

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.
 - 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 noncompliance 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

Name of Licensed Finance Date of Board of Directors for the proposed opening Contact Person Name of Officer Designation Telephone Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making branches	Approva	al obtained		te of application of the profits of		Total Profits/(los ses)- (Rs. bn)	
Date of Board of Directors for the proposed opening Contact Person Name of Officer Designation Telephone Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	Approva	Other Outlets (a ern Province Profits/(los	Othe	Profits/(los		Profits/(los	
for the proposed opening Contact Person Name of Officer Designation Telephone Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	es and C	Other Outlets (a ern Province Profits/(los	Othe	Profits/(los		Profits/(los	
Contact Person Name of Officer Designation Telephone Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	West	Profits/(los	Othe	Profits/(los		Profits/(los	
Name of Officer Designation Telephone Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	West	Profits/(los	Othe	Profits/(los		Profits/(los	
Designation Telephone Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	West	Profits/(los	Othe	Profits/(los		Profits/(los	
Telephone Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	West	Profits/(los	Othe	Profits/(los		Profits/(los	
Email Status of Existing Branche Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	West	Profits/(los	Othe	Profits/(los		Profits/(los	
Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	West	Profits/(los	Othe	Profits/(los		Profits/(los	
Item Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	West	Profits/(los	Othe	Profits/(los		Profits/(los	
Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making		Profits/(los		Profits/(los		Profits/(los	
Branches a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making	No.	The second second second	No.		No.		
 a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making 		SCS)- (RS. DN)		Ses) -(Rs. bn)		ses)- (Rs. bn)	
 a. Total branches b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making 							
 b. Total loss making branches c. Total new branches opened within last 3 years d. Total loss making 					1-01- B		
branches c. Total new branches opened within last 3 years d. Total loss making							
c. Total new branches opened within last 3 yearsd. Total loss making						1	
opened within last 3 years d. Total loss making				1			
years d. Total loss making							
d. Total loss making	-						
new branchag							

period of company operations including the distribution of the financial projections for next three year							
		Year 1		Year 2		Year 3	
	,						
	0						
	1						
	Na receivable		SAMPLE OF ALL V		CO PRODUCE POST		
	25015038						
				Total			
Details of New Branches,	please p	rovide the deta	ils of p	proposed branch	hes sepai	ately as per	
appendix I(a)							
	opened within last 3 years Pawning Centers Automated Teller Machines a. Located at branch premises b. Located at other places Other Outlets Projected Financial Inform period of company operation Item Tier I Ratio, % Total Capital ratio, % Gross non-performing ratio, % Net non-performing ratio, % Total Deposits, Rs. bn Total Loan and Advances, Rs. Core Capital, Rs. bn Total Capital Base, Rs. bn Profit and Loss, Rs. bn Opening of New Branches Number of Proposed New E	opened within last 3 years Pawning Centers Automated Teller Machines a. Located at branch premises b. Located at other places Other Outlets Projected Financial Information: F period of company operations, included Item Tier I Ratio, % Total Capital ratio, % Gross non-performing ratio, % Net non-performing ratio, % Net non-performing ratio, % Total Deposits, Rs. bn Total Loan and Advances, Rs. bn Core Capital, Rs. bn Total Capital Base, Rs. bn Profit and Loss, Rs. bn Opening of New Branches Number of Proposed New Branches Western Province Other P Details of New Branches, please p	opened within last 3 years Pawning Centers Automated Teller Machines a. Located at branch premises b. Located at other places Other Outlets Projected Financial Information: Please provide the period of company operations, including the propose Item Year 1 Tier I Ratio, % Total Capital ratio, % Gross non-performing ratio, % Net non-performing ratio, % Total Deposits, Rs. bn Total Loan and Advances, Rs. bn Core Capital, Rs. bn Total Capital Base, Rs. bn Profit and Loss, Rs. bn Opening of New Branches Number of Proposed New Branches Western Province Other Provinces Details of New Branches, please provide the deta	opened within last 3 years Pawning Centers Automated Teller Machines a. Located at branch premises b. Located at other places Other Outlets Projected Financial Information: Please provide the finan period of company operations, including the proposed branc Item Year 1 Tier I Ratio, % Total Capital ratio, % Gross non-performing ratio, % Net non-performing ratio, % Total Deposits, Rs. bn Total Loan and Advances, Rs. bn Core Capital, Rs. bn Total Capital Base, Rs. bn Profit and Loss, Rs. bn Opening of New Branches Western Province Other Provinces Details of New Branches, please provide the details of	opened within last 3 years Pawning Centers Automated Teller Machines a. Located at branch premises b. Located at other places Other Outlets Projected Financial Information: Please provide the financial projections period of company operations, including the proposed branches. Item Year 1 Year 2 Tier I Ratio, % Total Capital ratio, % Gross non-performing ratio, % Net non-performing ratio, % Total Deposits, Rs. bn Total Loan and Advances, Rs. bn Core Capital, Rs. bn Total Capital Base, Rs. bn Profit and Loss, Rs. bn Opening of New Branches Number of Proposed New Branches Western Province Other Provinces Total Details of New Branches, please provide the details of proposed brancle	opened within last 3 years Pawning Centers Automated Teller Machines a. Located at branch premises b. Located at other places Other Outlets Projected Financial Information: Please provide the financial projections for next operiod of company operations, including the proposed branches. Item Year 1 Year 2 Tier I Ratio, % Total Capital ratio, % Gross non-performing ratio, % Net non-performing ratio, % Total Deposits, Rs. bn Total Loan and Advances, Rs. bn Core Capital, Rs. bn Total Capital Base, Rs. bn Profit and Loss, Rs. bn Opening of New Branches Number of Proposed New Branches Western Province Other Provinces Total Details of New Branches, please provide the details of proposed branches separ	

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.				
	Title:				
	Signature:				
	Date:	dd/mm/yy			

Details of the New Branch

1	General					
	Please provide the	official				
1.1	name to be used by	the				
	branch					
1.2	Location					
a	Administrative Dis	trict				
b	Electorate					
c	Name of Town					
d	Local Government					
e	Divisional Secreta	riat				
f	Postal Address, if a					
2	No of Automated	Teller Machines	of the proposed by	ranch		
					The state of the s	
3	Staff Requirement	S				
3.1	Staff Grade	Clerical	Minor Staff	Security	Total	
	D 11 1 22					
3.2	Provide the staff project job description (sub	of the proper of the proper of the details or	osed branch indicati n a separate annexur	ing their qualifications)	ons, experience and	
ZIPI HASUSA					_	
4	Financial Informat	ion - Please prov	ide branch-only pro	ojections at year-end	d for each of the	
	first three years of o	peration				
4 1	Item (Rs. million)		Year-	-1 Year-2	Year-3	
4.1	Deposits					
4.2	Loan and Advances					
4.3	Interest Income					
4.4	Interest Expenses					
4.5	Employee's Expense	es				
4.6	Profit/(Loss)					
5	Information of othe (DS)/ Local Govern	er financial insti ament Authority	tutions operating v	vithin the Divisio	nal Secretariat	
	Item				No.	
5.1	Licensed Banks/branches					
5.2	Licensed Finance Companies/branches					
5.3	Specialized Leasing Companies/branches					
5.4	Divineguma Commu					
5.5	Rural Banks					
	Information of other	er financial inst	itutions (banks, fi	nance companies	leasing companies	
	as above) operating	within the sur	rounding area of	the proposed bra	nch to be located	
5	(Surrounding area	= 1 km from th	ne proposed branc	h in the municip	al councils 3 km	
	from the proposed	branch in the u	rban councils, 5 k	m from the propo	sed branch in the	
	divisional councils					
			-		Distance from	
	Name of the Institut	tion/s			proposed	
					branch (km)	
					1	

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

Application for Closure of a Business Place

1	General							
1.1	- I state of Stockhold I marice Company							
1.2	Category of the proposed business place to be closed (X):							
	Branch	ATM	1	Pawning				
	Collection Center		e Center	Others (spe	cify)			
1.3					city)			
1.5				r the proposed closure:				
1.4	Reasons for the closure	e of busine	ss place					
2	Location				· .			
2.1	Administrative District							
2.2	Electorate		-		-			
2.3	Name of Town							
2.4	Local Government Author	ority						
2.5	Divisional Secretariat							
2.6	Postal Address							
3	Key information of the	proposed o	closure (Rs.mi	1)	ANGEN AND THE STATE OF THE STAT			
3.1	Total Assets							
3.2	Loans and advances			(45.0)				
	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								
3.1	No. of employees Describe the actions to be taken an assets liabilities and an element of the second of the secon							
4	Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:							
5	Certification							
	The undersigned has the	The undersigned has the authority to submit this application on behalf of the company and						
	the information provided	d herein is	true and correc	ct to the best of my kn	owledge and helief			
	Name:		and deliver	the dest of my Kil	o wreage and benef.			
1	Title:				14			
	Signature:			7				
	Date:			CONTROL OF THE PARTY OF THE PAR				

Application for Relocation of a Business Place

1	General			式EAE(AE)(AE)(AE)(AE)(AE)(AE)(AE)(AE)(AE)(
1.1	Name of Licensed Finance Company						
1.2	Category of the proposed business place to be relocated (X):						
	Branch	ATM	P	awning			
	Collection	Service	0	thers			
	Center	Center	(s	pecify)			
1.3	Date of Board of Directo	ors Approval obtain	ed for the proposed i	relocation:			
1.4	Reasons for the relocation	n of business place					
1.4							
2	Location		1000 P. J. T. T.				
2.1	Existing						
2.1	a. Administrative Distri	ot					
	b. Electorate	ict -					
	c. Name of Town						
	d. Local Government						
	Authority						
	e. Divisional Secretaria	+					
	f. Postal Address						
2.2	New (Proposed)		Karing and Artist				
2.2	a. Administrative Distri	ct	See all summer and a see all summer and a see all summer and a second summer and a sec				
	b. Electorate	Ct		· · · · · · · · · · · · · · · · · · ·			
	c. Name of Town						
	d. Local Government						
	Authority						
	e. Divisional Secretaria						
	f. Postal Address			7			
3	Key information of the p	roposed 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		8 2 1				
3.4	Deposits						
-	a. Fixed deposits						
	b. Savings						
2.5	c. Others						
3.5	Total borrowings	7.1					
3.6	Other Liabilities No. of employees						
4	Certification						
-							
				on behalf of the company and the			
-	information provided here	ein is true and corre	ct to the best of my	knowledge and belief.			
-	Name:						
-	Title:						
	Signature:						
ŀ	Date:						
		L					