



CENTRAL BANK OF SRI LANKA

18 January 2016

FINANCE LEASING ACT DIRECTION

No. 1 of 2016

OPENING, CLOSURE AND RELOCATION OF BUSINESS PLACES

In terms of section 34 of the Finance Leasing Act, No. 56 of 2000, the Director is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as "Specialized Leasing Companies").

The Director issues Directions as follows for the opening, closure of business place and a change in the location of any existing business place of Specialized Leasing Companies (SLCs).

1. Prior Approval of the Monetary Board
 - 1.1 Without the prior approval of the Monetary Board, no SLC shall open branch 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, no SLC shall be authorized to open other outlets.
2. Opening of New Branches
 - 2.1 Every SLC 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 SLC 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 SLC shall submit application for opening of new branch/es to the Director in accordance with the application form given in Appendix 1.
 - 2.4 SLC 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 SLC 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 SLC shall ensure to obtain prior approval of its Board of Directors before submitting application for an opening of new branch/es.

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

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

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

3.4 SLC 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 SLC 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 SLC 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 SLC shall ensure that no further 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 SLC 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. Issuing of Debt Instruments

Issuing of debt instruments shall be only carried out at branches.

7. Business Hours

No SLC shall close any of its business places for business on any day, which is not a holiday declared by the Ceylon Chamber of Commerce, without the prior approval in writing of the Director.

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 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 Finance Leasing (Opening/Shifting/Closure of Branches/ Business Places) Direction No. 03 of 2010 is hereby revoked.



U P Alawattage

Director, Department of Supervision of Non-Bank Financial Institutions Central Bank of Sri Lanka

Application Form - Opening of a New Branch

1	General						
1.1	Name of Specialized Leasing 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 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 Borrowings, 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 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>

Details of the New Branch

1	General				
1.1	Please provide the official name to be used by the branch				
1.2	Location				
a	Administrative District				
b	Electorate				
c	Name of Town				
d	Local Government Authority				
e	Divisional Secretariat				
f	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 branch indicating their qualifications, experience and job description (submit the details on a separate annexure).				
3	Financial Information - Please provide branch-only projections at year-end for each of the first three years of operation				
	Item (Rs. million)	Year-1	Year-2	Year-3	
3.1	Borrowings				
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 (DS)/ Local Government Authority of the proposed branch to be located				
	Item				No.
4.1	Licensed Banks/branches				
4.2	Licensed Finance Companies/branches				
4.3	Specialized Leasing Companies/branches				
4.4	Divineguma Community Based Banks				
4.5	Rural Banks				
5	Information of other financial institutions (banks, finance companies, leasing companies as above) operating within the surrounding area of the proposed branch to be located. (Surrounding area = 1 km from the proposed branch in the municipal councils, 3 km from the proposed branch in the urban councils, 5 km from the proposed branch in the divisional councils				
	Name of the Institution/s				Distance from proposed branch (km)
6	Economic Feasibility Report				

	Name: Title: Signature: Date:
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Application for Closure of a Business Place

1	General			
1.1	Name of Specialized Leasing Company			
1.2	Category of the proposed business place to be closed (X):			
	Branch	Pawning	Others (specify)	
	Collection Center	Service Center		
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	Borrowings			
	a. Debt instruments			
	b. Others			
3.5	Other Liabilities			
3.6	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 Specialized Leasing Companies				
1.2	Category of the proposed business place to be relocated (X):				
	Branch		Pawning		Others
	Collection Center		Service Center		(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	Total borrowings				
3.5	Other Liabilities				
3.6	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:				

