



MONETARY BOARD

CENTRAL BANK OF SRI LANKA

18 January 2016

FINANCE BUSINESS ACT DIRECTIONS

No. 1 of 2016

OPENING, CLOSURE AND RELOCATION OF BUSINESS PLACES

Issued under section 12 of the Finance Business Act, No. 42 of 2011

The Monetary Board issues Directions as follows for the opening, closure of business place and a change in the location of any existing business place of Licensed Finance Companies (LFCs).

1. Prior Approval of the Monetary Board
 - 1.1 Without the prior approval of the Monetary Board, no LFC shall open branch and Automated Teller Machine (ATM) or close any existing business place or effect a change in the location of any existing business place, in any part of Sri Lanka.
 - 1.2 Other than the fully fledged branch and ATM, no LFC shall be authorized to open other outlets.
2. Opening of New Branches/ATMs
 - 2.1 Every LFC shall ensure that appropriate board approved prudent policies on Annual Branch Expansion Plan (ABEP) are in place.
 - 2.2 In establishing policies on ABEP as referred to in Direction 2.1 above, every LFC shall largely consider the potential for business at the new branches, profitability of the proposed branches, 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 LFC shall submit application for opening of new branch/es to the Director in accordance with the application form given in Appendix 1.
 - 2.4 LFC shall submit an economic feasibility study together with application for each branch to be opened, showing the need of financial services in the area where the LFC is applying to open a branch. Such a study shall cover, at least, the following areas;
 - i. The need of financial services in the proposed area.
 - ii. Expected increase in demand for financial services in that area, and the period within which the activity of the branch will become profitable.

iii. The financial assumptions of the applied branch, 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 LFC shall ensure to obtain prior approval of its Board of Directors before submitting application for an opening of new branch/es and Automated Teller Machine/s.

2.6 LFC shall ensure to obtain the appropriate approval from the respective Government Authorities.

2.7 LFC shall ensure to inform the Director about the significant changes affecting any of the commitments, representations or projections contained in the original application during/after the formation and establishment of the new branch.

2.8 LFC shall ensure to commence business of the approved new branch within 3 months from the date of announcement of the Monetary Board decision by the Director.

2.9 LFC shall ensure to notify the Director on the date of new branch opened within ten business days after the new branch opened.

3. Closure of Business Places

3.1 LFC shall submit application for closing of existing business places to the Director at least 45 days before the expected date of the closure in accordance with the format given in Appendix II.

3.2 LFC shall ensure to obtain prior approval of its Board of Directors before submitting application for a closure of business place.

3.3 LFC shall ensure that no further finance business activities would thereafter be carried out at the existing location of business place after the effects of closure of such.

3.4 LFC shall ensure to notify the Director on the date of business place closed within ten business days after the closure.

4. Relocation of Business Places

4.1 LFC shall submit the request for effect a change in the location of any existing business place to the Director at least 45 days before the expected date of the relocation in accordance with the format given in Appendix III.

4.2 LFC shall ensure to obtain prior approval of its Board of Directors before submitting application for a change in the location of any existing

business place.

- 4.3 LFC shall ensure that no further finance business activities would thereafter be carried out at the existing location of the business place after the effects of relocation.

**5. Supervisory
Evaluation and
Approval Process
for ABEP**

In considering the ABEP, the following criteria of LFC shall largely be considered by the Monetary Board.

- i. the Strength of risk management and Corporate Governance;
- ii. the financial condition;
- iii. the level and adequacy of the capital;
- iv. the quality of assets and adequacy of provisions/impairments;
- v. the level of liquidity position;
- vi. the earning trends and future earnings prospects;
- vii. the track record of the company's adherence to prudential regulations;
- viii. the appropriateness of management information systems and technology;
- ix. the performance of the existing branches;
- x. the range of financial services offered by proposed branches; and
- xi. the convenience and needs of the community to be served.

**6. Deposit
mobilization**

Deposit mobilization shall only be conducted at branch offices.

**7. Sanctions on non-
compliance with
these Directions**

Any LFC which fails to comply with these Directions shall be guilty of an offence as per the section 25 of the Finance Business Act, No. 42 of 2011.

8. Interpretations

In this Direction,

- i "Other outlets" shall mean service centers, pawning centers, collection centers or any other outlets determined by Director.
- ii "Business place" shall mean branches, Automated Teller Machines and other outlets.
- iii "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

9. Revocation of
Previous
Directions

The following Direction and Guideline are hereby revoked.

- i The Finance Companies (Opening/Shifting/Closure of Branches/Offices) Direction No. 06 of 2005.
- ii The Finance Companies (Opening of Branches/Offices) Guideline No. 01 of 2006.



Arjuna Mahendran

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

Application Form - Opening of a New Branch

1	General						
1.1	Name of Licensed Finance Company						
1.2	Date of Board of Directors Approval obtained for the proposed opening						
1.3	Contact Person						
a.	Name of Officer						
b.	Designation						
c.	Telephone						
d.	Email						
2	Status of Existing Branches and Other Outlets (as at date of application)						
	Item	Western Province		Other Provinces		Total	
		No.	Profits/(losses)- (Rs. bn)	No.	Profits/(losses) -(Rs. bn)	No.	Profits/(losses)- (Rs. bn)
2.1	Branches						
	a. Total branches						
	b. Total loss making branches						
	c. Total new branches opened within last 3 years						
	d. Total loss making new branches opened within last 3 years						
2.2	Pawning Centers						
2.3	Automated Teller Machines						
	a. Located at branch premises						
	b. Located at other places						
2.4	Other Outlets						
3	Projected Financial Information: Please provide the financial projections for next three year period of company operations, including the proposed branches.						
	Item	Year 1		Year 2		Year 3	
3.1	Tier I Ratio, %						
3.2	Total Capital ratio, %						
3.3	Gross non-performing ratio,%						
3.4	Net non-performing ratio,%						
3.5	Total Deposits, Rs. bn						
3.6	Total Loan and Advances, Rs. bn						
3.7	Core Capital, Rs. bn						
3.8	Total Capital Base, Rs. bn						
3.9	Profit and Loss, Rs. bn						
4	Opening of New Branches						
4.1	Number of Proposed New Branches						
	Western Province		Other Provinces		Total		
4.2	Details of New Branches, please provide the details of proposed branches separately as per appendix I(a)						

5	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>	<i>dd/mm/yy</i>

7	Economic Feasibility Report
	Name: Title: Signature: Date:

Application for Closure of a Business Place

1	General			
1.1	Name of Licensed Finance Company			
1.2	Category of the proposed business place to be closed (X):			
	Branch	ATM	Pawning	
	Collection Center	Service Center	Others (specify)	
1.3	Date of Board of Directors Approval obtained for the proposed closure:			
1.4	Reasons for the closure of business place			
2	Location			
2.1	Administrative District			
2.2	Electorate			
2.3	Name of Town			
2.4	Local Government Authority			
2.5	Divisional Secretariat			
2.6	Postal Address			
3	Key information of the proposed closure (Rs.mn)			
3.1	Total Assets			
3.2	Loans and advances			
	a. Finance Leasing			
	b. Hire Purchase			
	c. Pawning			
	d. Micro finance			
	e. Others			
3.3	Other assets			
3.4	Deposits			
	a. Fixed deposits			
	b. Savings			
	c. Others			
3.5	Total borrowings			
3.6	Other Liabilities			
3.7	No. of employees			
4	Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:			
5	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:			

Application for Relocation of a Business Place

1	General				
1.1	Name of Licensed Finance Company				
1.2	Category of the proposed business place to be relocated (X):				
	Branch		ATM		Pawning
	Collection Center		Service Center		Others (specify)
1.3	Date of Board of Directors Approval obtained for the proposed relocation:				
1.4	Reasons for the relocation of business place				
2	Location				
2.1	Existing				
	a. Administrative District				
	b. Electorate				
	c. Name of Town				
	d. Local Government Authority				
	e. Divisional Secretariat				
	f. Postal Address				
2.2	New (Proposed)				
	a. Administrative District				
	b. Electorate				
	c. Name of Town				
	d. Local Government Authority				
	e. Divisional Secretariat				
	f. Postal Address				
3	Key information of the proposed relocation (Rs.Mn)				
3.1	Total Assets				
3.2	Loans and advances				
	a. Finance Leasing				
	b. Hire Purchase				
	c. Pawning				
	d. Micro finance				
	e. Others				
3.3	Other assets				
3.4	Deposits				
	a. Fixed deposits				
	b. Savings				
	c. Others				
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:				