1. Every LMFC shall notify D/DSMI of any reasonable suspicions or findings to the effect that any director or chief executive officer/general manager is not a fit and proper person to hold office in the respective LMFC within fourteen days (14) of it being aware of such suspicion or findings.
- 4.2. If circumstances vary, change, render invalid, make inapplicable or falsify the information contained in an affidavit or declaration submitted by a director or chief executive officer/general manager, such person shall, within fourteen days (14), notify D/DSMI.
5. Determination by the Director at any time
- 5.1. Where D/DSMI, having regard to the matters specified in Direction 1, is satisfied at any time that a person appointed or continued is not fit and proper as a director or chief executive officer/general manager for continuation, may determine that the person is not fit and proper to be a director or chief executive officer/general manager of a LMFC and the Direction 3.2 shall be applicable thereafter.



Indrajit Coomaraswamy
Chairman of the Monetary Board
Governor of the Central Bank of Sri Lanka

Affidavit to be submitted by persons selected for appointment as directors /chief executive officer/general manager

Affidavit

I,.....(full name) holder of National Identity Card No/ Passport No.....of(address) being a Buddhist/Hindu/Christian/Catholic/Muslim do hereby solemnly, sincerely and truly declare and affirm/make oath and state¹ as follows:

1. I am the affirmant / deponent above named.
2. I am a / the(designation) /I have been selected for appointment as a/the(designation) of.....(name of the company).
3. I affirm/state that I possess the following academic and /or professional qualification/s on relevant fields:
.....
4. I affirm/state that the effective experience I possess in microfinance business, banking, finance, law or administration or other relevant discipline is as follows:
.....
5. I affirm/ state that I am not being subjected to any investigation or inquiry in respect of a fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad;
6. I affirm/ state that I have not been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that I have committed or have been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
7. I affirm/ state that I am not being subject to court proceedings or have been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
8. I affirm/ state that I have not been convicted by any court for an offence involving moral turpitude;
9. I affirm/ state that I have not been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;
10. I affirm/ state that I have not failed to satisfy any judgment or order of any court to repay a debt;
11. I affirm/ state that I have not been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad;

12. I affirm/ state that I have not been declared by a court of competent jurisdiction to be of unsound mind;
13. I affirm/ state that I am not a chief executive officer, director or holding any other position of authority in any licensed bank or non-bank financial institution;
 - (i) whose licence or business has been cancelled or suspended on grounds of regulatory concerns; or
 - (ii) which has been wound up or is being wound up or which is being compulsorily liquidated whether in Sri Lanka or abroad.
14. I affirm/ state that I am not a director or an employee of another licensed microfinance company.

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 before me at)
 on thisday of.....)

<p>Affix Stamps as Applicable</p>

Before me

**JUSTICE OF THE PEACE /
COMMISSIONER FOR OATHS**

Note:

- *Delete inapplicable words.*
- *Christians and Catholics must make oath and state and Buddhists, Hindus, Muslims and persons following any other religion must declare and affirm.*

Name of Licensed Microfinance Company:

Declaration to be submitted by directors/ chief executive officer/general manager/ person selected for such appointment (with enclosures as appropriate as of

1. Personal Details

- 1.1 Full name:
- 1.2 National Identity Card Number:
- 1.3 Passport Number:
- 1.4 Date of birth:
- 1.5 Permanent address:
- 1.6 Present address:

2. Appointment to LMFC

- 2.1 Date of appointment to the board / present position:
- 2.2 Designation:
- 2.3 Local or expatriate:
- 2.4 Annual remuneration (with details):
- 2.5 Annual value of benefits derived by director or chief executive officer/general manager and/or his/her family from company assets.
(Example by use of company land, building, vehicles, etc).
- 2.5.1 Expenses borne by the company on account of the maintenance of assets referred to in 2.5 or for reimbursement of any expenses (credit card bills, utility bills etc.)
- 2.6 Purchased value and book value of such assets and the location of immovable assets.

3. Personal Details of Relatives

- 3.1 Full name of spouse
- 3.2 National Identity Card Number:
- 3.3 Passport Number:
- 3.4 Details of dependent children:

	<i>Full name</i>	<i>NIC No.</i>	<i>Passport No.</i>
3.4.1			
3.4.2			
3.4.3			

4. Background and Experience

Name/s of institutions in which he/she is or has been a director or has been employed as the chief executive officer/general manager:

<i>Name of the institution</i>	<i>Period of office</i>	<i>Designation</i>

5. Shareholdings in LMFCs and their Related Companies

Share ownerships in LMFCs, their subsidiaries and associates, if any, presently held:

<i>Name of the institution</i>	<i>No. of shares</i>	<i>Percentage of holding</i>

6. Business Transactions

Any business transaction the director or chief executive officer or general manager or person selected such appointment presently has with the LMFC, its subsidiaries or associates (if any) and other financial institutions.

<i>Name of the institution</i>	<i>Nature of transaction</i>	<i>Amount as at DD/MM/YYYY (Rs. mn)</i>		<i>Loan Classification (performing/non-performing)</i>	<i>Collateral</i>	
		<i>Limit</i>	<i>Out- Standing</i>		<i>Type</i>	<i>Value (Rs. mn.)</i>

7. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director / chief executive officer/ general manager/persons selected such appointment in the LMFC.

DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the Licensed Microfinance Company and the Director, Department of Supervision of Microfinance Institutions of the Central Bank of Sri Lanka duly informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by any Statute from being appointed to the above post.

Date :

Signature of director/ chief executive officer/general manager/ person selected for such appointment

TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director/chief executive officer/general manager/ person selected for such appointment.

Date :

.....
Signature of the Chairman of the Board of directors