Directions, Rules, Determinations, Notices, and Guidelines

Applicable to Licensed Finance Companies and Specialised Leasing Companies

Department of Supervision of Non-Bank Financial Institutions
CENTRAL BANK OF SRI LANKA

DIRECTIONS, RULES, DETERMINATIONS, NOTICES, AND GUIDELINES APPLICABLE TO LICENSED FINANCE COMPANIES AND SPECIALISED LEASING COMPANIES

Inclusive of amendments made up to 30th November 2013

Department of Supervision of Non-Bank Financial Institutions

November 2013
Disclaimer

Every effort has been made to ensure the accuracy of the text. The Central Bank of Sri Lanka does not hold itself responsible for any errors, omissions or inadvertent alterations in any manner.
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PREFACE

The Monetary Law Act (Chapter 422) established the Central Bank of Sri Lanka (CBSL) as the authority responsible for the administration, supervision and regulation of the monetary, financial and payment system of Sri Lanka. By the same Act, CBSL has been charged with the objectives of economic and price stability and financial system stability, with a view to encouraging and promoting the development of the productive resources of Sri Lanka.

In order to regulate the finance business and the finance leasing business and thereby to ensure the orderly function of the financial system, Finance Business Act, No. 42 of 2011 (FBA) and the Finance Leasing Act, No. 56 of 2000 (FLA) have been enacted. In terms of the FBA the Monetary Board is empowered to issue directions, rules, determinations, notices and guidelines to Licensed Finance Companies (LFCs) and the Director of the Department of Supervision of Non-Bank Financial Institutions is empowered under the FLA to issue directions to the Registered Finance Leasing Establishments (RFLEs).

All such directions, rules, determinations, notices and guidelines currently applicable to finance business and finance leasing business are presented in this book for the convenience of LFCs, RFLEs, their auditors and other stakeholders.
### Acronyms

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<th>Acronym</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>APG</td>
<td>Asia Pacific Group of Money Laundering</td>
</tr>
<tr>
<td>BCP</td>
<td>Business Continuity Plan</td>
</tr>
<tr>
<td>CBSL</td>
<td>Central Bank of Sri Lanka</td>
</tr>
<tr>
<td>CDD</td>
<td>Customer Due Diligence</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CRIB</td>
<td>Credit Information Bureau</td>
</tr>
<tr>
<td>CSE</td>
<td>Colombo Stock Exchange</td>
</tr>
<tr>
<td>CTRs</td>
<td>Cash Transactions Reports</td>
</tr>
<tr>
<td>D/SNBFI</td>
<td>Director, Department of Supervision of Non-Bank Financial Institutions</td>
</tr>
<tr>
<td>EDB</td>
<td>Export Development Board</td>
</tr>
<tr>
<td>EFTs</td>
<td>Electronic Fund Transfer Reports</td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
</tr>
<tr>
<td>FBA</td>
<td>Finance Business Act</td>
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<tr>
<td>FIU</td>
<td>Financial Intelligence Unit</td>
</tr>
<tr>
<td>FL</td>
<td>Finance Leasing</td>
</tr>
<tr>
<td>FTRA</td>
<td>Financial Transactions Reporting Act</td>
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<tr>
<td>IFA</td>
<td>Investment Fund Account</td>
</tr>
<tr>
<td>ISSP</td>
<td>Information System Security Policy</td>
</tr>
<tr>
<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>LC</td>
<td>Letter of Credit</td>
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<td>LCBs</td>
<td>Licensed Commercial Banks</td>
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<td>LFCs</td>
<td>Licensed Finance Companies</td>
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<tr>
<td>LSBs</td>
<td>Licensed Specialised Banks</td>
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<tr>
<td>MD</td>
<td>Managing Director</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organization</td>
</tr>
<tr>
<td>NIC</td>
<td>National Identity Card</td>
</tr>
<tr>
<td>NRFC</td>
<td>Non-Resident Foreign Currency Account</td>
</tr>
<tr>
<td>NRRA</td>
<td>Non-Resident Rupee Account</td>
</tr>
<tr>
<td>PEPs</td>
<td>Politically Exposed Persons</td>
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<tr>
<td>REPO</td>
<td>Repurchase Agreement</td>
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<td>RFCs</td>
<td>Registered Finance Companies</td>
</tr>
<tr>
<td>RFLE</td>
<td>Registered Finance Leasing Establishment</td>
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<td>RGFC</td>
<td>Resident Guest Foreign Currency Account</td>
</tr>
<tr>
<td>RNNFC</td>
<td>Resident Non-National Foreign Currency Account</td>
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<tr>
<td>RTGS</td>
<td>Real Time Gross Settlement</td>
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<tr>
<td>RWCA</td>
<td>Risk Weighted Capital Adequacy</td>
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<td>SLCs</td>
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<td>Department of Supervision of Non-Bank Financial Institutions</td>
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<td>Suspicious Transactions Reports</td>
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<td>Worldwide Inter Bank Financial Telecommunication</td>
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<td>Value Added Tax</td>
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<td>WBRC</td>
<td>Web Based Return Code</td>
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Part I
Licensed Finance Companies
FINANCE COMPANIES (APPLICATION)
RULE NO. 1 OF 2012

1. This Rule may be cited as the Finance Companies (Application), Rule No.1 of 2012 and shall apply to every applicant company seeking for licence to carry on finance business in terms of sections 5(3)(a) or 5(7) of the Finance Business Act, No.42 of 2011.

2. Every application for a licence by a company shall be made in ‘Form SNBFI/LFC/A’ of the schedule hereto, which is available on-line in the Central Bank website; http://www.cbsl.gov.lk and shall come into operation with effect from the date of this Rule.

3. Every applicant company shall pay a non-refundable application fee of Rs. 100,000/- at the time of submitting the application form to the Department of Supervision of Non-Bank Financial Institutions.

4. The Register of finance companies licensed under this act shall be maintained substantially in ‘Form B1’ of the schedule hereto.

5. Companies (Registration and Licensing), Rule No.1 of 2005 and Finance Companies (Registration and Licensing-Amendment), Rule No.1 of 2010 are hereby revoked.

This Rule was made by the Monetary Board on 27 February 2012 under section 16 of the Finance Business Act, No.42 of 2011 and published in the Government Gazette (Extraordinary) No. 1760/17 dated 31 May 2012.
APPLICATION FOR A LICENCE UNDER
THE FINANCE BUSINESS ACT, NO. 42 OF 2011

For office use

Applicant : .........................................................................................
Date of receipt of Application : ..............................................................
Evaluation fee : ...................................................................................
Remarks : ............................................................................................

Important
Any person who submits information in this application, which is false, incomplete or incorrect shall be guilty of an offence under section 5(9) of the Finance Business Act, No.42 of 2011, punishable under section 56(2) of the said Act.

Instructions
(1) Basic requirements to obtain a licence to carry on finance business under the Finance Business Act, No. 42 of 2011 are given at Schedule I.

(2) A non-refundable application fee of Rs. 100,000/- should be paid on submission of this application.

(3) All applications should be typewritten or written in clear block letters.

(4) If the space provided to give full details pertaining to the relevant item of the application is not adequate, please use a separate sheet of paper wherever necessary. Such sheets should carry a cross reference to the relevant item. If an item is not applicable it must be clearly stated.

(5) (a) Every page of the completed application including annexures should be initialed by at least two Directors.

(b) All documents and statements (except audited accounts) submitted with the application should be certified as true and accurate by at least two Directors.

(6) Completed application signed by all members of the Board of Directors of the applicant company along with the other required documents set out in Schedule II should be submitted to:

The Director
Department of Supervision of Non-Bank Financial Institutions
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha,
Colombo 01
Sri Lanka
APPLICATION FOR A LICENCE UNDER THE
FINANCE BUSINESS ACT, NO. 42 OF 2011

To : The Monetary Board of the Central Bank of Sri Lanka
Central Bank of Sri Lanka
Colombo 01.

...........................................................................................................................................

(Name of the Company)

of ...........................................................................................................................................

(Address)

...........................................................................................................................................

do hereby apply to the Monetary Board of the Central Bank of Sri Lanka for a licence in terms of the provisions of the Finance Business
Act, No. 42 of 2011. The following information and documents are furnished in support of the application.

Part 1

1. General Information of the Company

1.1 Date of incorporation as a company : –

1.2 Date of commencement of business : –

1.3 Address of : –

1.3.1 Registered Office : –

1.3.2 Head/Administrative Office : –

1.3.3 Branch Office(s) : –

<table>
<thead>
<tr>
<th>Location</th>
<th>District</th>
<th>Province</th>
<th>Contact Details</th>
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1.4 Financial year of the company : –

1.5 Description of the main lines of business : –

.................................................................
.................................................................
.................................................................

1.6. Listing with the Colombo Stock Exchange :

1.6.1 Whether the company is a listed company. If so, since when?

1.6.2 If not listed, expected date of listing?

1.7 Shareholding Structure of the Applicant Company as at the date of application :

1.7.1 Total number of shares : –

1.7.2 Number of shareholders : –
1.7.3 Names of the ten major shareholders:

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>No. of Shares</th>
<th>% of Issued Share Capital</th>
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1.8 Names and addresses of the company’s bankers:

……………………………………………………………………………………………………………………………………

1.9 Name, address and contact details of the Secretary of the company:

……………………………………………………………………………………………………………………………………

1.10 Auditors (External):

1.10.1 Name of the Auditor, Address and Contact Details:

……………………………………………………………………………………………………………………………………

1.10.2 Since which financial year has the said auditor audited the company?

……………………………………………………………………………………………………………………………………

1.10.3 Whether any of the partners/directors of the audit firm is a shareholder of the company. (If yes please give details)

……………………………………………………………………………………………………………………………………

1.10.4 Audit fees paid for the last three financial years (Rs. million):

……………………………………………………………………………………………………………………………………

1.10.5 Any financial accommodation granted to the audit firm or a partner/director of the firm. (If yes please give details.)

……………………………………………………………………………………………………………………………………

1.11 Auditors (Internal):

1.11.1 Name of the authority to which the internal auditor reports:

……………………………………………………………………………………………………………………………………

1.11.2 State whether the internal audit function is outsourced.

……………………………………………………………………………………………………………………………………

1.11.3 State the following details:

1.11.3.1 Name of the internal auditor (If outsourced please state address and contact details):

……………………………………………………………………………………………………………………………………

1.11.3.2 Qualifications and experience:

……………………………………………………………………………………………………………………………………

1.11.3.3 Number of years of service in the company:

……………………………………………………………………………………………………………………………………

1.11.4 Total staff available to the internal auditor and their qualifications:

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifications</th>
<th>No. of years in service</th>
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(4)
2. Core Capital\(^1\) confirmed by the company’s external auditor

(As at end of the last three financial years and at end of the month immediately preceding the month in which the application is made.)

<table>
<thead>
<tr>
<th>(Rs. `000)</th>
<th>20...</th>
<th>20...</th>
<th>20...</th>
<th>As at......</th>
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<td>2.1.1 Ordinary Shares/Common Stock (Voting)</td>
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<td>2.1.2 Ordinary Shares/Common Stock (Non-voting)</td>
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<td>2.2</td>
<td>Issued and fully paid up non-cumulative non-redeemable Preference Shares</td>
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<td>2.3</td>
<td>General reserves and other free reserves</td>
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<td>2.4</td>
<td>Accumulated profit or loss as shown in last audited statement of accounts</td>
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<td>2.5</td>
<td>Unpublished current year’s profits/(losses) subject to certification by the company’s external auditor</td>
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<tr>
<td>2.6</td>
<td>Core Capital (sum from 2.1 to 2.5)</td>
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</table>

2.7 If the company has revalued its assets, please indicate the following.

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>Location</th>
<th>Cost</th>
<th>Date of revaluation</th>
<th>Surplus/Deficit</th>
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</thead>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

2.7.1 Certified copy of each Valuation Report of revalued properties.

3. Board of Directors

<table>
<thead>
<tr>
<th>Full Name of Director (Please begin with the name of the Chairman)</th>
<th>Residential Address</th>
<th>Date of Birth</th>
<th>NIC No.</th>
<th>Passport No.</th>
<th>Date of appointment to the applicant company</th>
<th>No. of years he/she has been a Director in the applicant company</th>
<th>For Office use</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Part II

4. State whether the company is a subsidiary or an associate of another company or a member of a group of companies:

4.1 If so please provide the detail of the Holding Company in the format given at SNBFI/LFC/HC:

4.2 Please submit the audited annual accounts of the Holding Company for the past three years:

\(^1\) Definition given in section 74 of the Finance Business Act, No. 42 of 2011.
5. Please provide the details of the related parties as per the following format:

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Equity Investments</th>
<th>Inter Company</th>
<th>Any Other Exposures</th>
<th>Nature of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost (Rs. '000)</td>
<td>Shareholding (%)</td>
<td>Current Account Receivables</td>
<td>(Please Specify)</td>
</tr>
</tbody>
</table>

Own Subsidiaries
(i)  
(ii)  
(iii)  

Own Associates
(i)  
(ii)  
(iii)  

Other investee entities
(i)  
(ii)  
(iii)  

Any other related party
(i)  
(ii)  
(iii)  

5.1 Names of the Board of Directors and quantum of shares held by them in respective related companies:

5.2 Please provide the audited accounts of the related company/companies for the last financial year:

Part III – duplicate

6. If the company has been engaged in lending, please give details as at the date of the application, as per the format below:

6.1 Lending to related parties

<table>
<thead>
<tr>
<th>Item</th>
<th>No. of A/Cs</th>
<th>Granted Value (Rs. '000)</th>
<th>Interest &amp; Other Charges Accrued (Rs. '000)</th>
<th>Interest &amp; Other Charges held in Suspense as at end of last financial year (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii.</td>
<td></td>
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<tr>
<td>iii.</td>
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</tr>
<tr>
<td>iv.</td>
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<tr>
<td>v.</td>
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<tr>
<td>vi.</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2/ A company which is the holding company, subsidiaries or associates of the holding company, subsidiaries or associates of the holding company’s holding company, subsidiaries, associates of the applicant company or a company which is a member of the group in which the applicant company is a member.

3/ Relative shall mean the spouse and dependent child of such individuals.
6.2 Accommodation by the company to related parties. Please provide the following details for each entity separately:

<table>
<thead>
<tr>
<th>Name of the Related Party</th>
<th>Relationship</th>
<th>Type of Facility</th>
<th>Amount Granted</th>
<th>Amount Outstanding</th>
<th>Collateral Provided</th>
<th>Date of Granting Loans</th>
<th>Annual Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6.3 Asset Quality

<table>
<thead>
<tr>
<th>Product</th>
<th>Performing Loans</th>
<th>Non-Performing Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 – 6 months in arrears</td>
<td>6 – 12 months in arrears</td>
<td>Over 12 months in arrears</td>
</tr>
<tr>
<td></td>
<td>No. of Accounts</td>
<td>Amount Outstanding (Rs. '000)</td>
<td>No. of Accounts</td>
</tr>
<tr>
<td>Term Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Lease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire Purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pawning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Borrowers of Applicant Company exceeding 10% of shareholder funds as per last audited accounts:

<table>
<thead>
<tr>
<th>Name of Borrower</th>
<th>Amount Granted (Rs. '000)</th>
<th>Annual Interest Rate (%)</th>
<th>Date of Granting Loans</th>
<th>Nature of Security</th>
<th>Amount Outstanding (as at the date of application) (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i.</td>
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<td></td>
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<tr>
<td>ii.</td>
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<td></td>
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<tr>
<td>iii.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2. Group of Borrowers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i.</td>
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<td></td>
<td></td>
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<tr>
<td>ii.</td>
<td></td>
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<tr>
<td>iii.</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

4/ As defined in section 5 above.
8. **Borrowings by the company as at the date of application:**

(Please provide details of individual borrowings as per below categories.)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount Received (Rs. ‘000)</th>
<th>Annual Interest Rate (%)</th>
<th>Date of Receipt of the Loan</th>
<th>Nature of Security</th>
<th>Amount Outstanding (as at the date of application) (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. From Banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i.</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>ii.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. From Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. From other sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i.</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>ii.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>iii.</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. **Off-balance Sheet Items of the applicant company as at the date of application:**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Date given</th>
<th>Value (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees given on behalf of Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guarantees given on behalf of subsidiaries and associates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guarantees given on behalf of others (Please specify)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any other off-balance sheet liabilities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. **Lending Rates / Charges during one year period prior to the date of application:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Lending rates (Range) (annual)</th>
<th>Default Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 12 months</td>
<td>12 months</td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire Purchase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Lease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pawning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Products</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We declare that we have taken note of the contents of section 5(9) of the Finance Business Act, No.42 of 2011 and we declare that the particulars stated in this application have been verified and are complete in all respects, and that the information is to our knowledge and belief true and accurate.

For and on behalf of ………………………………………………………………………………………………………

(Applicant Company)

Names of Directors    Signatures

Date: ……………………

(Common seal of the company)
Schedule I

Basic Requirements for licensing under the Finance Business Act, No. 42 of 2011

1. To be eligible to be licensed as a finance company an applicant company;
   a. Should be a company registered under the Companies Act, No. 07 of 2007
   b. Should not be a company limited by guarantee, a private company, an offshore company or an overseas company within the meaning of the Companies Act, No. 07 of 2007.

2. Should have a minimum core capital of Rs. 400 million as per the Finance Companies (Minimum Core Capital), Direction No. 01 of 2011.

Schedule II

The following documents should be submitted along with the application form

1. A certified copy of the Certificate of Incorporation.
2. Confirmation from the Auditors on the availability of core capital.
3. Articles of Association of the company or Memorandum and Articles of Association of the company.
4. Certified copy of each of the latest forms filed with the Registrar of Companies regarding the registered address, list of directors and the annual return (Forms 13, 15 and 20).
5. Affidavits and declarations of the directors as per Forms SNBFI/A1, SNBFI/D1, SNBFI/A2 and SNBFI/D2.
6. Organization Chart of the applicant company.
9. Projections of deposits, lending and other operations and profit and loss for the first 03 years of operation after obtaining licence.
10. Board of Directors’ assessment of the company’s ability to comply with the Directions issued and Rules made under the Finance Companies Act, No. 78 of 1988 and Finance Business Act, No.42 of 2011.
11. Audited financial statements for the last three financial years and financial statements as at end of the month immediately preceding the month in which the application is made.
12. A certified copy of the Auditor’s confidential letter to the Board of Directors at the completion of their audit for the last financial year.
13. Tax clearance certificate issued by the Inland Revenue Department.

If an existing company acts as the promoter of the applicant company the format given at SNBFI/LFC/P is needed to be submitted along with the following additional documents.

15. Resolution passed by the Board of Directors to form a new company for the purpose of carrying on finance business, with an issued and paid up share capital of not less than the minimum required core capital.
16. Audited annual accounts of the promoting company for the last 3 years.
1. General Information of the Promoting Company

1.1 Date of incorporation as a company: –

1.2 Date of commencement of business: –

1.3 Address of:
   
   1.3.1 Registered Office: –
   
   1.3.2 Head/Administrative Office: –
   
   1.3.3 Branch Office(s): –

1.4 Description of the main lines of business: –

1.5 Shareholding Structure of the Promoting Company:

   1.5.1 Names of the ten major shareholders:

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>No. of Shares</th>
<th>% of Issued Share Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Board of Directors

<table>
<thead>
<tr>
<th>Full Name and Address of Director (Please begin with the name of the Chairman)</th>
<th>Date of Birth</th>
<th>Qualifications</th>
<th>Experience</th>
<th>NIC No.</th>
<th>Passport No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

We declare that the particulars stated in the form SNBFI/LFC/P have been verified and are complete in all respects, and that the information is to our knowledge and belief true and accurate.

For and on behalf of …………………………………………………………………………………………………………

(Promoting Company)

Names of Directors                  Signatures

Date: ………………………

(Common seal of the company)
Form on Holding Company’s Details

1. General Information of the Holding Company

1.1 Date of incorporation as a company: –

1.2 Date of commencement of business: –

1.3 Address of:

   1.3.1 Registered Office: –

   1.3.2 Head/Administrative Office: –

   1.3.3 Branch Office(s): –

1.4 Description of the main lines of business: –

1.5 Shareholding Structure of the Holding Company:

   1.5.1 Names of the ten major shareholders:

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>No. of Shares</th>
<th>% of Issued Share Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Board of Directors

<table>
<thead>
<tr>
<th>Full Name and Address of Director (Please begin with the name of the Chairman)</th>
<th>Date of Birth</th>
<th>Qualifications</th>
<th>Experience</th>
<th>NIC No.</th>
<th>Passport No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We declare that the particulars stated in the form SNBFI/LFC/HC have been verified and are complete in all respects, and that the information is to our knowledge and belief true and accurate.

For and on behalf of ………………………………………………………………………………………………………………………………

(Holding Company)

Names of Directors    Signatures

Date: ……………………

(Common seal of the company)
Name of the Applicant Company: .................................................................

Affidavit to be submitted by Directors in the Applicant Company

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 and I am a / the ...........................................(designation)

of ................................................................. (name of the applicant company).

2. I [affirm / state] that I possess the following academic and / or professional qualification/s:

.................................................................................................................................

3. I [affirm / state] that the effective experience that I possess in banking, finance, business or administration

or of any other relevant discipline is as follows:

.................................................................................................................................

4. I [affirm / state] that I am not subjected to any disqualifications given in Annex 1, annexed hereto as part

and parcel of this Affidavit.

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 at

......................... on this

......................... day of

.........................

Affix Stamps as applicable

Before me

JUSTICE OF THE PEACE /
COMMISSIONER FOR OATHS

¹/ Delete the inapplicable words.

Buddhists, Hindus, Muslims and persons following any other religion must solemnly, sincerely and truly declare and affirm,

Christians and Catholics must make oath and state.

(12)
Annex I

Disqualifications under Section 21 of the Finance Business Act, No. 42 of 2011 and Section 2.1 of the Finance Companies
(Assessment of Fitness and propriety of Directors and officers performing executive functions)
Direction No. 3 of 2011

1. A person shall be disqualified from being appointed or elected, as a director of a finance company if such person—

(a) does not possess academic or professional qualifications or effective experience in banking, finance, business or administration or of any other relevant discipline;

(b) (i) 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;

(ii) has been found guilty in respect of an act of fraud, deceit, dishonesty or other similar criminal activity, by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, at any time during the period of fifteen years immediately prior to being so appointed or elected;

(iii) 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 fraud, deceit, dishonesty, improper conduct or non-compliance with any Statute or rules, regulations, directions or determinations issued thereunder.

(c) has failed to satisfy any judgment or order of any court or to repay a debt;

(d) has been convicted in any court in Sri Lanka or abroad for an offence involving moral turpitude;

(e) has been convicted by any court for any offence under the Finance Business Act, No.42 of 2011 or the Companies Act, No.07 of 2007;

(f) is a person against whom action has been taken by the Board under section 51 of the Finance Business Act, No.42 of 2011;

(g) (i) is being subject to court proceedings for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;

(ii) has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity at any time during the period of fifteen years immediately prior to being so appointed or elected;

(h) has been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive or other officer in any bank, finance company or corporate body in Sri Lanka or abroad;

(i) has been determined by the Board –

(1) as having carried on finance business –

(a) in contravention of subsection (1) of section 2 of the Finance Business Act; or

(b) in contravention of subsection (1) of section 2 of the Finance Companies Act, No.78 of 1988 (prior to its repeal); or

(ii) as having accepted deposits in contravention of subsection (2) of section 2 of the Finance Business Act; or
(j) has been a director, chief executive or held any other position of authority in any body corporate or unincorporate body which the Board has determined as having carried on finance business in contravention of subsection (1) of section 2 of this Act or subsection (1) of section 2 of the Finance Companies Act, No.78 of 1988 (prior to its repeal) or having accepted deposits in contravention of subsection (2) of section 2 of the Finance Business Act.

(k) has been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;

(l) has been declared by a court of competent jurisdiction to be of unsound mind;

2. If the Monetary Board so determines, any person who has been a director, chief executive officer or held any other position of authority in any bank, finance company or financial institution whose licence or registration has been cancelled, shall be disqualified from being appointed or elected as the case may be, as a director, chief executive officer, secretary or key management personnel/officer performing executive functions of a finance company or from holding such post.

3. Any person, who acts as a director, chief executive officer, secretary or key management personnel of a finance company while being under any disqualification set out in subsection (1) of Section 21 of the Finance Business Act, shall be guilty of an offence under the said Act.

4. In addition to the above, criteria set out in Section 5 of the Direction No.3 of 2008 on Corporate Governance for Finance Companies shall also be applicable to a director of a finance company.
Name of the Applicant Company: …………………………………………………………………………………

Affidavit to be submitted by Directors selected for appointment in a Applicant Company

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 and I have been selected for appointment as
   a / the ………………………..(designation) of …………………………………………………………………………………(name
   of the applicant company).

2. I [affirm / state] that I possess the following academic and / or professional qualification/s:
   ……………………………………………………………………………………………………………………………

3. I [affirm / state] that the effective experience that I possess in banking, finance, business or administration
   or of any other relevant discipline is as follows:
   ……………………………………………………………………………………………………………………………

4. I [affirm / state] that I am not subjected to any disqualifications given in Annex 1, annexed hereto as part
   and parcel of this Affidavit.

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 at
………………….. on this
………………….. day of
…………………..

Before me

JUSTICE OF THE PEACE /
COMMISSIONER FOR OATHS

1/ Delete the inapplicable words.

Buddhists, Hindus, Muslims and persons following any other religion must solemnly, sincerely and truly declare and affirm,
Christians and Catholics must make oath and state.
Annex I

Disqualifications under Section 21 of the Finance Business Act, No. 42 of 2011 and
Section 2.1 of the Finance Companies
(Assessment of Fitness and propriety of Directors and officers performing executive functions)
Direction No. 3 of 2011

1. A person shall be disqualified from being appointed or elected, as a director of a finance company if such person—

(a) does not possess academic or professional qualifications or effective experience in banking, finance, business or administration or of any other relevant discipline;

(b) (i) 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;

(ii) has been found guilty in respect of an act of fraud, deceit, dishonesty or other similar criminal activity, by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, at any time during the period of fifteen years immediately prior to being so appointed or elected;

(iii) 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 fraud, deceit, dishonesty, improper conduct or non-compliance with any Statute or rules, regulations, directions or determinations issued thereunder.

(c) has failed to satisfy any judgment or order of any court or to repay a debt;

(d) has been convicted in any court in Sri Lanka or abroad for an offence involving moral turpitude;

(e) has been convicted by any court for any offence under the Finance Business Act, No.42 of 2011 or the Companies Act, No.07 of 2007;

(f) is a person against whom action has been taken by the Board under section 51 of the Finance Business Act, No.42 of 2011;

(g) (i) is being subject to court proceedings for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;

(ii) has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity at any time during the period of fifteen years immediately prior to being so appointed or elected;

(h) has been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive or other officer in any bank, finance company or corporate body in Sri Lanka or abroad;

(i) has been determined by the Board—

(i) as having carried on finance business—

(a) in contravention of subsection (1) of section 2 of the Finance Business Act; or

(b) in contravention of subsection (1) of section 2 of the Finance Companies Act, No.78 of 1988 (prior to its repeal); or

(ii) as having accepted deposits in contravention of subsection (2) of section 2 of the Finance Business Act; or
(i) has been a director, chief executive or held any other position of authority in any body corporate or unincorporate body which the Board has determined as having carried on finance business in contravention of subsection (1) of section 2 of this Act or subsection (1) of section 2 of the Finance Companies Act, No.78 of 1988 (prior to its repeal) or having accepted deposits in contravention of subsection (2) of section 2 of the Finance Business Act.

(j) has been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;

(k) has been declared by a court of competent jurisdiction to be of unsound mind;

2. If the Monetary Board so determines, any person who has been a director, chief executive officer or held any other position of authority in any bank, finance company or financial institution whose licence or registration has been cancelled, shall be disqualified from being appointed or elected as the case may be, as a director, chief executive officer, secretary or key management personnel/officer performing executive functions of a finance company or from holding such post.

3. Any person, who acts as a director, chief executive officer, secretary or key management personnel of a finance company while being under any disqualification set out in subsection (1) of Section 21 of the Finance Business Act, shall be guilty of an offence under the said Act.

4. In addition to the above, criteria set out in Section 5 of the Direction No.3 of 2008 on Corporate Governance for Finance Companies shall also be applicable to a director of a finance company.
Declaration to be submitted by Directors in the Applicant Company

1. Personal Details
   1.1 Full name: .................................................................
   1.2 National Identity Card Number: ...........................................
   1.3 Passport Number: ........................................................
   1.4 Local or Expatriate: ......................................................
   1.5 Date of birth: ...............................................................
   1.6 Permanent address: ....................................................... 
   1.7 Present address: ...........................................................

2. Appointment to the Applicant Company
   2.1 Date of appointment as a Director: .....................................
   2.2 Designation: ............................................................... 
   2.3 Annual remuneration (with details): ...................................
   2.4 Annual value of benefits derived by director and/or his/her family from company assets: ......... 
      (Example by use of company land, building, vehicles, etc.).
   2.4.1 Annual value of expenses borne by the company on account of maintenance of assets referred to in 2.4 or for reimbursement of any expenses (credit card bills, utility bills etc.)
   2.4.2 Purchased value and book value of assets referred to in 2.4 and the location of immovable assets:

3. Personal Details of Relatives
   3.1 Full name of spouse: ...................................................... 
   3.1.1 National Identity Card No.: .......................................... 
   3.1.2 Passport Number: ...................................................... 
   3.2 Details of dependant children: .......................................... 
      
<table>
<thead>
<tr>
<th></th>
<th>Full name</th>
<th>NIC No.</th>
<th>Passport No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ If the space provided is not adequate please annex a separate sheet of paper giving full details, with a cross reference to the relevant item.
4. **Background and Experience**

4.1 Names of companies/societies/body corporates in which the director presently is a director or is employed as an officer performing executive functions\(^2/\) :

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

4.2 Names of companies/societies/body corporates in which the director has been a director or has been employed as an officer performing executive functions :

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Period of office</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
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<td></td>
</tr>
</tbody>
</table>

5. **Shareholdings in Licensed Finance Companies and their Related Companies**

Share ownerships in licensed finance companies, their holding companies, subsidiaries and associates, if any, presently held :

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>No. of shares</th>
<th>Percentage holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Direct</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^2/\) See definition at the end
6. **Business Transactions**

Any business transaction the director presently has with the applicant company, its holding company, subsidiaries or associates, if any:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Date of transaction</th>
<th>Amount as at (Rs. '000)</th>
<th>Classification (performing/non-performing)</th>
<th>Type and value of collateral (Rs. '000)</th>
<th>% of the finance company's Capital Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Loans and such other accommodation obtained:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Date of transaction</th>
<th>Amount as at (Rs. '000)</th>
<th>Classification (performing/non-performing)</th>
<th>Type and value of collateral (Rs. '000)</th>
<th>% of the finance company's Capital Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Investments (Promissory Notes / Commercial Paper etc.) made:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Date of transaction</th>
<th>Amount as at (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Deposits:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Date of transaction</th>
<th>Amount as at (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. **Appointments, Shareholdings and Business Transactions of Relatives**

7.1 Any relative/s presently employed as a director or an officer performing executive functions in any finance company.

<table>
<thead>
<tr>
<th>Name of the finance company</th>
<th>Full name of the relative</th>
<th>Position held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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3/ “Business Transaction” shall mean any accommodations, investments and deposits.

4/ See definition at the end.
7.2 Direct or indirect share ownership in the finance company, if any, presently held by any relative of the director/an officer performing executive functions:

<table>
<thead>
<tr>
<th>Full name of the relative</th>
<th>No. of Shares</th>
<th>Percentage holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
</tr>
</tbody>
</table>

7.3 Any business transaction, any relative of the director currently has with the applicant company:

<table>
<thead>
<tr>
<th>Full Name of the relative</th>
<th>Nature of business transaction</th>
<th>Date of transaction</th>
<th>Limit as at .......... (Rs. '000)</th>
<th>Outstanding as at .......... (Rs. '000)</th>
<th>Type and value of collateral (Rs. '000)</th>
<th>% of Applicant Company’s paid-up capital</th>
</tr>
</thead>
</table>

8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of a director in a licensed finance company.

DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the applicant company and the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka duly informed, as soon as possible, all subsequent changes 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/Chairman in the Applicant Company

TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS WITH REFERENCE TO DIRECTORS

Any other explanation/information considered relevant in assessing the suitability of the director to be a director in a licensed finance company.

Date: ……………

Signature of the Chairman of the Board of Directors and the official stamp
Definitions

1. Officers performing executive functions in a finance company are as follows:
   i. Chief Executive Officer/General Manager
   ii. Additional General Manager
   iii. Senior Deputy General Manager
   iv. Deputy General Manager
   v. Assistant General Manager
   vi. Chief Operating Officer
   vii. Chief Risk Officer
   viii. Chief Accountant
   ix. Chief Financial Officer
   x. Chief Internal Auditor
   xi. Compliance Officer
   xii. Head of Treasury
   xiii. Head of Legal
   xiv. Head of Information Technology
   xv. Company Secretary
   xvi. Officers serving as consultants or advisors to the board of directors of the finance companies
   xvii. Officers involving authorizing credit, decisions on assets and marketing of products of the respective finance company

2. Relative shall mean the spouse or dependent child of such individual.
Name of the Applicant Company: ………………………………………………………………………………………………………

Declaration to be submitted by Directors selected for appointment in the Applicant Company¹/ 

1. Personal Details
1.1 Full name: ……………………………………………………………………………………………………………………………
1.2 National Identity Card Number: …………………………………………………………………………………………………
1.3 Passport Number: …………………………………………………………………………………………………………………
1.4 Local or Expatriate: …………………………………………………………………………………………………………………
1.5 Date of birth: …………………………………………………………………………………………………………………………
1.6 Permanent address: …………………………………………………………………………………………………………………
1.7 Present address: ………………………………………………………………………………………………………………………

2. Appointment to the Applicant Company
2.1 Proposed date of appointment as a Director: ………………………………………………………………………………………
2.2 Proposed Designation: …………………………………………………………………………………………………………………
2.3 Annual remuneration to be paid (with details): ………………………………………………………………………………………
2.4 Annual value of benefits that would be derived by the director, selected for appointment, and/or his/her family from company assets: …………………………………………………………………………………………………………………………………………………………………

(Example by use of company land, building, vehicles, etc.)

2.4.1 Annual value of expenses offered to be borne by the company on account of maintenance of assets referred to in 2.4 or for reimbursement of any expenses (credit card bills, utility bills etc.)

……………………………………………………………………………………………………………………………………………………………………

2.4.2 Purchased value and book value of assets referred to in 2.4 and the location of immovable assets:

……………………………………………………………………………………………………………………………………………………………………

3. Personal Details of Relatives
3.1 Full name of spouse: …………………………………………………………………………………………………………………
3.1.1 National Identity Card No.: ……………………………………………………………………………………………………………
3.1.2 Passport Number: …………………………………………………………………………………………………………………
3.2 Details of dependant children:

<table>
<thead>
<tr>
<th>Full name</th>
<th>NIC No.</th>
<th>Passport No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹/ If the space provided is not adequate please annex a separate sheet of paper giving full details, with a cross reference to the relevant item.
4. **Background and Experience**

4.1 Names of companies/societies/body corporates in which the director selected for appointment presently is a director or is employed as an officer performing executive functions:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Designation</th>
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</thead>
<tbody>
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<tr>
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<td></td>
</tr>
</tbody>
</table>

4.2 Names of companies/societies/body corporates in which the director selected for appointment presently has been a director or has been employed as an officer performing executive functions:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Period of office</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

5. **Shareholdings in Licensed Finance Companies and their Related Companies**

Share ownerships in licensed finance companies, their holding companies, subsidiaries and associates, if any, presently held:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>No. of shares</th>
<th>Percentage holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
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</tr>
</tbody>
</table>

2/ See definition at the end
6. **Business Transactions**³

Any business transaction the director, selected for appointment, presently has with the applicant company, its holding company, subsidiaries or associates, if any:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Date of transaction</th>
<th>Amount as at ………………… (Rs. ’000)</th>
<th>Classification (performing/non-performing)</th>
<th>Type and value of collateral (Rs. ’000)</th>
<th>% of the finance company’s Capital Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Limit</td>
<td>Outstanding</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Loans and such other accommodation obtained

Investments (Promissory Notes / Commercial Paper etc.) made:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Date of transaction</th>
<th>Amount as at ………………… (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Deposits:

<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Date of transaction</th>
<th>Amount as at ………………… (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. **Appointments, Shareholdings and Business Transactions of Relatives**⁴

7.1 Any relative/s presently employed as a directors or an officer performing executive functions, in any licensed finance company.

<table>
<thead>
<tr>
<th>Name of the finance company</th>
<th>Full name of the relative</th>
<th>Position held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

³/ “Business Transaction” shall mean any accommodations, investments and deposits.

⁴/ See definition at the end.
7.2 Direct or indirect share ownership in applicant company, if any, presently held by any relative of the director selected for appointment:

<table>
<thead>
<tr>
<th>Full name of the relative</th>
<th>No. of Shares</th>
<th>Percentage holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7.3 Any business transaction, any relative of a director selected for appointment currently has with the applicant company:

<table>
<thead>
<tr>
<th>Full Name of the relative</th>
<th>Nature of business transaction</th>
<th>Date of transaction</th>
<th>Limit as at December 31, 20XX (Rs. '000)</th>
<th>Outstanding貸方 (Rs. '000)</th>
<th>Type and value of collateral (Rs. '000)</th>
<th>% of Applicant Company’s paid-up capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of a director, selected for appointment, in a licensed finance company.

DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the applicant company and the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka duly informed, as soon as possible, all subsequent changes 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/Chairman
selected for appointment, in the Applicant Company

TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS WITH REFERENCE TO DIRECTOR SELECTED FOR APPOINTMENT

Any other explanation/information considered relevant in assessing the suitability of the director selected for appointment to be a director in a licensed finance company.

Date: ……………

Signature of the Chairman of the Board of Directors
and the official stamp
**Definitions**

1. Officers performing executive functions in a finance company are as follows:
   i. Chief Executive Officer/General Manager
   ii. Additional General Manager
   iii. Senior Deputy General Manager
   iv. Deputy General Manager
   v. Assistant General Manager
   vi. Chief Operating Officer
   vii. Chief Risk Officer
   viii. Chief Accountant
   ix. Chief Financial Officer
   x. Chief Internal Auditor
   xi. Compliance Officer
   xii. Head of Treasury
   xiii. Head of Legal
   xiv. Head of Information Technology
   xv. Company Secretary
   xvi. Officers serving as consultants or advisors to the board of directors of the finance companies
   xvii. Officers involving authorizing credit, decisions on assets and marketing of products of the respective finance company

2. Relative shall mean the spouse or dependent child of such individual.

---

**Form B1**

Register of Licensed Finance Companies
(In terms of Section 16 of the Finance Business Act, No.42 of 2011)

<table>
<thead>
<tr>
<th>Name of Finance Company</th>
<th>Registered Address</th>
<th>Date of Licence under the Finance Business Act</th>
<th>Licence No.</th>
<th>Remarks</th>
<th>Signature of the Secretary to the Monetary Board</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>
FINANCE COMPANIES (ANNUAL LICENSE FEE)
RULE NO. 2 OF 2012

1. This Rule may be cited as the Finance Companies (Annual License Fee), Rule No.2 of 2012 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011.

2. The license fee payable by a finance company in the year of licensing shall be Rs. 500,000/- from the date of this Rule and shall be paid to the Central Bank of Sri Lanka on or before the date of licensing.

3. Every finance company licensed under the Finance Business Act, No.42 of 2011 shall pay an annual license fee applicable for the year 2013 and every subsequent year to the Central Bank of Sri Lanka on or before 31st December of the preceding calendar year, as set out below based on the total assets as shown in the audited balance sheet as at end of the preceding financial year;

<table>
<thead>
<tr>
<th>Total Assets</th>
<th>Annual License Fee (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs.1 billion or below</td>
<td>300,000/-</td>
</tr>
<tr>
<td>Above Rs.1 billion up to Rs.5 billion</td>
<td>500,000/-</td>
</tr>
<tr>
<td>Above Rs.5 billion up to Rs.10 billion</td>
<td>750,000/-</td>
</tr>
<tr>
<td>Over Rs.10 billion</td>
<td>1,000,000/-</td>
</tr>
</tbody>
</table>

This Rule was made by the Monetary Board on 27 February 2012 under section 16 of the Finance Business Act, No.42 of 2011 and published in the Government Gazette (Extraordinary) No. 1760/17 dated 31 May 2012.

FINANCE COMPANIES (CAPITAL FUNDS)
DIRECTION NO. 1 OF 20031/

1. This Direction may be cited as Finance Companies (Capital Funds) Direction No.1 of 2003, and shall apply to every finance company registered under the Finance Companies Act, No.78 of 1988 as amended by Act No.23 of 1991, and shall come into operation with effect from 01 July 2003.

2. Every finance company shall maintain capital funds which shall not at any time be less than ten (10) per cent of its total deposit liabilities.

3. Every finance company shall:
   (a) maintain a reserve fund; and
   (b) transfer to such reserve fund out of the net profits of each year, after due provision has been made for Taxation and Bad and Doubtful Debts:
       (i) so long as the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits;
       (ii) so long as the capital funds are less than twenty five (25) per cent of total deposit liabilities, but not less than ten (10) per cent thereof, a sum equal to not less than twenty (20) per cent of the net profits; and
       (iii) so long as the capital funds are less than ten (10) per cent of the total deposit liabilities, a sum equal to not less than fifty (50) per cent of the net profits.

4. In this Direction:
   (i) “capital funds” shall have the same meaning as contained in the definition in section 46 of the Finance Companies Act, No.78 of 1988;

1/ This Direction was issued by the Monetary Board of the Central Bank of Sri Lanka by revoking the Finance Companies (Capital Funds) Direction No. 9 of 1991 which was made on 16 September 1991 and published in the Government Gazette (Extraordinary) No. 680/11 dated 18 September 1991.
1. This Direction may be cited as the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006 and shall apply to every finance company registered under the Finance Companies Act, No. 78 of 1988 as amended by Act No. 23 of 1991, and shall come into operation with effect from 01 February 2006.

2. For the purpose of computing the capital adequacy ratio of finance companies, the constituents of capital shall be:

   (i) Tier 1 – Core capital: representing permanent shareholders’ equity (paid-up shares/common stock) and reserves created or increased by appropriations of retained earnings or other surpluses, i.e., share premia, retained profits and other reserves; and

   (ii) Tier 2 – Supplementary capital: representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt, such as, hybrid capital instruments and unsecured subordinated term debt.

3. Every finance company shall, subject to the provisions of the Finance Companies (Minimum Core Capital) Direction No. 1 of 2006, at all times, maintain its capital (adjusted for the items that may be specified by the Director) at a level not less than 10 per cent of its risk weighted assets with the core capital constituting not less than 5 per cent of its risk weighted assets, computed as per instructions issued by the Director.

4. Every finance company shall furnish to the Director:

   (i) A return in respect of each quarter, on the format given in the instructions issued under paragraph 3 within thirty days from the end of each quarter;

   (ii) A return based on the audited balance sheet as at the end of the each financial year, on the same format given for the quarterly return, referred to in sub paragraph 4(i) above, within six months from the end of each financial year.

5. In this Direction “the Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

6. The Finance Companies (Capital Funds) Direction No. 9 of 1991 is hereby revoked.

This Direction was made by the Monetary Board on 23 June 2003 under the Finance Companies Act, No. 78 of 1988 and published in the Government Gazette (Extraordinary) No. 1295/35 dated 6 July 2003.

FINANCE COMPANIES (RISK WEIGHTED CAPITAL ADEQUACY RATIO) DIRECTION NO. 2 OF 2006

1. This Direction may be cited as the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006 and shall apply to every finance company registered under the Finance Companies Act, No. 78 of 1988 as amended by Act No. 23 of 1991, and shall come into operation with effect from 01 February 2006.

2. For the purpose of computing the capital adequacy ratio of finance companies, the constituents of capital shall be:

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   (ii) Tier 2 – Supplementary capital: representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt, such as, hybrid capital instruments and unsecured subordinated term debt.

3. Every finance company shall, subject to the provisions of the Finance Companies (Minimum Core Capital) Direction No. 1 of 2006, at all times, maintain its capital (adjusted for the items that may be specified by the Director) at a level not less than 10 per cent of its risk weighted assets with the core capital constituting not less than 5 per cent of its risk weighted assets, computed as per instructions issued by the Director.

4. Every finance company shall furnish to the Director:

   (i) A return in respect of each quarter, on the format given in the instructions issued under paragraph 3 within thirty days from the end of each quarter;

   (ii) A return based on the audited balance sheet as at the end of the each financial year, on the same format given for the quarterly return, referred to in sub paragraph 4(i) above, within six months from the end of each financial year.

5. In this Direction “the Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

6. The Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2003 is hereby revoked.

This Direction was made by the Monetary Board on 30 January 2006 under the Finance Companies Act, No. 78 of 1988 and published in the Government Gazette (Extraordinary) No. 1430/11 dated 31 January 2006.

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(ii) “total deposit liabilities” mean the average of a finance company’s month-end deposit liabilities during the final three months of the financial year, for the purpose of para 3(b) of this Direction.

5. The Finance Companies (Capital Funds) Direction No.9 of 1991 is hereby revoked.

This Direction was made by the Monetary Board on 30 January 2006 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.1295/35 dated 6 July 2003.

---

1/ This Direction was issued by the Monetary Board of the Central Bank of Sri Lanka by revoking the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.2 of 2003 which was published in the Government Gazette (Extraordinary) No. 1294/24 dated 25 June 2003.
INSTRUCTIONS ISSUED UNDER FINANCE COMPANIES
(RISK WEIGHTED CAPITAL ADEQUACY RATIO)
DIRECTION NO. 2 OF 2006*

SECTION A

General Instructions
1. Every finance company shall furnish to the Director, the following returns, as required in sub-paragraphs (i) & (ii) of paragraph 4 of the Direction—

<table>
<thead>
<tr>
<th>Return No.</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) SNBFI/RWCA/RETURN 1 :</td>
<td>Certification</td>
</tr>
<tr>
<td>(ii) SNBFI/RWCA/RETURN 2 :</td>
<td>Computation of Total Risk Weighted Assets</td>
</tr>
<tr>
<td>(iii) SNBFI/RWCA/RETURN 3 :</td>
<td>Conversion of off-balance sheet items into on-balance sheet equivalents</td>
</tr>
<tr>
<td>(iv) SNBFI/RWCA/RETURN 4 :</td>
<td>Computation of Capital Base</td>
</tr>
<tr>
<td>(v) SNBFI/RWCA/RETURN 5 :</td>
<td>Computation of Risk Weighted Capital Adequacy Ratios</td>
</tr>
</tbody>
</table>

2. The returns referred to in (1) above, are to be furnished on the specimen formats given in Section B.

3. Definitions and clarifications that will be necessary for completing the returns referred to in (1) above are given in Section C.

* The last revision was on 15 March 2007.

SECTION B

SNBFI/RWCA/RETURN 1

QUARTERLY/ANNUAL RETURN ON RISK WEIGHTED CAPITAL ADEQUACY RATIO OF FINANCE COMPANIES IN SRI LANKA AS AT …………………

……………………………………………………………………………………………………………………………………………………………………
(Name of the Finance Company)

We certify that —

(1) to the best of our knowledge and belief, these returns provide true and correct information;

(2) The capital adequacy ratio at any time during the quarter/financial year under review was not less than that determined in terms of Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.2 of 2006.

……………………………………………………………………………………………………………………………………………………………………
Officer in Charge of Accounts / Finance  Chairman / Managing Director

……………………………………………………………………………………………………………………………………………………………………
Name  Name

Date: ………………………  Date: ………………………

Note: A finance company which is not in a position to make the declaration given in (2) above relating to any particular quarter, is required to submit additional returns for the first two months of the respective quarter together with the quarterly return.
QUARTERLY/ANNUAL RETURN ON RISK WEIGHTED CAPITAL ADEQUACY RATIO OF FINANCE COMPANIES IN SRI LANKA
AS AT ………………………………………….

(Name of the Finance Company)

(In Rupees Thousand)

<table>
<thead>
<tr>
<th>Code</th>
<th>On-Balance Sheet Assets Item</th>
<th>(1) Principal Amount of On-Balance Sheet Item</th>
<th>(2)* Credit Equivalent of Off-Balance Sheet Items (B/F from SNBFI/RWCA/RETURN 3)</th>
<th>(3) Total Risk Weight (% )</th>
<th>(4)</th>
<th>(5) Total Risk Weighted Assets Amount (3)x(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Cash in hand &amp; bank balances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02.</td>
<td>Fixed Deposits with other institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02.01</td>
<td>Fixed Deposits with Banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02.02</td>
<td>Fixed Deposits with licensed finance companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03.</td>
<td>Due from Central Bank of Sri Lanka</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04.</td>
<td>Treasury Bills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05.</td>
<td>Other Government Securities/Central Bank Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06.</td>
<td>Securities guaranteed by the Government of Sri Lanka</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07.</td>
<td>Investments (excluding items deducted from total capital)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>08.</td>
<td>Loans and Advances: **</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.01</td>
<td>Against Fixed Deposits held with the company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.02</td>
<td>Against item 2 above</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.03</td>
<td>Against items 3 – 6 above</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.04</td>
<td>Loans against gold and gold jewellery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.04.01</td>
<td>Less than 10% in total advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.04.02</td>
<td>Between 10% to 50% in total advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.04.03</td>
<td>Greater than 50% in total advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.05</td>
<td>Staff loans secured by provident fund balances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.06</td>
<td>Loans against sales of real estate on an instalment payment basis (SRE Loans)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08.06.01</td>
<td>Performing SRE Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>08.06.02</td>
<td>Non-performing SRE Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>08.07</td>
<td>Other loans &amp; advances (Other than specified above)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>09.</td>
<td>Fixed Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Other Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Credit equivalents of off-balance sheet items computed in Column 3 of SNBFI/RWCA/RETURN 3 should be recorded in this column against the appropriate on-balance sheet items. For example if a general guarantee is fully secured by a fixed deposit, the credit equivalent of such guarantee should be recorded against the on-balance sheet item ‘Loans against Fixed Deposits.’

** Should be net of specific provisions and interest in suspense.
The document provides a quarterly/annual return on risk-weighted capital adequacy ratio of finance companies in Sri Lanka as at a specific date. It details the off-balance sheet asset items, their principal and credit amounts, and their conversion factors.

### Table: Off-Balance Sheet Asset Items

<table>
<thead>
<tr>
<th>Code</th>
<th>Off-Balance Sheet Asset Item</th>
<th>(1) Principal Amount of Off-Balance Sheet Item</th>
<th>(2) Credit Conversion Factor (%)</th>
<th>(3)* Credit Equivalent of Off-Balance Sheet Items (1) x (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.</td>
<td>Direct Credit Substitutes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.01</td>
<td>General Guarantees of Indebtedness</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.02</td>
<td>Stand-by LCs serving as Financial Guarantees</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.03</td>
<td>Others (please specify)</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Transaction-related Contingencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.01</td>
<td>Performance Bonds, Bid Bonds &amp; Warranties</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.02</td>
<td>Stand-by LCs related to particular transactions</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.03</td>
<td>Others (please specify)</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Sale and Repurchase Agreement and Sale of Assets with Recourse where the credit risk remains with the Company</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Partly paid Shares/Securities</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Obligations under an on-going underwriting Agreement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.01</td>
<td>Underwriting of Shares/Securities Issue</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.02</td>
<td>Others (please specify)</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.01</td>
<td>Formal stand-by facilities and Credit Lines</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.02</td>
<td>Undrawn Term Loans</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.03</td>
<td>Undrawn Credit lines</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.04</td>
<td>Others (please specify)</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Other commitments with an original maturity of over one year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.01</td>
<td>Formal stand-by facilities and credit lines</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.02</td>
<td>Undrawn Term Loans</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.03</td>
<td>Others (please specify)</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* To be carried forward to SNBFI/RWCA/RETURN 2
QUARTERLY/ANNUAL RETURN ON RISK WEIGHTED CAPITAL ADEQUACY RATIO OF FINANCE COMPANIES IN SRI LANKA
AS AT …………………………………...

(Name of the Finance Company)

(In Rupees Thousand)

<table>
<thead>
<tr>
<th>Code</th>
<th>Constituents of Capital</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Issued and Paid-up Ordinary Shares/Common Stock</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Non-cumulative, Non-redeemable Preference Shares</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Share Premium</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Statutory Reserve Fund</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>General and Other free Reserves</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Published Retained Profits/(Accumulated Losses)</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Surplus/Loss after tax arising from the sale of fixed and long-term investments</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Unpublished Current Year’s Profits/(Losses)</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Sub Total</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td><strong>Deductions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Goodwill</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td><strong>TOTAL TIER 1 CAPITAL</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>Constituents of Capital</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Eligible Revaluation Reserves</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>General Provisions</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Approved hybrid (debt/equity) Capital instruments</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Approved Unsecured Subordinated Term Debt (Actual amount is ……………..)</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td><strong>TOTAL TIER 2 CAPITAL</strong></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Eligible Tier 2 Capital</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td><strong>TOTAL CAPITAL</strong></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td><strong>Deductions</strong></td>
<td></td>
</tr>
<tr>
<td>38.01</td>
<td>Equity Investments in unconsolidated financial and banking subsidiaries (………..)</td>
<td></td>
</tr>
<tr>
<td>38.02</td>
<td>Investments in capital of other Financial Associates/Banks (…………..)</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td><strong>CAPITAL BASE</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Limits:**

1. General Provisions should not exceed 1.25 per cent of Risk Weighted Assets.
2. Approved Unsecured Subordinated Term Debt is limited to 50 per cent of Total Tier 1 Capital.

**NB:** The actual amount of the unsecured subordinated debt should be reported.

3. The total of Tier 2 Supplementary Elements should not exceed a maximum of 100 per cent of Tier 1 Elements.

(33)
QUARTERLY/ANNUAL RETURN ON RISK WEIGHTED CAPITAL ADEQUACY RATIO OF FINANCE COMPANIES IN SRI LANKA AS AT ……………………………..

(Name of the Finance Company)

(In Rupees Thousand)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.</td>
<td>Total Tier 1 (Core Capital)</td>
<td></td>
</tr>
<tr>
<td>39.</td>
<td>Capital Base</td>
<td></td>
</tr>
<tr>
<td>40.</td>
<td>Total Risk Weighted Assets</td>
<td></td>
</tr>
</tbody>
</table>

**CORE CAPITAL RATIO**

\[
\text{Core Capital} \times 100 = \ldots \text{ (Required minimum level 5%)}
\]

**TOTAL RISK WEIGHTED CAPITAL RATIO**

\[
\frac{\text{Capital Base}}{\text{Risk Weighted Assets}} \times 100 = \ldots \text{ (Required minimum level 10%)}
\]
SECTION C

DEFINITIONS AND CLARIFICATIONS

C 1: ON-BALANCE SHEET ITEMS

01. CASH IN HAND AND BANK BALANCES
Notes and coins which are the legal tender in Sri Lanka and the credit balances in current and savings accounts of licensed commercial banks (LCBs) and savings accounts of licensed specialised banks (LSBs) and licensed finance companies (LFCs).

02. FIXED DEPOSITS WITH OTHER INSTITUTIONS

02.01 Fixed Deposits with banks
Fixed deposits maintained with LCBs and LSBs.

02.02 Fixed Deposits with LFCs
Note: A 100 per cent risk weight should be assigned to the deposits with any financial institution whose business activities have been suspended by the Central Bank of Sri Lanka (CBSL).

03. DUE FROM CENTRAL BANK OF SRI LANKA
Any amount due from CBSL.

04. TREASURY BILLS
Holdings of Treasury bills issued by CBSL.

05. OTHER GOVERNMENT SECURITIES/CENTRAL BANK SECURITIES
Holdings of Sri Lankan Government Securities other than Treasury bills – eg: Treasury bonds, Rupee loans etc. and Central Bank securities.

06. SECURITIES GUARANTEED BY THE GOVERNMENT OF SRI LANKA
Holdings of securities guaranteed by the Government of Sri Lanka.

07. INVESTMENTS
Investments in equity or other capital instruments in quoted or unquoted companies as reported in the balance sheet that are not deducted from the total capital in the computation of capital.

08. LOANS AND ADVANCES

08.01 Loans – Against Fixed Deposits
Loans and advances collateralized by fixed deposits with the licensed finance company and covered by the legal rights to set-off.

08.02 Loans – Against Item 02 of SNBFI/RWCA/RETURN 2
Loans and advances collateralized by fixed deposits with banks and other licensed finance companies, which are covered by the legal rights to set-off.

Note: A 100 per cent risk weight should be assigned to the facilities granted against a deposit/deposits with any financial institution whose business activities have been suspended by CBSL.

08.03 Loans – Against Item No. 03 to 06 of SNBFI/RWCA/RETURN 2
Loans and advances collateralized by dues from CBSL, Treasury bills, Central Bank Securities, Government Securities, Securities guaranteed by the Government of Sri Lanka which are covered by the legal rights to set-off.

08.04 Loans Against Gold and Gold Jewellery
Loans and advances granted against the pledge of gold or gold jewellery.

08.05 Staff Loans Secured by Provident Fund Balances
Loans and advances granted to the staff members of the licensed finance company against their provident fund balances maintained by the licensed finance company.

08.06 Loans Against Sales of Real Estate Made on an Instalment Payment Basis (SRE Loans)

08.06.01 Performing SRE Loans
Loans in respect of which instalments are in arrears for six months or less.

08.06.02 Non-Performing SRE Loans
Loans in respect of which instalments are in arrears for more than six months.

Note: The licensed finance company should enter into an agreement with the buyer of the real estate specifying that the title of the property will not be transferred to the borrower until the amount agreed is fully
paid. Also, performing and non-performing SRE loans should be shown, separately, in the general ledger of the licensed finance company.

08.07 Other Loans & Advances
The aggregate of loans and advances which have not been qualified for low risk-weights according to their counter party or collateral and not included in any other loan item in the Return.

09. FIXED ASSETS
Immovable property, machinery and equipment, motor vehicles, furniture and fittings and other fixed assets, reported at cost or at revalued amount, net of accumulated depreciation.

10. OTHER ASSETS
All other assets or investments not included elsewhere in the Return.

11. TOTAL RISK WEIGHTED ASSETS
Total of Column 5 of SNBFI/RWCA/RETURN 2.

C 2: OFF-BALANCE SHEET ITEMS

12. DIRECT CREDIT SUBSTITUTES
12.01 General Guarantees of Indebtedness
General guarantees of indebtedness where the risk of loss in the transaction may crystallise into a direct liability and become a direct claim on the counterparty. These include Guarantees in respect of counterparties like insurance agents, sales agents, etc. to cover any non-payment by them of premium, sales proceeds, etc. to their beneficiaries.

12.02 Stand-by LCs serving as Financial Guarantees
Stand-by Letters of Credit (LC), which are direct credit substitutes where the risk of loss in the transaction is equivalent to that of a direct claim on the counterparty. This includes stand-by Letters of Credit serving as financial guarantees for loans, securities and other financial liabilities.

12.03 Others
Any other obligation which carries the same risk of loss in the transaction and is equivalent to that of a direct claim on the counterparty.

13. TRANSACTION-RELATED CONTINGENCIES
13.01 Performance Bonds, Bid Bonds & Warranties
Transaction-related contingent items such as Performance Bonds, Bid Bonds and Warranties, where the risk of loss arises from an irrevocable obligation to pay a third party, the non-financial obligation of the customer upon his failure to fulfil obligations under a contract or a transaction. Such contingencies would crystallise into actual liabilities dependent upon the occurrence or non-occurrence of an event other than that of a default in payment by the counterparty.

13.02 Stand-by LCs Related to Particular Transactions
Contingent liabilities relating to particular transactions. Here too, there is a likelihood of the contingencies crystallising into actual liabilities depending upon the occurrence or non-occurrence of an event other than that of a default in payment of a counterparty.

13.03 Others
Other contingent liabilities arising from an irrevocable obligation to pay a third party, the non-financial obligation of a customer upon his failure to fulfil such obligation or terms under contract or transaction.

14. SALE AND REPURCHASE AGREEMENTS AND SALE OF ASSETS WITH RECURS WHERE THE CREDIT RISK REMAINS WITH THE COMPANY
Risk-weight for these items should be determined according to the underlying assets or the issuer of the assets rather than the counterparty with whom the transaction had been entered into.

14.01 Sale and Repurchase Agreements
Sale and Repurchase Agreement (REPO) is an agreement whereby a licensed finance company sells an asset to a third party with a commitment to repurchase it at an agreed price on an agreed future date. Purchase and Resale Agreements (Reverse REPO) should be considered as collateralised loans. The risk is to be measured as an exposure to the counterparty unless the underlying asset has been reported as an on-balance sheet item where the risk weight appropriate to the underlying asset should be used.
14.02 **Housing Loans sold with Recourse**
The amount of housing loans sold to a counterparty with recourse where the credit risk remains with the licensed finance company.

14.03 **Other Assets sold with Recourse**
Assets sold with recourse where the credit risk remains with the reporting institution. The holder of the asset is entitled to put the assets back to reporting institution within an agreed period or under certain prescribed circumstances. *e.g.:* deterioration in the value or credit quality of the asset concerned.

14.04 **Forward Asset Purchases**
Commitment to purchase, at a specified future date and or on pre-arranged terms, a loan, security or other asset from another party.

14.05 **Others**
Placements of forward deposits and other commitments with certain drawdown. A forward deposit is an agreement between two parties whereby one will place and the other will receive, at a predetermined future date, a deposit, at an agreed rate of interest. A commitment to place a forward deposit should be reported under this item and weighted according to the risk-weights appropriate to the counterparty.

15. **PARTLY-PAID SHARES/SECURITIES**
Unpaid amounts on partly-paid shares and securities where the issuer may call upon the company to pay at a pre-determined or unspecified date in the future.

16. **OBLIGATIONS UNDER AN ON-GOING UNDERWRITING AGREEMENT**

16.01 **Underwriting of Shares/Securities Issue**
Obligations due to underwriting of issue of shares and securities, net of the amount sub-underwritten by another institution.

16.02 **Others**
Other obligations due to on-going underwriting agreements.

17. **OTHER COMMITMENTS WITH AN ORIGINAL MATURITY OF UP TO ONE YEAR OR WHICH CAN BE UNCONDITIONALLY CANCELLED AT ANY TIME**

17.01 **Formal Stand-by Facilities and Credit Lines**
Commitments include the undrawn portion of any binding arrangements, which obligate the reporting institution to provide funds at some future date. Such commitments would have an original maturity of less than one year or which can be unconditionally cancelled at any time by the reporting licensed finance company at its discretion. Formal stand-by facilities and credit lines for LCs, Trust Receipts, *etc.;* should be included under this item.

17.02 **Undrawn Term Loans**
Undrawn portion of a term loan with an original maturity of less than one year or which can be unconditionally cancelled at any time by the reporting licensed finance company.

17.03 **Undrawn Credit Lines**
The undrawn portion of facilities and credit lines with an original maturity of less than one year or which can be unconditionally cancelled at any time by the reporting licensed finance company.

17.04 **Others**
Any other commitment with an original maturity up to one year or which can be unconditionally cancelled at any time.

18. **OTHER COMMITMENTS WITH AN ORIGINAL MATURITY OF OVER ONE YEAR**

18.01 **Formal Stand-by Facilities and Credit Lines**
Commitments under formal stand-by facilities and credit lines with an original maturity of over one year.

18.02 **Undrawn Term Loans**
The undrawn portion of term loans where the original maturity is over one year.

18.03 **Others**
Any other commitment with an original maturity of over one year. Original maturity is defined as the length of time between the date the commitment is made and the earliest date on which the reporting company, at its option unconditionally cancel the commitment.
19. TOTAL OF CREDIT EQUIVALENT OF OFF-BALANCE SHEET ITEMS

C 3: CAPITAL ELEMENTS

20. ISSUED AND PAID-UP ORDINARY SHARES/COMMON STOCK
Issued and fully paid ordinary shares or common stock. For the computation, only the paid up portion of partly paid shares or stock should be taken as capital. Shares issued against any reserves/surpluses/retained profits other than those eligible in terms of these instructions to be included in core capital, should not be included.*

21. NON-CUMULATIVE, NON-REDEEMABLE PREFERENCE SHARES
Issued and fully paid non-cumulative, non-redeemable preference shares where the payment of dividends could be reduced or waived off permanently in the event of profitability being inadequate to support such payment in part or full.

22. SHARE PREMIUM
The excess of issue price over the par value of the ordinary shares, common stock or non-cumulative non-redeemable preference shares.

23. STATUTORY RESERVE FUND
Balance as per last audited statement of accounts in the Reserve Fund set up by licensed finance companies in terms of paragraph 3 of the Finance Companies (Capital Funds) Direction No.1 of 2003.

24. GENERAL AND OTHER FREE RESERVES
Disclosed reserves in the form of general or other free reserves created or increased by appropriation of retained earnings, share premium or other realised surpluses as per last audited statement of accounts.

25. PUBLISHED RETAINED PROFITS /(ACCUMULATED LOSSES)
Balance in the profit and loss account brought forward from the previous financial years and as reported in the last audited statement of accounts. Accumulated losses should be reported in parentheses and deducted from the other capital constituents. Retained profits arising from the revaluation of investment property should not be included.

26. SURPLUS/LOSS AFTER TAX ARISING FROM SALE OF FIXED & LONG TERM INVESTMENTS
Any surplus/loss after tax, arising from the sale of fixed and long term investments since the closing date of the last audited accounts. Net loss arising from the sale of fixed and long term investments should be reported in parentheses and deducted from the other capital constituents.

27. UNPUBLISHED CURRENT YEAR’S PROFITS/LOSSES
Current year’s profits/losses (excluding any surplus/loss after tax, arising from the sale of fixed and long term investments) earned/ incurred since the closing date of the last audited accounts and subject to certification by the licensed finance company’s external auditor.

28. SUB TOTAL
Total of core capital items 20 to 27.

29. GOODWILL
The amount of goodwill as shown in the balance sheet.

30. TOTAL TIER 1 CAPITAL
To arrive at total Tier 1 capital, deduct goodwill (item 29) from the sub total at item 28.

31. ELIGIBLE REVALUATION SURPLUSES/RESERVES AND SHARES ISSUED AGAINST REVALUATION SURPLUSES/RESERVES
Revaluation surpluses/reserves, any shares issued against revaluation surpluses/reserves and retained profits/revaluation surpluses arising from the revaluation of investment property and shares issued against such profits/surpluses may be included in Tier 2 (Supplementary) Capital provided that such revaluation is prudently done reflecting fully the possibility of price fluctuations and forced sale, with prior approval of CBSL. (Guidelines approved by the Monetary Board for this purpose are at Annex II).

* The decisions of the Monetary Board on treatment of shares issued by LFCs against non-cash considerations and other related matters were conveyed to licensed finance companies by the Director, Dept. of Supervision of Non-Bank Financial Institutions by her letter dated 15.03.2007, a copy of which is at Annex I.
Shares issued against goodwill, promoters role and other similar non-cash considerations should not be included in Tier 2 (Supplementary) Capital.

32. GENERAL PROVISIONS
General provisions or general loan loss reserves created against the possibility of future losses. Where they are not ascribed to a particular asset and do not reflect deduction in the valuation of a particular asset, they qualify for inclusion in Tier 2 (Supplementary) Capital. General provisions should not exceed 1.25 per cent of the sum of all risk weighted assets.

33. APPROVED HYBRID (DEBT/EQUITY) CAPITAL INSTRUMENTS
Capital instruments having certain characteristics of both equity capital and debt. e.g.: perpetual loan stock, non-redeemable preference shares, etc. which satisfy the following characteristics:

(i) Unsecured, subordinated and fully paid.
(ii) Not redeemable at the initiative of the holder or without the prior consent of CBSL.
(iii) Available to participate in losses without the company being obliged to cease trading.
(iv) Obligation to pay interest that can be deferred where the profitability of the company would not support such payment.

Prior approval of CBSL is required for the inclusion of such items in the capital base.

34. APPROVED UNSECURED SUBORDINATED TERM DEBT
This constituent includes:

(A) An unsecured subordinated term debt which satisfies the following conditions:
   (i) Unsecured, fully paid up and subordinated to the interests of all creditors other than holders of unsecured subordinated term debt instruments and hybrid (debt/equity) capital instruments.
   (ii) A minimum original maturity of an instrument to be 5 years.
   (iii) No early repayment or redemption to be made without the prior consent of CBSL.
   (iv) Discounting of the amount counted as capital by 1/5th each year during the four years preceding maturity; and

(B) Redeemable Cumulative Preference Shares, which satisfy the following conditions:
   (i) Such preference shares should be issued and redeemed in accordance with the provisions of the Companies Act, No. 17 of 1982, in particular, section 57 thereof;
   (ii) Such preference shares should not be redeemed within the first five years from the date of issue without the prior approval of CBSL;
   (iii) Such preference shares should be unsecured, subordinated and fully paid; and
   (iv) During the last five years to maturity, a cumulative discount factor of 20 per cent per year should be applied to reflect the diminishing value of those instruments as a continuing source of strength.

Prior approval of CBSL is required for inclusion of any debt instrument and/or redeemable cumulative preference shares in Tier 2 Capital.

Approved unsecured subordinated term debts (including Redeemable Cumulative Preference Shares) are limited to 50 per cent of Total Tier 1 capital. The actual amount of unsecured subordinated term debts and Redeemable Cumulative Preference Shares should be reported separately.

35. TOTAL TIER 2 CAPITAL
Total of supplementary capital from items 31 to 34.

36. ELIGIBLE TIER 2 CAPITAL
Eligible Tier 2 capital is limited to a maximum of 100 per cent of Tier 1 capital. In the event of Tier 1 capital being less than the total of Tier 2 capital, eligible Tier 2 capital would be equivalent to Tier 1 capital. If Tier 1 capital is negative a “Nil” amount should be reported as eligible Tier 2 capital.

37. TOTAL CAPITAL
Sum of Tier 1 capital (30) and eligible Tier 2 capital (36).
38. DEDUCTIONS

38.01 Equity Investments in Unconsolidated Financial and Banking Subsidiaries
Equity investments in banking and financial subsidiaries; in the case of consolidated statements this would include, only investments in unconsolidated banking and financial subsidiaries.

38.02 Investment in Capital of Other Financial Associates/Banks
Holdings in other financial associates and banks by way of shares, hybrid capital instruments or unsecured subordinated term debt.

An “Associate” is deemed to be an institution in which the licensed finance company holds –
(a) twenty per cent or more but less than fifty per cent of the institution’s issued share capital; and/or
(b) has a controlling interest over the institution’s Board of Directors.

39. CAPITAL BASE
Total capital (Item 37) less items 38.01 and 38.02.

40. TOTAL RISK WEIGHTED ASSETS
The total risk weighted assets of on-balance sheet items and off-balance sheet items which is the total shown in column 5 of SNBFI/RWCA/RETURN 2 (please refer 11 above).
To : CEOs of all RFCs

Dear Sir/Madam

TREATMENT OF SHARES ISSUED BY THE REGISTERED FINANCE COMPANIES AGAINST NON-CASH CONSIDERATIONS AND OTHER RELATED MATTERS

The Monetary Board has taken the following decisions in respect of treatment of shares issued by registered finance companies (RFCs) against revaluation surpluses/reserves and other non-cash considerations and retained profits/revaluation surpluses arising from the revaluation of investment property, for the purposes of the Finance Companies (Minimum Core Capital) Direction No. 01 of 2006 and the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006.

(i) Not permitting the inclusion of the following in the ‘core capital’ of RFCs for the purposes of the Finance Companies (Minimum Core Capital) Direction No. 01 of 2006 and the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006:
   (a) Retained profits arising from the revaluation of investment property; and
   (b) Shares issued against any reserves/surpluses/retained profits other than those eligible to be included in core capital;

(ii) Permitting the inclusion of the following in the Tier 2 (Supplementary) Capital of RFCs for the purposes of the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006, subject to the restrictions imposed under the Direction:
   (a) Revaluation surplus/reserves and any bonus shares issued against revaluation surpluses/reserves; and
   (b) Retained profits/revaluation surpluses arising from the revaluation of investment property and bonus shares issued against such profits/surpluses.

(iii) Not permitting the inclusion of shares issued against goodwill, promoter’s role and other similar non-cash considerations in the Tier 2 (Supplementary) Capital.

(iv) Requiring RFCs to report the following, separately, in the financial statements submitted to the Director, Department of Supervision of Non-Bank Financial Institutions of the CBSL (D/SNBFI):
   (a) Bonus shares issued against revaluation surpluses/reserves and other non-cash considerations and revaluation surpluses/reserves;
   (b) Retained profits arising from the revaluation of investment property.

(v) Requiring RFCs to obtain prior written approval of D/SNBFI for any utilization of retained profits arising from the revaluation of investment property revaluation surpluses.

(vi) Granting time upto 31.03.2008 to RFCs that are required to exclude shares and retained profits from their core capital as per (i) above to replenish by eligible means, the amount so excluded from Core Capital.

You are informed of the above for immediate compliance.

Yours faithfully

Sgd./ (Mrs.) L K Gunatilake
Director
GUIDELINES ON INCLUSION OF ELIGIBLE REVALUATION RESERVES IN CAPITAL FUNDS/ TIER 2 SUPPLEMENTARY CAPITAL

Revaluation reserves may be included in capital funds as defined in section 46 of the Finance Companies Act and Tier 2 supplementary capital for the purpose of the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006, with the prior approval of the Director, Supervision of Non-Bank Financial Institutions Department, Central Bank of Sri Lanka.

For the purpose of the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction, only fifty per cent (50%) of the revaluation surplus or any shares issued against 50% of the revaluation surplus can be included in Tier 2 capital.

In both instances, revaluation should have been done subject to the following conditions:

(i) The valuation is to be undertaken with the prior approval of the Central Bank;
(ii) An asset would qualify for revaluation only after 7 years from the previous date of valuation or from the date of purchase, whichever is later;
(iii) The asset should be valued by a valuer who is;
(a) a chartered valuation surveyor;
(b) a fellow of the Institute of Valuers (Sri Lanka) with a Degree or Diploma in Valuation and with work experience over 15 years;
(c) a graduate member of the Institute of Valuers (Sri Lanka) with work experience over 18 years;
(d) an associate of the Institute of Valuers (Sri Lanka) with work experience over 20 years; or
(e) a licentiate of the Institute of Valuers (Sri Lanka) with work experience over 25 years.
FINANCE COMPANIES (MINIMUM CORE CAPITAL)
DIRECTION NO. 1 OF 2011

In terms of Section 9 of the Finance Companies Act, No. 78 of 1988, as amended by Act, No. 23 of 1991, the Monetary Board is empowered to issue Directions to registered finance companies regarding the manner in which any aspect of the business of such companies is to be considered.

Capital is a key aspect of the business of registered finance companies as it is a source of funding for the business and a necessary ingredient of solvency of such companies. Therefore, in the exercise of the powers conferred by Section 9 of the Finance Companies Act, the Monetary Board hereby issues Finance Companies (Minimum Core Capital) Direction No.1 of 2011 to registered finance companies to be effective from the date of these directions.

1. Every registered finance company shall at all times maintain an unimpaired core capital not less than Rs. 400 million (Rupees Four Hundred million) subject to the transitional provision at paragraph 2 herein.

2. The effective date of this Direction for a registered finance company in operation as at the date of this Direction shall be as follows;
   (i) Every finance company should continue to maintain an unimpaired core capital at a level not less than Rs. 200 million (Rupees Two Hundred million) until end December 2012.
   (ii) Thereafter, every finance company shall, at all times, maintain an unimpaired core capital at a level not less than Rs. 300 million (Rupees Three Hundred million) from 01.01.2013 and Rs. 400 million (Rupees Four Hundred million) from 01.01.2015.

3. Where a registered finance company has failed to comply with this Direction;
   (a) The total amount of deposit liabilities and debt shall be capped at the level as at the end of the month in which the non-compliance was confirmed, and
   (b) The company shall not pay dividend, until the minimum capital requirement is complied with and is confirmed to the satisfaction of the Director.

4. In this Direction;
   (a) “core capital” shall have the same definition as contained in the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006.
   (b) “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

5. Finance Companies (Minimum Core Capital) Direction No. 1 of 2006 is hereby revoked.

This Direction was made by the Monetary Board on 02 August 2011 under the Finance Companies Act, No.78 of 1988.
FINANCE COMPANIES (PROVISION FOR BAD AND DOUBTFUL DEBTS)
DIRECTION NO. 3 OF 2006

1. This Direction may be cited as the Finance Companies (Provision for Bad and Doubtful Debts) Direction No. 3 of 2006 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation with effect from 01 April 2007.

2. Every finance company shall classify accommodations as ‘non-performing’, in the following circumstances:–
   (i) where payment of principal and/or interest have been in arrears for a period of 6 months or more;
   (ii) in the case of rescheduled accommodations, when, in aggregate, the period of time the payment of instalments have been in arrears before rescheduling (if any) and after rescheduling is 6 months or more; and/or
   (iii) in the case of an accommodation, where the asset financed under a leasing/hire purchase agreement has been repossessed and sold or where the asset taken as collateral has been sold by the finance company and when there still exists a balance to be recovered.

3. (i) Every finance company shall make provision for accommodations classified as non-performing and the amount of such provision shall at least be the aggregate of:–
   (a) 50 per cent of all accommodations in arrears for a period of 6 months or more but not exceeding 12 months;
   (b) 100 per cent of all accommodations in arrears for a period over 12 months; and
   (c) 100 per cent with regard to the portion of the unrecovered amount of an accommodation where the asset financed under a lease/hire purchase agreement has been repossessed and sold or where the asset taken as collateral has been sold by the finance company.

   (ii) A finance company may deduct the value of the following items held as collateral in respect of a particular accommodation in arriving at the amount of the provision required by subparagraphs (a) and (b) of paragraph 3(i) hereof:–
   (a) Sri Lanka Government securities, free from any lien or charge;
   (b) Central Bank of Sri Lanka securities, free from any lien or charge;
   (c) Time deposits in a licensed commercial bank, licensed specialised bank or a registered finance company, free from any lien or charge;
   (d) Time deposit or a balance in a savings account with the company taken as a collateral for the accommodation, for which a right of set-off is available;
   (e) Bank guarantees;
   (f) With regard to vehicles and machinery that have been repossessed by the finance company, 80 per cent of the valuation obtained during the preceding 6 months from a valuer approved by the Director; and
   (g) With regard to land and buildings mortgaged and held as collateral for a particular accommodation, the value decided by a qualified professional valuer at the time of granting the accommodation, on the following basis:–
      (aa) In the case of an accommodation in arrears for a period of 6 months or more but not exceeding 36 months, 100 per cent;

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In the case of an accommodation in arrears for a period over 36 months but not exceeding 60 months, 80 per cent;

In the case of an accommodation in arrears for a period over 60 months but not exceeding 120 months, 50 per cent;

In the case of an accommodation in arrears over 120 months, no amount shall be deducted:

Provided that in the case of an occupied residential property taken as collateral without an agreement to hand over vacant possession in the event of sale for the recovery of dues, the value of such property shall not be deducted in arriving at the required provision.

4. The Monetary Board of the Central Bank of Sri Lanka may require any finance company to make further specific provision for non-performing accommodations in addition to the provision required in terms of paragraph 3(i) hereof.

5. (i) Every finance company shall submit to the Director within one month from the end of each quarter, on a format given by the Director, details as the Director may require, of the following categories of accommodations, of which, installments / rentals are in arrears for 3 months or more as at the end of the relevant quarter:

- Accommodations where payments are made in fixed instalments/rentals;
- Accommodations where payments are not made in fixed instalments/rentals; and
- Operating leases.

(ii) Every finance company shall submit to the Director on a format given by the Director, within one month from the end of each quarter the following:

- A statement of repossessed asset items; and
- An age analysis of accommodations in arrears for 3 months or more.

(iii) Every finance company shall submit to the Director within one month from the end of each quarter, details of action taken by the Board of Directors of the company for the recovery of each outstanding accommodation in arrears for 6 months or more and the progress made on recovery of such accommodations since the end of the previous quarter.

6. For the purpose of this Direction,

(i) “accommodation” shall mean loans; facilities under hire purchase or lease agreements; provision of funds through debt securities such as bonds, debentures, asset backed securities, commercial paper/promissory notes; or such other financial facility as may be determined by the Director.

(ii) “qualified professional valuer” shall mean:

- A chartered valuation surveyor;
- A fellow of the Institute of Valuers (Sri Lanka) with a degree or diploma in Valuation and with work experience over 15 years;
- A graduate member of the Institute of Valuers (Sri Lanka) with work experience over 18 years;
- An associate of the Institute of Valuers (Sri Lanka) with work experience over 20 years; or
- A licentiate of the Institute of Valuers (Sri Lanka) with work experience over 25 years.

(iii) “the Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.


This Direction was made by the Monetary Board on 29 December 2006 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1478/6 dated 01 January 2007.
1. This Direction may be cited as the Finance Companies (Single Borrower Limit) Direction No. 4 of 2006 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation with immediate effect.

2. Subject to the restrictions imposed under paragraph 2 of the Finance Companies (Lending) Direction No. 5 of 2006, the maximum of a single accommodation or the aggregate of accommodations granted to by a finance company and outstanding at any point of time from an individual borrower, shall not exceed 15 per cent of the capital funds of such finance company as shown in the last audited balance sheet.

3. The maximum of a single accommodation or the aggregate of accommodations granted to by a finance company and outstanding at any point of time from any group of borrowers or from subsidiary companies and/or associate companies of such finance company shall not exceed 20 per cent of the capital funds of such finance company as shown in the last audited balance sheet.

4. Single accommodations granted to and outstanding in respect of categories of borrowers referred to in paragraphs 2 and 3 hereof, each of which exceeds 10 per cent of capital funds of a finance company as shown in the last audited balance sheet shall not, when all such outstanding accommodations are aggregated, exceed 50 per cent of the total outstanding accommodations of such finance company as shown in the last audited balance sheet.

5. The maximum of a single unsecured accommodation or the aggregate of unsecured accommodations granted to by a finance company and outstanding at any point of time from a single borrower shall not exceed 1 per cent of the core capital of such finance company as shown in the last audited balance sheet. The aggregate of unsecured accommodations granted to and outstanding at any point of time from all borrowers shall not exceed 5 per cent of the capital funds of such finance company as shown in the last audited balance sheet.

For the purpose of this paragraph, “unsecured accommodation” means accommodation made without a security or any accommodation with security constituting of assets the market value of which is not adequate to cover at least 75 per cent of the accommodation.

Subject to the provisions of paragraph 2(v) of the Finance Companies (Lending) Direction No. 5 of 2006, for the purpose of this paragraph, “security” shall include guarantees given by third parties.

For the purpose of this paragraph, “market value” in respect of motor vehicles and machinery, shall mean, a valuation obtained during the preceding 6 months from a valuer approved by the Director and in respect of land and building, the value decided by a qualified professional valuer.

6. For the purpose of paragraphs 2, 3 and 4 of this Direction, if accommodations have been granted by a finance company against the security of the items indicated below, the value of such security may be deducted from the relevant accommodations:

(i) Sri Lanka Government securities, free from any lien or charge;
(ii) Central Bank of Sri Lanka securities, free from any lien or charge;
(iii) Time deposits in a licensed commercial bank, licensed specialised bank or a registered finance company, free from any lien or charge;

1/ This Direction was issued by the Monetary Board of the Central Bank of Sri Lanka by revoking the Finance Companies (Single Borrower Limit) Direction No. 1 of 1992 which was made on 19 June 1992 and published in the Government Gazette (Extraordinary) No. 720/11 dated 24 June 1992.
(iv) Time deposits or a balance in a savings account with such finance company taken as a collateral for the accommodation, for which a right of set-off is available; or

(v) Bank guarantees.

7. For the purpose of this Direction,

(i) “accommodation” shall mean loans; facilities under hire purchase or lease agreements; provision of funds through debt securities such as bonds, debentures, asset backed securities, commercial paper/promissory notes; or such other financial facility as may be determined by the Director.

(ii) “associate company” shall mean a company in which the finance company holds 20 per cent or more, but less than 50 per cent of the issued ordinary share capital of the investee company.

(iii) “capital funds” shall have the same meaning as given in the definition in section 46 of the Finance Companies Act, No. 78 of 1988.

(iv) “core capital” shall have the same meaning as given in the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006.

(v) “group of borrowers” shall mean:–

(a) i. an individual and his relatives;
   ii. an individual and a company in which such individual holds shares exceeding 10 per cent of the issued ordinary share capital; or
   iii. an individual and a company in which his relatives hold shares exceeding 10 per cent of the issued ordinary share capital.

(b) a company and one or more of the following:–

   i. its subsidiary company;
   ii. its associate company;
   iii. its holding company; or
   iv. a subsidiary company or associate company of its holding company.

(vi) “individual borrower” shall mean any single company, public corporation, firm, association of persons or an individual.

(vii) “qualified professional valuer” shall mean:–

   a) A chartered valuation surveyor;
   b) A fellow of the Institute of Valuers (Sri Lanka) with a degree or diploma in Valuation and with work experience over 15 years;
   c) A graduate member of the Institute of Valuers (Sri Lanka) with work experience over 18 years;
   d) An associate of the Institute of Valuers (Sri Lanka) with work experience over 20 years; or
   e) A licentiate of the Institute of Valuers (Sri Lanka) with work experience over 25 years.

(viii) “relative” shall mean the spouse and/or dependent child of an individual.

(ix) “subsidiary company” shall have the same meaning as contained in section 150 of the Companies Act, No. 17 of 1982.

(x) “the Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.


This Direction was made by the Monetary Board on 29 December 2006 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1478/6 dated 01 January 2007.
1. This Direction may be cited as the Finance Companies (Lending) Direction No. 1 of 2007 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation with immediate effect.

2. No finance company shall grant any accommodation:
   (i) to a director and/or a relative of a director of the finance company;
   (ii) to its holding company;
   (iii) on the security of its own shares or on the security of the shares of any of its subsidiary companies;
   (iv) to purchase its own shares; or
   (v) on the guarantee or indemnity of a director of the finance company, a relative of a director of the finance company or any employee of the finance company.

3. Notwithstanding the provisions of paragraph 2 hereof, subject to the prior approval of the Director, a finance company may grant accommodation, in accordance with any scheme for the time being in force, for the purchase of or subscription for fully paid shares in the finance company being a purchase or subscription by Trustees of or for shares to be held by or for the benefit of, employees of the company:

   Provided that the aggregate principal amount of such accommodation outstanding at any time, shall not exceed the equivalent of ten per centum of the total amount of the issued and paid up share capital of the finance company or ten per centum of the unimpaired adjusted capital funds of the finance company as per its last audited balance sheet, whichever is greater.

4. A finance company may grant accommodation to its subsidiary companies or associate companies subject to the limits specified in the Finance Companies (Single Borrower Limit) Direction No. 4 of 2006 and on such terms as may be applicable to similar facilities granted to other borrowers of the finance company, and the particulars of such accommodations including the name of the borrower company, the date of grant of such accommodation, amount granted, repayment programme, security and the rate of interest shall be reported to the Director within 14 days from the date of grant of such accommodation.

5. No finance company shall recover on any accommodation, charges of any description, other than interest, in excess of 5 per cent of the principal amount granted.

6. Every finance company shall submit to the Director within 3 months after the end of each financial year details of all accommodations outstanding as at the end of the financial year on a format given by the Director.

7. For the purpose of this Direction,
   (i) “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision of funds through debt securities such as bonds, debentures, asset backed securities, commercial paper/promissory notes; or such other financial facility as may be determined by the Director.
   (ii) “associate company” shall mean a company in which the finance company holds 20 per cent or more, but less than 50 per cent of the issued ordinary share capital of the investee company.

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1/ This Direction was issued by the Monetary Board of the Central Bank of Sri Lanka by revoking the Finance Companies (Lending) Direction No. 5 of 2006 which was made on 29 December 2006 and published in the Government Gazette (Extraordinary) No. 1478/6 dated 01 January 2007 which was issued revoking Finance Companies (Lending) Direction No. 8 of 1991 which was made on 16 September 1991 and published in the Government Gazette (Extraordinary) No. 680/11 dated 18 September 1991 and the Finance Companies (Lending) (Amendment) Direction No. 2 of 2001 made on 07 March 2001 and published in the Government Gazette (Extraordinary) No. 1171/13 dated 07 March 2001.
“adjusted capital funds” shall mean the aggregate of the paid up capital, the Reserve Fund as provided for in the Finance Companies (Capital Funds) Direction No. 1 of 2003 and permanent free reserves.

“relative” shall mean the spouse and/or dependent child of an individual.

“subsidiary company” shall have the same meaning as contained in section 529 of the Companies Act, No. 7 of 2007.

“the Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

“Trustee” shall mean a person appointed under or named in a trust deed executed in respect of an employee share ownership plan of a finance company.

8. The Finance Companies (Lending) Direction No. 5 of 2006 is hereby revoked.

This Direction was made by the Monetary Board on 29 June 2007 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1503/24 dated 29 June 2007.

FINANCE COMPANIES (REGISTER OF WRITTEN OFF LOANS)
DIRECTION NO. 10 OF 1991

1. This Direction may be cited as Finance Companies (Register of Written off Loans) Direction No.10 of 1991 and shall come into operation with immediate effect and shall apply to every finance company registered under the Finance Companies Act, No.78 of 1988.

2. (i) Every finance company shall maintain a register showing details of written off loans or advances from the books of the company giving the following particulars :-

   (a) full name and address and national identity card number of the borrower and his/her relationship to the directors, if any;
   (b) original amount granted;
   (c) rate of interest;
   (d) last date of repayment;
   (e) total amount recovered;
   (f) amount written off;
   (g) date of writing off from the books of the Company;
   (h) reasons in brief for writing off.

(ii) The above particulars should be sent along with the annual audited balance sheet to the Director in respect of the written off advances during the financial year.

3. In this Direction, “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

This Direction was made by the Monetary Board on 16 September 1991 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.680/11 dated 18 September 1991.
FINANCE COMPANIES (ACCRUED INTEREST)
DIRECTION NO. 15 OF 1991

1. This Direction may be cited as Finance Companies (Accrued Interest) Direction No. 15 of 1991 and shall come into operation with immediate effect and shall apply to every finance company registered under the Finance Companies Act, No.78 of 1988.

2. No finance company shall take into account as income, any accrued interest on a loan, credit facility or any type of financial accommodation on which interest and or capital repayments are in arrears for six months or more.

3. Every finance company shall (in the maintenance of the books of accounts) segregate a loan, credit facility or any type of financial accommodation to which paragraph 2 is applicable from other loans, credit facility and any type of financial accommodation under separate control accounts in the general ledger.

4. The expression “interest” referred to in paragraph 2 shall include any income receivable on loans, credit facilities and other types of financial accommodation.


This Direction was made by the Monetary Board on 16 September 1991 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.680/II dated 18 September 1991.
FINANCE COMPANIES (WRITING OFF OF ACCOMMODATIONS)
DIRECTION NO. 2 OF 2013

1. This Direction may be cited as the Finance Companies (Writing Off of Accommodations) Direction No. 2 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No. 42 of 2011 and shall come into operation from the date of this Direction.

2. No finance company shall write off any accommodation granted by it to any of the under noted persons or institutions without the prior approval in writing of the Director of Department of Supervision of Non-Bank Financial Institutions:–

   2.1 Any of its directors or any relative of such director;
   2.2 Any undertaking in which any of its directors has an interest as a director, partner, manager, agent, investor, guarantor or a shareholder;
   2.3 Any of its subsidiary, associate, subsidiary or associate of a subsidiary or of its holding company;
   2.4 Corporate or unincorporated companies where the directors of the finance company hold directorships, shares or other investments;
   2.5 Any person who is an employee, consultant or advisor of the finance company.

3. In this Direction “relative” shall have the same meaning as contained in the definition in section 74 of the Finance Business Act, No. 42 of 2011.

4. The Finance Companies (Writing Off of Loans and Advances) Direction No. 3 of 1991 is hereby revoked.

This Direction was made by the Monetary Board on 26 July 2013 under section 12 of the Finance Business Act, No. 42 of 2011.
1. This Direction may be cited as the Finance Companies (Investments) Direction No. 7 of 2006 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation with immediate effect.

2. Subject to paragraphs 3 and 4 hereof, a finance company may invest in the ordinary shares of any company, provided that:

   (i) Investment in the issued ordinary share capital of a company shall not at any time exceed 5 per cent of the capital funds of the finance company as shown in its last audited balance sheet;

   (ii) Such investment shall not at any time exceed 40 per cent of the issued ordinary share capital of such investee company; and

   (iii) the aggregate amount so invested in the issued ordinary share capital of companies shall not at any time exceed 25 per cent of the capital funds of the finance company as shown in its last audited balance sheet.

3. Notwithstanding the provisions of paragraph 2 hereof, a finance company that has core capital over Rs.200 million as shown in its last audited balance sheet may, with the approval of the Monetary Board of the Central Bank of Sri Lanka, form a subsidiary company or acquire shares in a company exceeding 50 per cent of the issued ordinary share capital of such company.

4. The provisions of paragraph 2 hereof shall not apply to any shares which a finance company acquires in the course of the satisfaction of any debt due to such finance company or as a consequence of the underwriting of a share issue, provided that, where such acquisition of shares results in the finance company holding shares in excess of the percentage limits stipulated in paragraph 2 hereof, such finance company shall dispose such excess shares within 2 years from the date of acquisition or such longer period as may be determined by the Monetary Board of the Central Bank of Sri Lanka.

5. For the purpose of this Direction,

   (i) “capital funds” shall have the same meaning as given in the definition in section 46 of the Finance Companies Act, No.78 of 1988.

   (ii) “core capital” shall have the same meaning as given in the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006.

   (iii) “subsidiary company” shall have the same meaning as contained in section 150 of the Companies Act, No. 17 of 1982.


This Direction was made by the Monetary Board on 29 December 2006 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1478/6 dated 01 January 2007.

1. This Direction may be cited as the Finance Companies (Liquid Assets) Direction No. 4 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No. 42 of 2011, and shall come into operation with effect from the date of this direction.

2. Every finance company shall maintain a minimum holding of liquid assets as defined in Section 74 of the Finance Business Act, No. 42 of 2011 which shall not, at the close of the business on any day, be less than the total of:

   (i) Ten (10) per cent of:

       (a) The outstanding value of the time deposits received by the finance company and accrued interest payable at the close of the business on such day; and

       (b) The face value of non-transferable certificates of deposit issued by the finance company and accrued interest payable at the close of the business on such day; and

   (ii) Fifteen (15) per cent of the outstanding value of savings deposits accepted by such company and accrued interest payable at the close of the business on such day.

3. In addition to the requirement in section (2), every finance company shall maintain a minimum holding of liquid assets as defined in Section 74 of the Finance Business Act, No. 42 of 2011 which shall not, at the close of the business on any day, be less than five (5) per cent of the total outstanding borrowings and any other payable that may be determined by the Director excluding borrowings that are included in the capital funds of the finance company and borrowings which are secured by the mortgage of any asset of the company provided that the total value of such borrowing shall not exceed the market value of the asset, with effect from 01.01.2014 and not less than ten (10) per cent with effect from 01.07.2014.

4. 4.1 Every finance company shall at all times maintain assets in the form of Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities equivalent to seven and a half (7.5) per cent of the average of its month end total deposit liabilities and borrowings of the twelve months of the preceding financial year. Such holdings of the Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities should not be considered for computation of Investment Fund Account utilization.

4.2 The Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities referred to in section 4.1 above will constitute a part of liquid assets referred to in paragraph 2 and 3 above.

4.3 The Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities held by a finance company in compliance with the provisions of paragraph 4.1 above shall be kept in the custody of one or more licensed commercial banks or one or more primary dealer companies.

5. Every finance company shall report the liquid assets to the Director through the Web Based Reporting System on or before the seventh (7) day of the following month.
6. In this Direction:–

(i) “Time deposit” shall have the same meaning as in Finance Companies (Deposits) Direction;

(ii) “Total deposit liabilities” consist of outstanding value of the time deposits, outstanding face value of non-transferable certificates of deposit and outstanding value of savings deposits;

(iii) “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka;

(iv) “Borrowings” shall mean funds obtained by way of loans/overdrafts, amounts due to related companies, or issuance of redeemable and cumulative preference shares, securitizations, bonds, debentures, promissory notes, commercial paper, any other dues and any other form of borrowings as may be determined by the Director.

(v) “Licensed Commercial Bank” means a Licensed Commercial Bank within the meaning of Banking Act, No. 30 of 1988;

(vi) “Primary Dealer Company” means a Primary Dealer Company within the meaning of Local Treasury Bills Ordinance (Primary Dealers) Regulations No. 1 of 2002 made under section 16 of the Local Treasury Bills Ordinance (Chapter 420) as last amended by Act No. 31 of 1995 and Registered Stock and Securities Ordinance (Primary Dealers) Regulation No. 1 of 2002 made under section 55 of the Registered Stock and Securities Ordinance (Chapter 420) as last amended by Act No. 32 of 1995.

7. Finance Companies (Liquid Assets) Direction No. 1 of 2009 is hereby revoked.

This Direction was made by the Monetary Board on 26 July 2013 under section 12 of the Finance Business Act, No. 42 of 2011.
1. This Direction may be cited as the Finance Companies (Deposits) Direction No.1 of 2005 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No.78 of 1988 as amended by Act No.23 of 1991 and shall come into operation with immediate effect.

2. A finance company shall not accept any deposit repayable on demand or any time deposit repayable after a period of less than one month from the date of receipt of such deposit or more than sixty months from the date of receipt of such deposit, and shall not renew any time deposit received by it, unless such deposit so renewed is repayable not earlier than one month and not later than sixty months from the date of such renewal. However, a finance company may accept savings deposits subject to the provisions of this Direction, Finance Companies (Deposits – Incentive Schemes) Direction No.5 of 2001, Finance Companies (Capital Funds) Direction No.1 of 2003, Finance Companies (Interest) Direction No.2 of 2005, Finance Companies (Liquid Assets) Direction No.3 of 2005 and Finance Companies (Advertising) Rule No.1 of 2001.

3. (i) Every finance company shall furnish to every depositor a certificate in respect of each and every time deposit received which for all purposes shall be deemed to be an acknowledgement of acceptance of a certain sum of money by the finance company. In the case of renewal of a time deposit, a renewal notice shall be issued to the depositor concerned.

(ii) Every such certificate or renewal notice shall be signed by two officers who are authorised by the Board of Directors of the finance company for the purpose of accepting/renewing deposits and issuing of such acknowledgement/renewal notice indicating clearly the following information :–

(a) registered name and address of the finance company;
(b) date of deposit/renewal of deposit;
(c) name of depositor, national identity card number or passport number and the address of the depositor;
(d) amount of money received by the finance company by way of deposit or renewal of deposit in words and figures;
(e) the annual rate of interest payable and the basis of payment (monthly or at maturity);
(f) date on which the deposit is repayable;
(g) names of officers who sign the acknowledgement/renewal notice;
(h) serial number of the certificate;
(i) account number of the deposit.

4. Every finance company shall maintain a record of the following particulars in respect of each time deposit :–

(a) Account number;
(b) Name, address and national identity card number or passport number of each depositor;
(c) Principal amount of such deposit;

(d) Date of deposit/date of renewal;
(e) Duration and the maturity date of each deposit;
(f) Rate of interest and the basis of payment of interest (monthly or at maturity);
(g) The amount of accrued interest (if any);
(h) Date and amount of each payment (principal and/or interest);
(i) Serial number of the certificate.

5. Every finance company upon acceptance of savings deposits shall issue to a depositor, a document containing the terms governing the operations of savings accounts in all three languages and a pass book or such other document acceptable to the Director for recording the operations of the account including the following particulars :–

(a) Registered name and address of the finance company;
(b) Name of the branch;
(c) Name, date of birth, national identity card number and the address of the account holder; and
(d) Account number.

6. Every finance company shall maintain a record of the following particulars in respect of each savings account :–

(a) Name, date of birth, national identity card number and the address of the account holder;
(b) Account number;
(c) Date, amount and description of every credit or debit made to the savings account; and
(d) Outstanding balance at any particular time.

7. Every finance company shall submit to the Director a statement, within three months after the end of every financial year, giving the following particulars, as at the end of such financial year, in respect of every time deposit which has not been repaid/renewed by the finance company after the date on which the deposit became due for repayment or renewal as the case may be :–

(a) Name and address of the depositor;
(b) Amount of the deposit;
(c) Amount of the accrued interest;
(d) Last date on which any written correspondence was received by the company from the depositor or his/her lawful representative; and
(e) Action taken or proposed to be taken by the finance company for the repayment of the amount of the deposit and its accrued interest.

8. Every finance company shall submit to the Director a statement, within three months after the end of every financial year, giving the following particulars, as at the end of such financial year, on every savings account in respect of which there has been no deposit or withdrawal for 5 years or more :–

(a) Name and address of the account holder;
(b) Amount outstanding including accumulated interest as at the end of the immediately preceding financial year;
(c) Last date on which any written communication was received from the depositor or his/her lawful representative; and

(d) Action taken or proposed to be taken by the finance company to repay the amount outstanding on the account.

9. A finance company shall not accept any funds to the credit of a savings account unless it is in the form of cash or any acceptable money transfer document such as a cheque issued in favour of the account holder.

10. In this Direction:

(i) “time deposit” means any deposit accepted by a finance company with an agreement to repay after a specified period of time;

(ii) “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka;

(iii) “Board of Directors” means the Board of Directors of the Company, other than any director appointed by the Monetary Board of the Central Bank of Sri Lanka.

11. The Finance Companies (Deposits) Direction No.1 of 2002 is hereby revoked.

This Direction was made by the Monetary Board on 31 January 2005 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.1378/12 dated 01 February 2005.
1. This Direction may be cited as the Finance Companies (Business Transactions with Directors and their Relatives) Direction No. 2 of 2007 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988, and shall come into operation with immediate effect.

2. A finance company shall not, without the approval of the Director, conduct any business transaction with a director of the company or a relative of a director of the company where the total value of transaction/s exceeds Rs.50,000 per month or Rs.500,000 for a financial year. Conducting of any business transaction by a finance company with a director of the company or a relative of a director of the company shall be subject to the Finance Companies (Lending) Direction, No. 01 of 2007.

3. The provisions of paragraph 2 hereof, shall not apply to accepting of time and savings deposits from a director of the finance company or a relative/s of a director of the finance company in conformity with the Finance Companies (Deposits) Direction, No. 01 of 2005 and the Finance Companies (Interest) Direction, No. 02 of 2005 and on terms and conditions that are, for the time being, applicable to the other depositors of the finance company, and to payment of interest on similar deposits.

4. For the purpose of this Direction,
   (a) “relative” shall mean the spouse and/or dependent child of an individual.
   (b) “the Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

5. The Finance Companies (Business Transactions with Directors and their Relatives) Direction No. 6 of 2006 is hereby revoked.

This Direction was made by the Monetary Board on 29 June 2007 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1503/24 dated 29 June 2007.
FINANCE COMPANIES (INSURANCE OF DEPOSIT LIABILITIES)
DIRECTION NO. 2 OF 2010

In the exercise of the powers conferred by Section 27 of the Finance Companies Act, No. 78 of 1988, as amended, the Monetary Board hereby issues these Directions to Registered Finance Companies to be effective from 01 October, 2010.

1.1 These Directions shall be cited as the Finance Companies (Insurance of Deposit Liabilities) Direction No. 2 of 2010.

2.1 Under Section 27 of the Finance Companies Act, the Central Bank of Sri Lanka may establish, maintain, manage and control a scheme for the insurance of deposits held by finance companies registered under the Act or require such companies to insure such deposits under any scheme established by any institution as is specified by the Monetary Board.

3.1 In terms of statutory provisions and best practices in finance business, accepting deposits is a core business that requires effective risk management measures as it critically depends on the public confidence in Registered Finance Companies. As such, insurance of deposits is a well-accepted safety net measure that will protect and promote the public confidence and stability of Registered Finance Companies.

4.1 As such, all Registered Finance Companies shall insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 01 October, 2010.

4.2 All Registered Finance Companies shall also disclose to the public, in their advertisements soliciting deposits, the fact that eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board on payment of the applicable premium for compensation up to a maximum of Rs. 200,000 per depositor.

This Direction was made by the Monetary Board on 27 September 2010 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.1677/33 dated 29 October 2010.
FINANCE COMPANIES (INFORMATION SYSTEMS SECURITY POLICY)  
DIRECTION NO. 4 OF 2012

In terms of Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board is empowered to issue directions to licensed finance companies regarding the manner in which any aspect of the business of such companies are to be conducted.

Information systems have become significantly important for the strategic operations and risk management of licensed finance companies. Therefore, in the exercise of the powers conferred by Section 12 of the Finance Business Act, the Monetary Board hereby issues Finance Companies (Information Systems Security Policy) Direction No.4 of 2012 for licensed finance companies to be effective nine months from the date of this direction.

1. Every finance company shall maintain an Information Systems Security Policy (ISSP) in line with at least the minimum requirements stipulated in this direction.

2. Every finance company shall compile and maintain a periodically reviewed, well documented ISSP, which shall be:
   
   (a) Approved by the Board of Directors and communicated to all relevant users in the company within nine months from the date of this direction.
   
   (b) Actively supported by the Management to ensure that information security is ensured within the organization through clear direction, commitment, explicit job assignment and effective monitoring.

3. Every finance company shall classify all information and data within the finance company to reflect its level of confidentiality or importance to the organization and implement security measures according to the level of confidentiality needed.

4. Every finance company shall create awareness among the staff with adequate training and awareness programmes on aspects such as information systems security, access controls, procurement and maintenance procedures, network management, business continuity plan, information system audits and software licensing.

5. Every finance company shall clearly identify and list the assets associated with processing and communication of information (i.e., hardware, software and communication equipment), and assign the responsibility of securing all information system assets to an individual who has been authorized by the management as follows:
   
   (a) Implement different levels of access controls, based on authority levels to ensure confidentiality of information and security of systems on which information is stored or filed with such controls covering areas such as managing user access, securing unattended workstations, managing passwords and procedures to be implemented when authorized personnel leave the company.
   
   (b) Protect all important servers and power and telecommunication cables carrying data from power failures.
   
   (c) Ensure that all sensitive data and/or licensed software have been removed from all items of equipment prior to disposal.
   
   (d) Secure the premises where IT systems / data centers are located by limiting physical access to authorized personnel and maintain a record of entry and exit for data centers, with proper identification established and recorded prior to any entry to the data center.
6. Every finance company shall have procedures for purchasing and maintaining commercial software. These procedures shall include the following:
   (a) Purchasing and installing software, software maintenance and upgrading of software.
   (b) Securing hardware, peripherals and other equipment.
   (c) Developing, testing and maintenance of in-house developed software.

7. Every finance company shall have a security policy for network management. This security policy shall include procedures on:
   (a) Combating cybercrime.
   (b) E-commerce and intranet information security.
   (c) Security of any other networks within the organization such as Automated Teller Machines.

8. Every finance company shall have a Business Continuity Plan (BCP) covering disaster management and risk analysis, which shall be implemented after testing and acceptance, including the following:
   (a) Assign the maintenance of the BCP to an authorized officer(s).
   (b) Prepare a backup policy based on the importance of the relevant system, with the necessary backups being tested periodically.
   (c) Implement procedures to detect and respond to information security incidents, which shall include procedures for reporting of information security incidents, investigating of such incidents and taking of corrective measures.

9. Every finance company shall conduct periodic information system audits, where the responsibilities of the audits are assigned to a separate unit or external personnel, independent of the IT department.

10. Every finance company shall comply with legal and policy requirements relating to software licensing, which shall include complying with copyright and software licensing legislation.

This Direction was made by the Monetary Board on 06 September 2012 under section 12 of the Finance Business Act, No.42 of 2011.
FINANCE COMPANIES (DEBT INSTRUMENTS)  
DIRECTION NO. 3 OF 2013

1. This Direction may be cited as the Finance Companies (Debt Instruments) Direction No. 3 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011, and shall come into operation from the date of this Direction.

2. 2.1 This Direction shall be applicable to debt instruments issued by a finance company to borrow money. A debt instrument shall mean, a bond, debenture, commercial paper, promissory note or any other debt instrument as may be determined by the Director.

2.2 Every issue of debt instruments shall be for cash considerations or any other consideration determined by the Monetary Board.

2.3 A finance company may issue debt subject to the provisions of this Direction, Finance Companies (Interest Rates) Direction and Finance Companies (Liquid Assets) Direction.

3. The date of redemption of any debt instrument should not be less than one month and should not exceed sixty months from the date of issue of such debt instrument.

4. 4.1 Issue of debt instruments with maturities of one year or less,
(i) Shall be through private placements; and,
(ii) Shall be of a value not less than rupees one million (1,000,000/-).

4.2 Issue of debt instruments with maturities over one year,
(i) Shall list on the Colombo Stock Exchange subject to the debt listing rules of Securities and Exchange Commission of Sri Lanka; and,
(ii) Shall apply and obtain written approval of the Director, prior to the issue of debt instrument.

5. The maximum annual rate of interest/discount/coupon which may be paid for debt instruments issued by a finance company shall be subject to the provisions of the Finance Companies (Interest Rates) Direction.

6. Every finance company shall maintain liquidity for debt instruments subject to the provisions of the Finance Companies (Liquid Assets) Direction.

7. 7.1 Every finance company that borrows money shall issue a debt instrument to every person who invests in such debt instrument, which for all purposes shall be deemed to be an acknowledgement of acceptance of such sum of money by the finance company.

7.2 Every such debt instrument shall be signed by at least two officers, who are authorized by the Board of Directors for the purpose of issuing of debt instruments.

7.3 Every debt instrument shall contain the following:
(i) Serial number;
(ii) Name and registered address of the finance company;
(iii) Date of issue;
(iv) Name, National Identity Card number or Passport number and the address of the investor;

(v) Amount of money received in words and figures;

(vi) The annual rate of interest payable and the basis of payment;

(vii) Date on which the debt instrument is redeemable; and,

(viii) Names and designations of the authorized officers.

8. In addition to the requirements imposed under the Financial Transactions Reporting Act, No.6 of 2006 and any rules issued thereunder, every finance company shall maintain separate register for each type of debt instruments including the following particulars:–

(i) Serial number;

(ii) Name, address, contact details and National Identity Card number or Passport number of each investor or in the case of corporate investors, name, registered address, principal place of business, company registration number;

(iii) Amount of money received;

(iv) Date of redemption of the debt instrument;

(v) Interest rates and the basis of payment of interest (monthly/quarterly/bi-annual, annual or at redemption); and,

(vi) Date and amount of each payment (interest and/or principal).

9. 9.1 Every advertisement published directly or indirectly soliciting debt from the public by a finance company shall contain:–

(i) That such company has been licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act, No. 42 of 2011;

(ii) The date of incorporation of the company;

(iii) Credit rating for the company and the debt instrument assigned by a credit rating agency acceptable to the Central Bank of Sri Lanka;

(iv) Periodicity of payment of interest, the annual coupon rate and maturities of such debts; and,

(v) Terms and conditions subject to which such debts are accepted.

9.2 A finance company shall not use any term which will lead to unfair and unethical competition among other financial institutions when advertising under this section. Where the Director is of the opinion that any advertisement published / transmitted/ broadcasted / displayed under this section, does not comply with the provisions of this section or contains information which is likely to mislead the public, the Director may direct the finance company to publish /transmit / broadcast / display a revised version or discontinue such advertisement in the manner specified by the Director within a reasonable period of time.

9.3 A finance company shall apply for and obtain the written approval of the Director, prior to the publication or display of any advertisement soliciting subscription to a debt issue. A finance company shall forward to the Director a copy of any advertisement, in print or electronic form, at least 3 working days prior to the publication/display of such advertisement.
10. In this Direction:–

(i) “Board of Directors” means the Board of Directors of the finance company.

(ii) “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka;

(iii) “Financial institution” means a bank licensed under the Banking Act, No.30 of 1988 or a finance company which is licensed under the Finance Business Act, No.42 of 2011 or a finance leasing establishment registered under the Finance Leasing Act, No.56 of 2000.

(iv) “Private placement” means, the issue of any debt instrument, without the issue of a prospectus or advertising through the mass media, including the internet, posts, facsimile, electronic mail, leaflets, banners, posters or booklets or through any kind of propaganda carried out by any means whatsoever.

This Direction was made by the Monetary Board on 26 July 2013 under section 12 of the Finance Business Act, No.42 of 2011.
1.1 This direction may be cited as the Finance Companies (Interest Rates) Direction No. 5 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011.

1.2 The provisions of this direction shall be applicable for any time deposit, non-transferable certificate of deposit and debt instrument accepted or renewed and issued from the date of this direction.

2.1 The annual rate of interest which may be paid by a finance company on a time deposit shall not exceed the maximum upper limit of interest rates set out below :-

<table>
<thead>
<tr>
<th>Time deposit maturity period</th>
<th>Maximum upper limit of interest rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year or less</td>
<td>The quarterly weighted average yield rates of 364 day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits plus 2.00 percentage points</td>
</tr>
<tr>
<td>Over one year – 3 years</td>
<td>plus 2.50 percentage points</td>
</tr>
<tr>
<td>Over 3 years – 5 years</td>
<td>plus 3.00 percentage points</td>
</tr>
</tbody>
</table>

2.2 In the case where a time deposit is accepted from or renewed by a person who is over fifty five (55) years of age at the time of making such deposit or renewal of such deposit (hereinafter referred to as a “Senior Citizen”), a finance company may pay an additional interest not exceeding one percentage point above the maximum upper limit of interest rates as per paragraph (2.1).

3.1 The maximum annual interest rates, which may be paid by a finance company on any savings deposit, shall not exceed the weighted average yield rate of 91-day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize saving deposit.

3.2 In the case where a savings deposit is maintained by a Senior Citizen, a finance company may pay an additional interest not exceeding one percentage point above the maximum upper limit of interest rates as per paragraph (3.1).

4. The rate of discount which may be allowed by a finance company on the issue of a non-transferable certificate of deposit of which the price is less than the redeemable value at maturity shall not exceed the maximum annual yield on the instrument set out below :-

<table>
<thead>
<tr>
<th>Non-transferable certificate of deposit maturity period</th>
<th>Maximum upper limit of yield rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year or less</td>
<td>The quarterly weighted average yield rates of 364 day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits plus 2.00 percentage points</td>
</tr>
<tr>
<td>Over one year – 3 years</td>
<td>plus 2.50 percentage points</td>
</tr>
<tr>
<td>Over 3 years – 5 years</td>
<td>plus 3.00 percentage points</td>
</tr>
</tbody>
</table>
5. The maximum annual rate of interest/discount/coupon which may be paid by a finance company on a debt instrument shall not exceed the maximum upper limit of interest rates/coupon rates for maturity periods set out below:

<table>
<thead>
<tr>
<th>Debt instruments maturity period</th>
<th>Maximum annual rate of interest/discount/coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year or less</td>
<td>prior to issue debt instrument</td>
</tr>
<tr>
<td>Floating rate</td>
<td>prior to the commencement of each interest/coupon period</td>
</tr>
<tr>
<td>Over one year – 3 years</td>
<td>prior to the announcement date of the debt instrument to the public or discount date</td>
</tr>
<tr>
<td>Over 3 years – 5 years</td>
<td>plus 5.00 percentage points</td>
</tr>
<tr>
<td>Fixed rate</td>
<td></td>
</tr>
<tr>
<td>Over one year – 3 years</td>
<td>prior to the announcement date of the debt instrument to the public or discount date</td>
</tr>
<tr>
<td>Over 3 years – 5 years</td>
<td>plus 5.00 percentage points</td>
</tr>
</tbody>
</table>

6.1 Director shall announce the quarterly weighted average yield rates of 91 day and 364-day Treasury Bills applicable for each quarter ending 31st March, 30th June, 30th September and 31st December.

6.2 The quarterly weighted average yield rates applicable to such interest/discount/coupon payment periods shall be notified by the finance company to the Colombo Stock Exchange and the Trustee prior to the commencement of each coupon payment period.

7. Every finance company shall furnish details of the interest rates paid/discounts/coupon rates applied for time deposits, saving deposits, non-transferable certificates of deposit and debts instruments by such finance company in each month, on or before the 7th day of the following month as per the instructions given by the Director.

8. In this Direction,

8.1 “Time deposit” means any deposit accepted by a finance company with an agreement to repay after a specified period of time; and

8.2 “Debt instrument” mean, a bond, debenture, commercial paper, promissory note or any other debt instrument as may be determined by the Director.

8.3 “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

9. The Finance Companies (Interest Rates) Direction, No.06 of 2012 is hereby revoked.

This Direction was made by the Monetary Board on 26 July 2013 under section 12 of the Finance Business Act, No.42 of 2011.
1. This Direction may be cited as the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 (hereinafter referred to as a ‘finance company’) and shall come into operation with effect from 1 January, 2009.

2. The Responsibilities of the Board of Directors

(1) The Board of Directors (hereinafter referred to as the Board) shall strengthen the safety and soundness of the finance company by–

   a) approving and overseeing the finance company’s strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;
   
   b) approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;
   
   c) identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;
   
   d) approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;
   
   e) reviewing the adequacy and the integrity of the finance company’s internal control systems and management information systems;
   
   f) identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;
   
   g) defining the areas of authority and key responsibilities for the Board and for the key management personnel;
   
   h) ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company’s policy;
   
   i) periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;
   
   j) ensuring that the finance company has an appropriate succession plan for key management personnel;
   
   k) meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;
   
   l) understanding the regulatory environment;
   
   m) exercising due diligence in the hiring and oversight of external auditors.

(2) The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.

(3) There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company’s expense.
The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.

(4) A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.

(5) The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.

(6) The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.

(7) The Board shall include in the finance company’s Annual Report, an annual corporate governance report setting out the compliance with this Direction.

(8) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.

3. Meetings of the Board

(1) The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board’s consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.

(2) The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.

(3) A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.

(4) A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors’ meetings through an alternate director shall, however, be acceptable as attendance.

(5) The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.

(6) If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.

(7) All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.

(8) The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.

(9) Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the explanations and confirmations of
relevant executives which indicate compliance with the Board’s strategies and policies and adherence to relevant laws and regulations; (e) the Board’s knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.

4. Composition of the Board

(1) Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.

(2) Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.

(3) Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an “executive director”) provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.

(4) With effect from three years from the date of this Direction, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.

A non-executive director shall not be considered independent if such director:

a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company;

b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet;

c) has been employed by the finance company during the two year period immediately preceding the appointment as director;

d) has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company.

e) represents a shareholder, debtor, or such other similar stakeholder of the finance company;

f) is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization:

i. which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company; or

ii. in which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance company; or

iii. in which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.
(5) In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.

(6) Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.

(7) With effect from three years from the date of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.

(8) The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.

(9) There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.

(10) All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.

(11) If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director’s disagreement with the Board, if any.

5. Criteria to assess the fitness and propriety of directors

(1) Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a finance company.

(2) A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.

6. Delegation of Functions

(1) The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.

(2) The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.

7. The Chairman and the Chief Executive Officer

(1) The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.

(2) The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior
Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company’s Annual Report.

(3) The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.

(4) The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.

(5) The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.

(6) The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.

(7) The chairman shall encourage each director to make a full and active contribution to the Board’s affairs and take the lead to ensure that the Board acts in the best interests of the finance company.

(8) The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.

(9) Subject to the transitional provisions contained herein, the chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.

(10) The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.

(11) The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company’s operations and business.

8. Board appointed Committees

(1) Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.

(2) Audit Committee

The following shall apply in relation to the Audit Committee:

a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.

b) The Board members appointed to the committee shall be non-executive directors.

c) The committee shall make recommendations on matters in connection with: (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.

d) The committee shall review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.
e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor’s independence or objectivity. When assessing the external auditor’s independence or objectivity in relation to the provision of non-audit services, the committee shall consider:

(i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;

(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and

(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.

f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the finance company’s compliance with Directions issued under the Act and the management’s internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.

g) The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company’s annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.

h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.

i) The committee shall review the external auditor’s management letter and the management’s response thereto.

j) The committee shall take the following steps with regard to the internal audit function of the finance company:

(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;

(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;

(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;

(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;

(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;
(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;

k) The committee shall consider the major findings of internal investigations and management’s responses thereto;

l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.

m) The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.

n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

o) The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.

p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.

q) The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company’s relations with the external auditor.

(3) Integrated Risk Management Committee

The following shall apply in relation to the Integrated Risk Management Committee:

a) The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.

b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.

c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.

d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company’s policies and regulatory and supervisory requirements.

e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.

f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as
directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board’s views, concurrence and/or specific directions.

h) The committee shall establish a compliance function to assess the finance company’s compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.

9. Related party transactions

(1) The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.

(2) The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction:

   a) A subsidiary of the finance company;
   b) Any associate company of the finance company;
   c) A director of the finance company;
   d) A key management personnel of the finance company;
   e) A relative of a director or a key management personnel of the finance company;
   f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company;
   g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest.

(3) The transactions with a related party that are covered in this Direction shall be the following:

   a) Granting accommodation,
   b) Creating liabilities to the finance company in the form of deposits, borrowings and investments,
   c) providing financial or non-financial services to the finance company or obtaining those services from the finance company,
   d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.

(4) The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, “more favourable treatment” shall mean:

   a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’s regulatory capital, as determined by the Board.

   The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company’s share capital and debt instruments with a remaining maturity of 5 years or more.
b) Charging of a lower rate of interest than the finance company’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;

c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;

d) Providing or obtaining services to or from a related-party without a proper evaluation procedure;

e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.

10. Disclosures

(1) The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.

(2) The Board shall ensure that at least the following disclosures are made in the Annual Report:

a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.

b) A report by the Board on the finance company’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.

c) The external auditor’s certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31, 2010.

d) Details of directors, including names, transactions with the finance company.

e) Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.

f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company’s capital funds.

g) The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.

h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.

i) A statement of the regulatory and supervisory concerns on lapses in the finance company’s risk management, or non compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.

j) The external auditor’s certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011.
11. Transitional provisions

(1) On the date of this Direction, if the number of directors on the Board of a finance company is either less than 5 or exceed 13, such finance company shall comply with paragraph 4(1) hereof, within three years from the date of this Direction.

(2) On the date of this Direction, if the number of executive directors in a finance company is more than one half of the number of directors of the Board, the Board shall expressly identify the excess executive directors and inform the names of such excess executive directors to the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka within three months from the date of this Direction. Thereafter, such excess executive directors shall not be considered as members of the Board.

(3) The following transitional provision shall apply to the 9-year retirement requirement imposed under paragraph 4(2) of this Direction:

A director who has completed nine years as at January 1, 2009 or who completes such term at any time prior to December 31, 2009, may continue for a further maximum period of 3 years commencing January 1, 2009.

(4) The following transitional provision shall apply to the maximum age limit imposed under paragraph 5(1) of this Direction:

A director who has reached the age of 70 years as at January 1, 2009 or who would reach the age of 70 years prior to December 31, 2009, may continue in office for a further maximum period of three years commencing January 1, 2009.

(5) The following transitional provision shall apply to the maximum 20 company directorship limitation imposed under paragraph 5(2) of this Direction:

If any person holds posts of director in excess of the limitation given in paragraph 5(2), such person shall within a maximum period of three years from January 1, 2009, comply with the limitation and notify the Monetary Board accordingly.

(6) If for any reason such as ill health or any disqualification specified in the Act, the Monetary Board considers that exemptions referred to in sub-paragraphs 11(3), 11(4) and 11(5) should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption.

12. Definitions

(1) “Act” shall mean the Finance Companies Act, No.78 of 1988.

(2) “accommodation” shall have the same meaning as contained in the Finance Companies (Lending) Direction, No.1 of 2007.

(3) “relative” shall have the same meaning as contained in section 46 of the Finance Companies Act, No. 78 of 1988.

(4) “key management personnel” are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

(5) “substantial interest” shall have the same meaning as contained in section 46 of the Finance Companies Act, No.78 of 1988.
1. This Direction may be cited as the Finance Companies (Corporate Governance – Amendment) Direction, No. 4 of 2008 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 (hereinafter referred to as a ‘finance company’) and shall come into operation with effect from 1 January, 2009.

2. Paragraph 4 of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 is amended hereby as follows:

(1) By repeal of words ‘With effect from three years from the date of this Direction’ from sub-paragraph (4) thereof and the substitution therefor, of the following:

“With effect from three years commencing 01.01.2009”

(2) By repeal of words ‘With effect from three years from the date of this Direction’ from sub-paragraph (7) thereof and the substitution therefor, of the following:

“With effect from three years commencing 01.01.2009”

3. Paragraph 11 of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 is amended hereby as follows:

(1) By repeal of words ‘within three years from the date of this Direction’ from sub-paragraph (1) thereof and the substitution therefor, of the following:

“within three years commencing 01.01.2009.”

(2) (a) By repeal of words ‘within three months from the date of this Direction’ from sub-paragraph (2) thereof and the substitution therefor, of the following:

“within three years commencing 01.01.2009”.

(b) By the repeal of the word ‘Thereafter’ from sub-paragraph (2) thereof and the substitution therefor, of the following:

“On the expiry of three years commencing 01.01.2009”

This Direction was made by the Monetary Board on 30 December 2008 under the Finance Companies Act, No. 78 of 1988 and published in the Government Gazette (Extraordinary) No. 1586/3 dated 26 January 2009.
FINANCE COMPANIES (ASSESSMENT OF FITNESS AND PROPRIETY OF DIRECTORS AND OFFICERS PERFORMING EXECUTIVE FUNCTIONS)
DIRECTION NO. 3 OF 2011

In terms of Section 9 of the Finance Companies Act, No. 78 of 1988, as amended by Act, No. 23 of 1991, the Monetary Board is empowered to issue Directions to registered finance companies regarding the manner in which any aspect of the business of such companies is to be conducted. Fitness and Propriety of directors and officers performing executive functions is a key requirement to ensure good governance and risk management on the conduct of business of registered finance companies which promotes the stability of such companies. Therefore, in the exercise of the powers conferred by Section 9 of the Finance Companies Act, the Monetary Board hereby issues Directions, No. 3 of 2011 on fitness and propriety of directors and officers performing executive functions to be effective from the date of these Directions.

1. No person shall be appointed as a director of a finance company or an officer performing executive functions (hereinafter referred as “officer”) in such company unless that person is a fit and proper person to hold office as a director or an officer in terms of the provisions of these Directions.

2.1 In assessing the fitness and propriety of a person for the purpose of Direction 1 above, the following matters shall be considered by the Director:–

(a) that such person possesses academic or professional qualifications or effective experience in banking, finance, business or administration or of any other relevant discipline;

(b) that such person is not being subjected to an investigation or inquiry involving fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, Commission of Inquiry, tribunal or other body established by law, in Sri Lanka or abroad;

(c) that such person is not found by any court of law, regulatory or supervisory authority, professional association, Commission of Inquiry, tribunal or any other body established by law in Sri Lanka or abroad, to the effect that such person has committed or has been connected with the commission of, any act which involves fraud, deceit, dishonesty, improper conduct or non-compliances with provisions of any Statute or rules, regulations, directions or determinations issued thereunder;

(d) that such person has not been convicted by any Court in Sri Lanka or abroad in respect of an offence involving fraud, deceit, dishonesty or similar criminal activity;

(e) that such person has not been declared insolvent or declared bankrupt in Sri Lanka or abroad;

(f) that such person has not failed to satisfy any judgment or order of any Court whether in Sri Lanka or abroad, or to repay a debt;

(g) that such person has not been declared by a Court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind;

(h) that such person has not been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer or an employee in any bank, finance company or a corporate body in Sri Lanka or abroad;

(i) that such person has not been a director, chief executive officer or held any other position of authority in any bank, finance company or financial institution:

(i) whose license or business has been cancelled or suspended on grounds of regulatory concerns; or

(78)
which has been wound up or is being wound up, or which is being compulsorily liquidated; whether in Sri Lanka or abroad.

2.2 In addition, criteria set out in Section 5 of the Directions, No. 3 of 2008 on Corporate Governance for Finance Companies shall also be applicable.

3.1 Each finance company shall obtain from respective directors or officers selected for appointment an affidavit and declaration as in Annex I and II, respectively, and submit to the Director.

3.2 In addition to 3.1, a letter from the institution/company in which such director or officer held office immediately preceding the appointment regarding the level of performance of duties assigned to him/her in the particular institution shall be submitted to the Director.

3.3 With respect to existing directors and officers, finance companies shall obtain and submit affidavits and declarations to the Director within thirty days of this Direction.

3.4 In respect of every continuing director, a finance company shall obtain and submit affidavits and declarations to the Director annually before the Annual General Meeting of the respective finance company if such directors are nominated for re-appointment.

4.1 The Director may, having regard to the matters specified in Direction 2 above, approve or refuse to approve the appointment or continuation as the case may be as a director or an officer of a finance company.

4.2 The Director shall notify the finance company of such approval or refusal giving reasons therefor and it shall be the duty of the finance company to communicate such notification to the director or the officer concerned and implement same.

5. Where the Director, having regard to the matters specified in Direction 2 above, is satisfied at any time that a person appointed or continued is not fit and proper as a director or an officer for continuation, may determine that the person is not fit and proper to be a director or an officer of a finance company and the Direction 4.2 above shall be applicable thereafter.

6.1 Every finance company shall notify the Director of any reasonable suspicions or findings to the effect that any director or an officer is not a fit and proper person to hold office in the respective finance company within fourteen days of it being aware of such suspicion or findings.

6.2 If circumstances vary, change, render invalid, make inapplicable or falsify the information contained in an affidavit or declaration submitted by a director or an officer, such person shall, within fourteen days, notify the Director.

7.1 A person aggrieved by the refusal or determination of the Director under Direction 4.1 or 5 above may within fourteen days of receipt of the communication sent by the finance company make an appeal giving reasons in writing in justifiable manner to the Monetary Board.

7.2 The Monetary Board may, after considering reasons given by the Director and the objections of the aggrieved party, decide either to confirm or over-rule the refusal made by the Director.
In this Direction, unless the context otherwise requires:—

(a) “Act” shall mean the Finance Companies Act, No. 78 of 1988.

(b) “Director” shall have the same meaning as contained in section 46 of the Finance Companies Act, No. 78 of 1988.

(c) “Date of receipt” of any document under this Direction shall be, if sent via facsimile, electronic mail or hand delivery: on the same day of dispatch; if sent via registered post: on the expiry of 3 working days from the date of dispatch. For purposes of clarity, if a document has been dispatched on more than one delivery method, the time of delivery of the most expeditious method shall be considered.

(d) Officers performing executive functions in a finance company are as follows:
   i. Chief Executive Officer/General Manager
   ii. Additional General Manager
   iii. Senior Deputy General Manager
   iv. Deputy General Manager
   v. Assistant General Manager
   vi. Chief Operating Officer
   vii. Chief Risk Officer
   viii. Chief Accountant
   ix. Chief Financial Officer
   x. Chief Internal Auditor
   xi. Compliance Officer
   xii. Head of Treasury
   xiii. Head of Legal
   xiv. Head of Information Technology
   xv. Company Secretary
   xvi. Officers serving as consultants or advisors to the board of directors of the finance company
   xvii. Officers involving in decisions on credit, assets and marketing of products of the respective finance company
   xviii. Any other officer within the meaning of “key management personnel” as stated in the Finance Companies (Corporate Governance) Direction, No. 3 of 2008

This Direction was made by the Monetary Board on 05 September 2011 under the Finance Companies Act, No.78 of 1988.
Annex I

Name of Registered Finance Company: .................................................................

Affidavit to be submitted by Directors and Officers performing Executive functions in Registered Finance Companies

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

1. I am the [affirmant / deponent] above named and I am ......................... (designation)
of ................................................................. (name of the registered finance company).

2. I [affirm / state] that I possess the following academic and / or professional qualification/s:
...............................................................................................................................

3. I [affirm / state] that the effective experience that I possess in banking, finance, business or administration or of any other relevant discipline is as follows:
............................................................................................................................... 

4. I [affirm / state] that I am not subjected to any disqualifications given under Paragraph 2.1 of the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Directions, No. 3 of 2011.

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 at
......................... on this
......................... day of
.........................

Affix Stamps as applicable

Before me

JUSTICE OF THE PEACE / COMMISSIONER FOR OATHS

( 81 )
Annex II

Name of Registered Finance Company: ...........................................................................

Declaration to be submitted by Directors and Officers performing Executive functions
(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 the Finance Company

2.1 Date of appointment to the board / present position:
(please attach a certified copy of the appointment letter in the case of an officer performing executive
functions) : ...........................................................................................................................

2.2 Designation: ...................................................................................................................

2.3 Local or expatriate: ........................................................................................................

2.4 Annual remuneration (with details): ................................................................................

2.5 Annual value of benefits derived by director or officer performing executive functions 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 dependant children: ......................................................................................

<table>
<thead>
<tr>
<th>Full name</th>
<th>NIC No.</th>
<th>Passport No.</th>
</tr>
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<tbody>
<tr>
<td>3.4.1</td>
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<tr>
<td>3.4.2</td>
<td></td>
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<tr>
<td>3.4.3</td>
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</tbody>
</table>
4. Background and Experience

Name/s of registered finance company/ies or licensed bank/s, if any, in which he/she is or has been a director or has been employed as an officer performing executive functions:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Period of office</th>
<th>Designation</th>
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</tbody>
</table>

5. Shareholdings in Finance Companies and their Related Companies

Share ownerships in registered finance companies, their subsidiaries and associates, if any, presently held:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>No. of shares</th>
<th>Percentage holding</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

6. Business Transactions

Any business transaction the director or officer performing executive functions presently has with the registered finance company, its subsidiaries or associates if any.

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Date of transaction</th>
<th>Amount as at .......... (Rs. mn)</th>
<th>Classification (performing/non-performing)</th>
<th>Type and value of collateral (Rs. mn)</th>
<th>% of the finance company’s Capital Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Limit</td>
<td>Out-standing</td>
<td></td>
<td></td>
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</tbody>
</table>

Loans and such other accommodation obtained from the finance company

Investments (Promissory Notes / Commercial Paper etc.) made with the finance company

Deposits

---

1/ “Business transaction” shall mean any accommodations, investments and deposits.
7. Appointments, Shareholdings and Business Transactions of Relatives

7.1 Any relative presently employed as a directors or an officers performing executive functions in any finance company.

<table>
<thead>
<tr>
<th>Name of the finance company</th>
<th>Full name of the relative</th>
<th>Position held</th>
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<tbody>
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</tbody>
</table>

7.2 Direct or indirect share ownership in the finance company, if any, presently held by any relative.

<table>
<thead>
<tr>
<th>Full name of the relative</th>
<th>No. of Shares</th>
<th>Percentage holding</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
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</table>

7.3 Any business transaction, a relative currently has with the finance company, if any.

<table>
<thead>
<tr>
<th>Full Name of the relative</th>
<th>Nature of business transaction</th>
<th>Date of transaction</th>
<th>Limit as at ............. (Rs.mn)</th>
<th>Outstanding as at ........ (Rs.mn)</th>
<th>Type and value of collateral (Rs. mn)</th>
<th>% of finance company’s paid-up capital</th>
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</table>

8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director or officer performing executive functions in the registered finance company.
DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the registered finance company and the Director, Department of Supervision of Non-Bank Financial 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 or Officer Performing Executive Functions in the Finance Company

__________________________

TO BE COMPLETED BY THE CHIEF EXECUTIVE OFFICER WITH REFERENCE TO OFFICERS PERFORMING EXECUTIVE FUNCTIONS

Additional explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing executive functions in the finance company.

Date: ……………

Signature of the Chief Executive Officer and the official stamp

__________________________

TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS WITH REFERENCE TO THE CHIEF EXECUTIVE OFFICER

Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing the function of the chief executive officer.

Date: ……………

Signature of the Chairman of the Board of Directors

This Direction was made by the Monetary Board on 05 September 2011 under the Finance Companies Act, No.78 of 1988.
1. This Direction may be cited as the Finance Companies (Corporate Governance – Amendment) Direction No. 6 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011, and shall come into operation from the date of this Direction.

2. Paragraph 5 of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 is amended hereby as follows:
   By repeal of subparagraph (2) thereof and the substitution therefor, the following:
   A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company.

3. Paragraph 10 of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 is amended hereby as follows:
   (1) By repeal of subparagraph 2(b) thereof and the substitution therefor, the following:
   A report by the Board on the finance company’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.
   (2) By repeal of subparagraph 2(c) thereof and the substitution therefor, the following:
   The external auditor’s certification on the effectiveness of the internal control mechanism referred to in subparagraph (2)(b) above, in respect of any statements prepared or published from the date of this Direction.
   (3) By repeal of subparagraph 2(j) thereof and the substitution therefor, the following:
   The external auditor’s certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.

This Direction was made by the Monetary Board on 17 September 2013 under the Finance Business Act, No.42 of 2011.
FINANCE COMPANIES (AUDITED ACCOUNTS)
DIRECTION NO. 16 OF 1991

1. This Direction may be cited as Finance Companies (Audited Accounts) Direction No.16 of 1991 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No.78 of 1988 and shall come into operation with immediate effect.

2. Every finance company shall appoint an Auditor to audit the following financial statements prepared by the company in compliance with section 13 of the Finance Companies Act, No. 78 of 1988 :–

   (a) balance sheet as at the last working day of each financial year;

   (b) profit and loss account in respect of such year.

3. Every such Auditor appointed to a finance company shall report on the affairs of the company in conformity with the provisions of section 17 of the Finance Companies Act, No. 78 of 1988.

This Direction was made by the Monetary Board on 23 October 1991 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.685/20 dated 25 October 1991.
FINANCE COMPANIES (REPORTING REQUIREMENTS)
DIRECTION NO. 2 OF 2011

In terms of Section 9 of the Finance Companies Act, No. 78 of 1988, as amended by Act, No. 23 of 1991, the Monetary Board is empowered to issue Directions to Registered Finance Companies (RFCs) regarding the manner in which any aspect of the business of such companies is to be considered.

Reporting of information on the financial performance of RFCs to the Department of Supervision of Non-Bank Financial Institutions is beneficial for the RFCs to conduct their business with the supervisory oversight. Therefore, in the exercise of the powers conferred by Section 9 of the Finance Companies Act, the Monetary Board hereby issues finance companies (Reporting Requirements) Direction No.2 of 2011 for RFCs to be effective from the date of these directions.

1. Every finance company shall submit information to the Director according to the formats provided under the Central Bank Financial Information System by the due dates as specified in Schedule I.

2. Paragraphs 3 and 7 of the Finance Companies (Liquid Assets) Direction No.1 of 2009, paragraphs 4(i) and 4(ii) of the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.2 of 2006, paragraphs 5(i), 5(ii) and 5(iii) of the Finance Companies (Provision for Bad and Doubtful Debts) Direction No.3 of 2006, and paragraph 4 of the Finance Companies (Interest) Direction No. 1 of 2010 are hereby repealed. Other reporting requirements imposed under the Act and Directions issued thereunder shall remain unchanged.

3. In the event of non-submission of any periodical report by the due date;

   (a) The Director shall impose a penalty with effect from 01.01.2012, after considering any reasonable reasons for non-compliance if so submitted by the company prior to the due date of the report, as follows;

<table>
<thead>
<tr>
<th>Type of report</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any Weekly report that should be submitted on the first Working Day of the following week.</td>
<td>A penalty of Rupees one hundred thousand (Rs. 100,000.00) per violation.</td>
</tr>
<tr>
<td>Any Monthly report that should be submitted by the 7th or 15th of the following month.</td>
<td>A penalty of Rupees two hundred thousand (Rs. 200,000.00) per violation.</td>
</tr>
<tr>
<td>Annual financial statements (audited) that should be submitted within six months from the end of each financial year.</td>
<td>A penalty of Rupees five hundred thousand (Rs. 500,000.00) per violation.</td>
</tr>
</tbody>
</table>

   (b) The respective RFC shall forward a cheque drawn in favour of “Chief Accountant, Central Bank of Sri Lanka” within 7 working days after being informed of the penalty by the Director.

   (c) In an event of continued non-compliance where penalties have arisen in three consecutive reporting periods, the CEO will be deemed not fit and proper to hold the office.

   (d) In an event of non-compliance where a penalty has been imposed, the respective RFC shall disclose it in the audited annual financial statement under a separate note titled “Penalties imposed by the Central Bank”.

(88)

(b) “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

(c) “Central Bank Financial Information System” means the web-based data transmission system provided by the Central Bank to RFCs supervised by it for the purpose of submitting financial information.

(d) “Week” means a week beginning Monday.

5. The Finance Companies (Reporting Requirements) Direction No. 5 of 2009 is hereby revoked.

Schedule I: Time schedule for Reporting Requirements

<table>
<thead>
<tr>
<th>Report</th>
<th>Periodicity</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii. NBD-WF-16-DL (Deposit Liability)</td>
<td>Weekly</td>
<td>First Working Day following the end of the respective week.</td>
</tr>
<tr>
<td>iii. NBD-MF-17-AD (Advances)</td>
<td>Monthly</td>
<td>By the 7th of the following month</td>
</tr>
<tr>
<td>iv. NBD-MF-04-LA (Liquid Assets)</td>
<td>Monthly</td>
<td>By the 7th of the following month</td>
</tr>
<tr>
<td>v. Rate of Interest</td>
<td>Monthly</td>
<td>By the 7th of the following month</td>
</tr>
<tr>
<td>vi. NBD-MF-01-BS (Balance Sheet)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>vii. NBD-MF-02-PL (Profit &amp; Loss)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>viii. NBD-MF-03-CA (Classification of Adv.)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>ix. NBD-MF-07-SL (Secured Large Exposure&lt;sup&gt;a&lt;/sup&gt;)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>x. NBD-MF-07-UL (Unsecured Large Exposure&lt;sup&gt;b&lt;/sup&gt;)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>xi. NBD-MF-08-AR (Advances to Related Parties)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>xii. NBD-MF-09-IE (Investments in Equity)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>xiii. NBD-MF-10-GA (Maturity Gap Analysis)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
<tr>
<td>xiv. NBD-MF-11-IS (Interest Rate Sensitivity)</td>
<td>Monthly</td>
<td>By the 15th of the following month</td>
</tr>
</tbody>
</table>
This Direction was made by the Monetary Board on 05 September 2011 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1636/16 dated 15 January 2010.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| xv. | NBD-MF-12-C1(C1)  
(Capital Adequacy Ratio)  
   | Monthly  
   | By the 15th of the following month  
| xvi. | NBD-MF-12-C2(C2)  
(Capital Adequacy Ratio)  
   | Monthly  
   | By the 15th of the following month  
| xvii. | NBD-MF-12-C3(C3)  
(Capital Adequacy Ratio)  
   | Monthly  
   | By the 15th of the following month  
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(Capital Adequacy Ratio)  
   | Monthly  
   | By the 15th of the following month  
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(Sector wise Credit Exposure)  
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| xxi. | Balance Sheet - Audited  
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| xxiii. | Capital Adequacy Ratio - Audited  
   | Annually  
   | By the deadline specified by the Act to submit audited balance sheet. (Currently within six months from the end of each financial year).  

Note:–

(a) “Secured Large Exposure” means the accommodation granted above the value of 5 (Five) per cent of the core capital.

(b) “Unsecured Large Exposure” means the accommodation granted above the value of 1 (One) per cent of the core capital.

This Direction was made by the Monetary Board on 05 September 2011 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1636/16 dated 15 January 2010.
FINANCE COMPANIES (FIXED ASSETS)  
DIRECTION NO. 11 OF 1991

1. This Direction may be cited as Finance Companies (Fixed Assets) Direction No.11 of 1991 and shall come into operation with immediate effect and shall apply to every finance company registered under the Finance Companies Act, No. 78 of 1988.

2. No finance company shall purchase or acquire any immovable property or any right title or interest therein exceeding :-

   (i) in the aggregate at any time the amount outstanding on the loans obtained for the specific purpose of purchasing ; or

   (ii) fifty (50) per cent of the capital funds of the finance company without the prior approval of the Director. This shall not prevent an institution :–

       (a) from holding immovable property purchased by the company for re-sale as part of its trade or business;

       (b) from securing a debt on any immovable property and in the event of default in payment of such debt, from holding that immovable property for realisation by sale or auction at the earliest.

3. In this Direction, “Capital Funds” shall have the same meaning as contained in the definition in section 46 of the Finance Companies Act, No.78 of 1988.

This Direction was made by the Monetary Board on 16 September 1991 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.680/11 dated 18 September 1991.
1. This Direction may be cited as the Finance Companies (Deposits-Incentive Schemes) Direction No. 5 of 2001 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation on the date of its publication in the Gazette.

2. A finance company shall not introduce any incentive schemes for soliciting deposits without obtaining the prior approval of the Director in writing.

3. Any incentive scheme for soliciting deposits from the public shall:
   (i) be within the accepted practices of financial institutions;
   (ii) bestow on the depositors a real benefit and not something illusory;
   (iii) not lead to unfair and unethical competition among other financial institutions;
   (iv) not weaken prudential requirements;
   (v) be operated directly by the company or where it is undertaken in association with another company, the company providing the benefits shall not be an affiliate or subsidiary company of the finance company concerned or a party of a group to which the finance company belongs; and
   (vi) not have an adverse impact on the profitability of the company through excessive increase in costs of mobilising deposits.

4. In this Direction:
   (a) “Incentive Scheme” means an arrangement to confer a monetary or material benefit on the depositors other than by way of interest;
   (b) “Director” shall have the same meaning as in section 46 of the Finance Companies Act, No. 78 of 1988 as amended.

This Direction was made by the Monetary Board on 25 May 2001 under the Finance Companies Act, No. 78 of 1988 and published in the Government Gazette (Extraordinary) No. 1185/30 dated 25 May 2001.
FINANCE COMPANIES (CLOSURE OF OFFICE/S FOR BUSINESS)
DIRECTION NO. 4 OF 2005

1. This Direction may be cited as Finance Companies (Closure of office/s for business) Direction No.4 of 2005 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No.78 of 1988 as amended by Act No.23 of 1991 and shall come into operation with immediate effect.

2. No finance company shall close its office/s for business on any day of the week from Monday to Friday, which is not a holiday declared by the Ceylon Chamber of Commerce, without the prior approval in writing of the Director.

3. In granting approval required under paragraph 2 above, the Director may impose conditions as he/she may deem necessary.

4. In this Direction, “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

5. The Finance Companies (Closure of Business) Direction No.14 of 1991 is hereby revoked.

This Direction was made by the Monetary Board on 31 January 2005 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No.1378/12 dated 01 February 2005.

FINANCE COMPANIES (OPENING/SHIFTING/CLOSURE OF BRANCHES/OFFICES)
DIRECTION NO. 6 OF 2005

1. This Direction may be cited as the Finance Companies (Opening/Shifting/Closure of Branches/Offices) Direction No.6 of 2005 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No.78 of 1988 as amended by Act No.23 of 1991 and shall come into operation with effect from 02 January 2006.

2. No finance company to which a licence has been issued shall, without the prior approval in writing of the Director:
   (a) open a new place of business;
   (b) change the location of any of its business places; or
   (c) close any of its business places.

3. In this Direction, “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

This Direction was made by the Monetary Board on 29 December 2005 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) 1425/16 dated 29 December 2005.

1. This Direction may be cited as the Finance Companies (Stimulus Package Conditions) Direction No. 3 of 2009 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No.78 of 1988 as amended by Act No.23 of 1991 and shall come into operation with immediate effect.

2. Notwithstanding the provisions of any other direction issued by the Monetary Board under the Act, a beneficiary finance company shall not do any of the following during the Restructuring Period:
   
   (i) grant loans, credit facilities or any type of financial accommodation, including grants, donations and transfers, either directly or indirectly, to a Related Party;
   
   (ii) invest, either directly or indirectly, in shares or otherwise, in any Related Company;
   
   (iii) guarantee, pledge, underwrite or make similar undertaking, either directly or indirectly, with respect to any liability of a Related Party;
   
   (iv) make any bonus payments, whether in cash or otherwise, to any member of staff or any director of the beneficiary finance company;
   
   (v) pay dividends on shares, whether by cash or otherwise, to any shareholder in the beneficiary finance company.

3. A beneficiary finance company shall recover at least fifty per cent (50%) of dues, owed as at the date of this Direction, from related companies, except those that are registered finance companies or registered finance leasing establishments, within one month and at least seventy five per cent (75%) of such dues within two months from the date of this Direction.

   Provided however, that the Director may determine the quantum of recoveries of such dues and the period of time, having considered representations that would be made by a related company in respect of repayment of dues owed to the respective finance company.

4. A beneficiary finance company shall reduce its operational and administrative cost as at the date of this direction, by at least twenty per cent (20%) within one month from the date of this Direction and continue the cost reduction during the restructuring period.

5. A beneficiary finance company, in which the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by one and the same person, shall appoint an independent Chief Executive Officer within one month from the date of applying for a facility under the Stimulus package.

6. A beneficiary finance company shall not remove any member of the Board of Directors or key management personnel or allow any member of the Board of Directors or key management personnel to resign from or vacate the current position during the restructuring period without approval of the Monetary Board.

7. A beneficiary finance company shall reduce salaries/remunerations/emoluments of the members of the Board of Directors and key management personnel by at least 25 per cent (25%) from the amount applicable on the date of the Direction and shall maintain this reduction during the restructuring period.

8. In paying of gratuity and other retirement benefits in the event of a retirement of a member of the Board of Directors who is an employee of a beneficiary finance company or its Key Management Personnel, the company shall–

   (i) calculate the gratuity payment on the amount eligible as salary on the date of retirement;
   
   (ii) limit cash payment to a maximum of Rs.500,000/-; and
   
   (iii) pay the balance of the gratuity or retirement benefit in the form of a three year term deposit in the finance company which cannot be withdrawn prematurely.

9. The Board of Directors and the Chief Executive Officer of a beneficiary finance company shall assess the situation of the company continuously and submit reports as required by the Director covering key areas, including the following:
(a) Inflow of new deposits, withdrawals of deposits, renewals of matured deposits.
(b) Disposal of assets.
(c) Recovery of accommodations.
(d) Position of liquid assets.
(e) Mismatch of assets and liabilities for the next 7 days, 14 days, 21 days and 30 days, and action plan to meet negative gaps.

10. For the purposes of this Direction –

(a) *Accommodation* shall mean loans, facilities under hire purchase or lease agreement, provision of funds through debt securities such as bonds, debentures, asset backed securities, commercial paper, promissory note or such other financial facility as may be determined by the Director.
(b) *Act* shall mean the Finance Companies Act, No. 78 of 1988.
(c) *Board* shall mean the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act, No. 58 of 1949.
(d) *Director* shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
(e) *Key Management Personnel* shall mean those persons having authority and responsibility for planning, directing and/or controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.
(f) *Restructuring Period* shall mean the time period between the date of application by a beneficiary finance company for any facility or concession under the ‘Stimulus Package for Finance and Leasing Industry – 2009 and the date of repayment and settlement in full of all facilities obtained thereunder’
(g) *Related Company* shall mean any of the following:
   (i) its subsidiary company ;
   (ii) its associate company ;
   (iii) its holding company ;
   (iv) a subsidiary company or associate company of its holding company.
   (v) any company in the same group of companies to which the beneficiary finance company belong.
(h) *Related Party* shall mean any of the following:
   (i) A Related Company as defined in item (g) herein above;
   (ii) A past or present director of the beneficiary finance company;
   (iii) A past or present key management personnel of the beneficiary finance company;
   (iv) A relative of a past or present director or a past or present key management personnel of the beneficiary finance company;
   (v) A shareholder who owns shares exceeding 10% of the paid up capital of the beneficiary finance company;
   (vi) A concern in which a past or present director or past or present key management personnel of the beneficiary finance company or a relative of a past or present director or past or present key management personnel or a shareholder who owns shares exceeding 10% of the paid up capital of the beneficiary finance company, has substantial interest.
(i) *Finance Company* shall mean a company registered in terms of the Finance Companies Act, No. 78 of 1988.
(j) *Beneficiary Finance Company* shall mean a finance company which enjoys any facility under the stimulus package for finance and leasing industry – 2009.

*This Direction was made by the Monetary Board on 22 April 2009 under the Finance Companies Act, No.78 of 1988.*
FINANCE COMPANIES (STRUCTURAL CHANGES)
DIRECTION NO. 1 OF 2013

1. This Direction may be cited as the Finance Companies (Structural Changes) Direction No. 01 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No. 42 of 2011 and shall come into operation from the date of this Direction.

2. No finance company to which a licence has been issued shall, without the prior approval in writing of the Monetary Board of the Central Bank of Sri Lanka:
   2.1 Form any subsidiary, subsidiary or associate of a subsidiary or associate company;
   2.2 Sell whole or part of its business;
   2.3 Commence a new business activity which is not directly related to finance business, hire purchase, leasing or pawning;
   2.4 Acquire whole or part of the business of any institution or company;
   2.5 Amalgamate, consolidate or merge with any institution or company;
   2.6 Change the name of the company;
   2.7 Restructure the management of the company.

3. No finance company to which a licence has been issued shall, without the prior approval in writing of the Director:
   3.1 Outsource any of its functions other than Mail, Courier services, Catering services, Housekeeping and Janitorial services, Security of premises, Payroll and Secretarial functions;
   3.2 Enhance or reduce its share capital;
   3.3 Enhance its investment in share capital of a subsidiary or an associate company;
   3.4 Sell whole or part of the business of a subsidiary or an associate company;
   3.5 Change its Articles of Association;
   3.6 Transfer or sell any of its assets of a book value of more than Rupees Five Million (Rs.5,000,000/-), at a price less than the prevailing market value;
   3.7 Change the designation of any member of the Board of Directors and Chief Executive Officer.

4. No finance company shall transfer or sell any of its assets for any consideration other than for a monetary consideration which should pass in favour of the transferor.

5. No member of the Board of Directors and Chief Executive Officer shall without the prior approval of the Director, resign from the company.
6. In this Direction,

6.1 “Finance business”, “Subsidiary company” and “Associate company” shall have the same meaning as contained in the definition in section 74 of the Finance Business Act, No. 42 of 2011.

6.2 “Prevailing market value” shall mean the estimated price determined by a licensed valuer for which an asset should exchange between a willing buyer and a willing seller in an arm’s length transaction.

6.3 “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

7. The Finance Companies (Structural Changes) Direction No. 5 of 2005 and the Finance Companies (Transfer of Assets) Direction No. 4 of 1991 are hereby revoked.

This Direction was made by the Monetary Board on 07 June 2013 under the Finance Business Act, No.42 of 2011.
1. This Rule may be cited as the Finance Companies (Advertisements) Rule No. 1 of 2006 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation with immediate effect.

2. (i) Every advertisement published in print media (excluding hoardings, bill boards and banners) directly or indirectly soliciting deposits from the public by a finance company (except those companies that have not been in operation long enough to obtain a credit rating for the entity) shall contain:

(a) that such company has been registered by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act, No. 78 of 1988;

(b) the date of incorporation of the company;

(c) credit rating for the entity assigned to the company by a credit rating agency acceptable to the Central Bank of Sri Lanka;

(d) periodicity of payment of interest and the annual effective rate of interest in respect of all maturities; and

(e) terms and conditions subject to which deposits are accepted by such finance company.

(ii) Every finance company shall forward to the Director a copy of any advertisement to be published under paragraph 2(i) hereof, at least 2 working days prior to the publication of such advertisement.

3. (i) Every advertisement published in print media (excluding hoardings, bill boards and banners) directly or indirectly soliciting deposits from the public by a finance company which has not been in operation long enough to obtain a credit rating for the entity shall contain:

(a) that such company has been registered by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act, No. 78 of 1988;

(b) the date of incorporation of the company;

(c) the names of its Directors;

(d) shareholders’ funds, deposit liabilities, borrowings and profit/(loss) as appearing in its financial statements which are certified by its external auditor;

(e) periodicity of payment of interest and the annual effective rate of interest in respect of all maturities; and

(f) terms and conditions subject to which deposits are accepted by such finance company.

(ii) Every finance company shall forward to the Director for approval a copy of any advertisement to be published under paragraph 3(i) hereof, at least, 3 working days prior to the publication of an advertisement.

4. (i) Every advertisement transmitted or broadcast through audio or audio-visual media (including websites posted on the internet) directly or indirectly soliciting deposits from the public shall contain:

(a) that such company has been registered by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act, No. 78 of 1988;

(b) credit rating for the entity assigned to the company by a credit rating agency acceptable to the Central Bank of Sri Lanka; and

(c) if interest rates are indicated, the annual effective rates of interest.

1/ This Rule was issued by the Monetary Board of the Central Bank of Sri Lanka by revoking the Finance Companies (Advertisements) Rule No. 1 of 1991 which was published in the Government Gazette (Extraordinary) No. 680/11 dated 18 September 1991 and the Finance Companies (Advertisements) Rule No. 1 of 2001 which was published in the Government Gazette (Extraordinary) No. 1185/30 dated 25 May 2003.
(ii) Every finance company shall forward to the Director through electronic means a copy of any advertisement to be transmitted under paragraph 4(i) hereof, at least, 3 working days prior to the first transmission or broadcast of such advertisement.

5. (i) Every advertisement displayed by a finance company through hoardings, bill boards and banners soliciting deposits directly or indirectly from the public shall state the fact that such company has been registered by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act, No. 78 of 1988.

(ii) Every finance company shall prior to the display of an advertisement on a hoarding, billboard or banner under paragraph 5(i) hereof, inform the Director the contents of such advertisement and the locations of such hoardings or billboards.

6. Where the Director is of the opinion that any advertisement published/transmitted/broadcast/displayed under paragraphs 2, 4 or 5 hereof, does not comply with the provisions of those paragraphs or contain information which is likely to mislead the public, the Director may direct the finance company to publish/transmit/broadcast/display a revised version of such advertisement in the manner specified by the Director within a reasonable period of time.

7. In this Rule,

(i) “Annual effective rate” shall mean the amount of interest expressed as a percentage, a deposit account would earn in a year at a stated interest rate after taking into account the effects of compounding of interest.

(ii) “the Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

8. The Finance Companies (Advertising) Rule No. 1 of 2001 is hereby revoked.

This Rule was made by the Monetary Board on 29 December 2006 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1478/6 dated 01 January 2007.
Ref. No. : 24/04/015/0005/008

23rd October 2012

To: Chairman
All Licensed Finance Companies

Dear Sir/Madam,

**PANEL OF EXTERNAL AUDITORS FOR LICENSED FINANCE COMPANIES**

A panel of external auditors to audit the accounts of Licensed Finance Companies has been appointed in terms of the guidelines issued by the Monetary Board of the Central Bank of Sri Lanka under section 30(2) of the Finance Business Act, No.42 of 2011 (FBA).

Your attention is drawn to section 30(4) of the FBA which requires that the appointment of an external auditor to audit the accounts of your company from the list transmitted to you under section 30(2) of the FBA by the Director of Department of Supervision of Non-Bank Financial Institutions.

Therefore, you are hereby required to appoint an external auditor from the panel of external auditors listed below to audit the financial statements commencing next financial year.

<table>
<thead>
<tr>
<th>Panel of external auditors</th>
<th>Head office address</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDO Partners</td>
<td>‘Charter House’, 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02</td>
</tr>
<tr>
<td>B.R.De Silva &amp; Company</td>
<td>22/4, Vijaya Kumaratunga Mawatha, Colombo 05</td>
</tr>
<tr>
<td>B. V. Fernando &amp; Company</td>
<td>70/B/8/SP, Old Y.M.B.A. Building, Colombo 08</td>
</tr>
<tr>
<td>Ernst &amp; Young</td>
<td>201, De Saram Place, Colombo 10</td>
</tr>
<tr>
<td>HLB Edirisinghe &amp; Company</td>
<td>45, Braybrooke Street, Colombo 02</td>
</tr>
<tr>
<td>KPMG Ford Rhodes Thornton &amp; Company</td>
<td>32/A, Sir Mohamed Macan Markar Mawatha, Colombo 03</td>
</tr>
<tr>
<td>Kreston MNS &amp; Company</td>
<td>50/2, Sir James Peiris Mawatha, Colombo 02</td>
</tr>
<tr>
<td>SIMS Associates</td>
<td>2, Castle Lane, Colombo 04</td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>100, Braybrooke Place, Colombo 02</td>
</tr>
</tbody>
</table>

Yours faithfully

Director

CC: CEOs
Company Secretaries
To: Chief Executive Officers of Licensed Finance Companies

Dear Sir/Madam,

FINANCE COMPANIES (INSURANCE OF DEPOSIT LIABILITIES)
DIRECTION NO. 2 OF 2010

This refers to the above mentioned Direction.

Please note that as per section 4.2 all licensed finance companies shall disclose to the public in their advertisements soliciting deposits, that they have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board.

Therefore, you are hereby required to incorporate the following phrase in all advertisements soliciting deposits published in print media hereafter.

“Eligible deposit liabilities are insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board for compensation up to a maximum of Rs.200,000 per depositor”.

Yours faithfully,

Director
To: Chief Executive Officer  
All Licensed Finance Companies

Dear Sir/Madam,

PUBLICATION OF SIX MONTH FINANCIAL DATA AND KEY PERFORMANCE INDICATORS

Reference to the Circular dated 31st December 2012 on the above please find the enclosed new format for the publication of six month financial statements of Licensed Finance Companies, effective from the date of this letter.

Accordingly, format referred to in the Circular dated 31st December 2012 on the above is replaced with the annexed format.

In addition to the information required to be published under the said format, you may publish any additional information considered necessary for public information.

Yours faithfully,

Director

Encl.
…………………………(Name of the Finance Company)

Income Statement
For the period ended …………

In Rupees Thousand

<table>
<thead>
<tr>
<th>Current Period*</th>
<th>Previous Period**</th>
</tr>
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<tbody>
<tr>
<td>From DD/MM/YY</td>
<td>From DD/MM/YY</td>
</tr>
<tr>
<td>To DD/MM/YY</td>
<td>To DD/MM/YY</td>
</tr>
</tbody>
</table>

Interest income
Interest expenses

Net interest income
Fee and commission income
Fee and commission expenses

Net fee and commission income
Net gain/(loss) from trading
Net gain/(loss) from financial instruments designated at fair value through profit or loss
Net gain/(loss) from financial investments
Other operating income (net)

Total operating income
Impairment for loans and other losses
  Individual impairment
  Collective impairment
  Others

Net operating income
Personnel expenses
Depreciation and amortization
Other expenses

Operating profit/(loss) before Value Added Tax (VAT)
VAT on financial services

Operating profit/(loss) after VAT
Share of profits of associates and joint ventures

Profit/(loss) before tax
Tax expenses

Profit/(loss) for the period

Earnings per share on profit
Basic earnings per ordinary share
Diluted earnings per ordinary share

* Period for which the accounts are presented (i.e., 6 months ended 30 September in the current financial year)
** Corresponding period of the previous financial year (i.e., 6 months ended 30 September of the previous financial year)
(Name of the Finance Company)

Statement of Comprehensive Income
For the period ended ..........  

\[ \text{In Rupees Thousand} \]

<table>
<thead>
<tr>
<th></th>
<th>Current Period*</th>
<th>Previous Period**</th>
</tr>
</thead>
<tbody>
<tr>
<td>From DD/MM/YY To DD/MM/YY</td>
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Profit/(loss) for the period

**Other comprehensive income, net of tax**

Changes in revaluation surplus
Actuarial gains and losses on defined benefit plans
Gains and losses arising from translating the financial statements of a foreign operation
Gains and losses on re-measuring available-for-sale financial assets
Gains and losses on cash flow hedges
Others
Share of profits of associates and joint ventures

*Less: Tax expense/(income) relating to components of other comprehensive income*

**Other comprehensive income for the period, net of taxes**

**Total comprehensive income for the period**

* Period for which the accounts are presented (i.e., 6 months ended 30 September in the current financial year)
** Corresponding period of the previous financial year (i.e., 6 months ended 30 September of the previous financial year)
………………….. (Name of the Finance Company)

Statement of Financial Position

As at …………

In Rupees Thousand

<table>
<thead>
<tr>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Placements with banks</td>
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<tr>
<td>Derivative financial instruments</td>
</tr>
<tr>
<td>Other financial assets held-for-trading</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
</tr>
<tr>
<td>Loans and receivables – Leases</td>
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<tr>
<td>Loans and receivables – Hire purchase</td>
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<tr>
<td>Loans and receivables – Others</td>
</tr>
<tr>
<td>Financial investments – Available-for-sale</td>
</tr>
<tr>
<td>Financial investments – Held-to-maturity</td>
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<tr>
<td>Investments in subsidiaries</td>
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<tr>
<td>Investments in associates and joint ventures</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
</tr>
<tr>
<td>Investment properties</td>
</tr>
<tr>
<td>Investment in real estates</td>
</tr>
<tr>
<td>Goodwill and intangible assets</td>
</tr>
<tr>
<td>Deferred tax assets</td>
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<tr>
<td>Other assets</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
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<table>
<thead>
<tr>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to banks</td>
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<tr>
<td>Derivative financial instruments</td>
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<tr>
<td>Other financial liabilities held-for-trading</td>
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<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
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<td>Due to customers</td>
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<td>Other borrowings</td>
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<td>Debt securities issued</td>
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<td>Current tax liabilities</td>
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<td>Deferred tax liabilities</td>
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<tr>
<td>Other provisions</td>
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<tr>
<td>Other liabilities</td>
</tr>
<tr>
<td>Due to subsidiaries</td>
</tr>
<tr>
<td>Subordinated term debts</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stated capital</td>
</tr>
<tr>
<td>Statutory reserve fund</td>
</tr>
<tr>
<td>Retained earnings</td>
</tr>
<tr>
<td>Other reserves</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
</tr>
</tbody>
</table>

| Total equity and liabilities                                           |

| Contingent liabilities and commitments                                |

Note: Amounts stated are in net of impairment and depreciation.

(a) Date as at which the balance sheet is represented (i.e., 30 September in the current financial year)

(b) Date as at which the balance sheet is represented (i.e., 30 September in the previous financial year)
................................. *(Name of the Finance Company)*

Selected Performance Indicators (as per regulatory reporting)

As at ..........

<table>
<thead>
<tr>
<th>Item</th>
<th>As at ...(a)</th>
<th>As at ...(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory Capital Adequacy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Capital (Tier I Capital), Rs. '000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital Base, Rs. '000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 10%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets Quality (Quality of Loan Portfolio)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Non-Performing Accommodations, Rs. '000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Non-Performing Accommodations Ratio, %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Non-Performing Accommodations Ratio, %</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profitability (%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Assets (before Tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Equity (after Tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Regulatory Liquidity (Rs. '000)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required minimum amount of Liquid Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available amount of Liquid Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required minimum amount of Government Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available amount of Government Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Memorandum information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of branches</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of service centers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of pawning centers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Date as at which the balance sheet is represented *(i.e., 30 September in the current financial year)*

(b) Date as at which the balance sheet is represented *(i.e., 30 September in the previous financial year)*

**CERTIFICATION:**

We, the undersigned, being the Chief Executive Officer and the Financial Controller / Compliance Officer of ................. *(Licensed Finance Company name)*
certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(b) the information contained in these statements have been extracted from the unaudited financial statements of the Licensed Finance Company unless indicated as audited.

*(Name)*
*(Sgd.) Chief Executive Officer*
Date: DD/MM/YY

*(Name)*
*(Sgd.) Financial Controller or Compliance Officer*
Date: DD/MM/YY
DETERMINATION ON INCLUSION OF UNSECURED DEBENTURES
IN CAPITAL FUNDS OF FINANCE COMPANIES

The Monetary Board of the Central Bank of Sri Lanka (the Monetary Board), in terms of the provisions of section 46 of the Finance Companies Act, No. 78 of 1988, has determined to include the face value of unsecured debentures in the capital funds of a finance company subject to the following conditions:–

(a) The debentures shall be fully paid and subordinated to the interests of depositors and other creditors of the finance company;

(b) The minimum original maturity of debentures shall be 5 years;

(c) Any finance company that intends to include unsecured debentures that satisfy the conditions at (a) and (b) above in its capital funds, shall obtain prior approval, in writing, of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka (the Director);

(d) Early repayment/redemption of the debentures that have been included in capital funds of a finance company shall not be made without the prior consent of the Director;

(e) The value of the debentures to be included in capital funds shall not exceed the value that is qualified to be included in Tier 2 Capital (Supplementary Capital) under the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.2 of 2006 issued by the Monetary Board or any other direction that would be issued by the Monetary Board in place of the said Direction;

(f) The amount of the debentures included in the capital funds shall be discounted by 1/5th each year during the four years preceding the maturity; and

(g) Any amount contributed to a debenture issue of a finance company by another company in the group of companies to which the finance company belongs shall not be included in capital funds of that finance company.

This determination was made by the Monetary Board on 28 February 2007 under the Finance Companies Act, No. 78 of 1988 and published in the Government Gazette (Extraordinary) No 1488/23 dated 15 March 2007.
1. These guidelines may be cited as the Finance Companies (Opening of Branches/Offices) Guidelines No. 1 of 2006.

2. The maximum number of branches a finance company may open is linked to its capital strength (core capital) as follows:

<table>
<thead>
<tr>
<th>Core Capital (Rs. million)</th>
<th>Maximum Number of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 100</td>
<td>2 branches</td>
</tr>
<tr>
<td>100 – 150</td>
<td>5 branches</td>
</tr>
<tr>
<td>150 – 200</td>
<td>10 branches</td>
</tr>
<tr>
<td>200 – 500</td>
<td>15 branches</td>
</tr>
<tr>
<td>500 – 1,000</td>
<td>30 branches</td>
</tr>
<tr>
<td>Over 1,000</td>
<td>1 branch for each additional Rs. 50 million of core capital</td>
</tr>
</tbody>
</table>

3. A finance company that satisfies the core capital requirement at paragraph 2 hereof, and has complied with the Directions issued by the Monetary Board of the Central Bank of Sri Lanka (Monetary Board) may seek approval in terms of the Finance Companies (Opening/ Shifting/ Closure of Branches/ Offices) Direction No. 6 of 2005, for opening of branches/offices taking into account the following:

(a) the operations of the proposed branch/office shall not affect the company’s ability to comply with any of the Directions issued by the Monetary Board;
(b) the availability of qualified and experienced staff at all levels;
(c) the availability of security in the proposed location and the convenience of the proposed location to the customers; and
(d) the availability of a satisfactory means of communication for the flow of information between the Head Office and the proposed branch/office.

4. Every application seeking approval for an opening of a new branch/office in terms of the Finance Companies (Opening/ shifting/ closure of branches/ offices) Direction No. 6 of 2005 shall be made in ‘Form A’ annexed hereto.

5. Where the opening of a branch/office is approved and business has not commenced within one year from the date of approval, such approval is deemed to have lapsed and the relevant finance company shall reapply for approval if it intends to open the proposed branch/office.

6. The core capital requirement is linked to the opening of fully fledged branches whereas a finance company need not fulfil this capital requirement for the opening of service centres/collection centres/other outlets which do not mobilize deposits.

7. Finance companies are encouraged to open a branch outside the Western Province for every branch opened in the Western Province.
QUESTIONNAIRE TO BE COMPLETED BY A FINANCE COMPANY
SEEKING APPROVAL FOR OPENING OF A BRANCH/OFFICE

1. Name of the finance company:

2. Core Capital [total of items (a) to (g) as shown in the last audited balance sheet]:
   (a) Issued and paid-up ordinary share capital/common stock
   (b) Non-cumulative non-redeemable preference shares
   (c) Share premium
   (d) Statutory reserve fund
   (e) General and other free reserves
   (f) Published retained profits / (accumulated losses)
   (g) Surplus/(loss) after tax arising from the sale of fixed & long term investments
   (h) Unpublished current year’s profits/(losses) certified by the external auditor of the company.

3. Address of the proposed location:

4. Details of the existing places of business belonging to the company or its related companies in the administrative district where the branch/office is proposed to be established as per A and B below.

   A. Applicant company:

<table>
<thead>
<tr>
<th>Location of the place of business</th>
<th>Date of establishment</th>
<th>Type of business</th>
<th>As per last audited financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Deposit liabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   B. Other entities belonging to the same group of companies operating in the administrative district where the branch/office is proposed to be located:

<table>
<thead>
<tr>
<th>Name of the Entity</th>
<th>Address of the place of business</th>
<th>Type of Business</th>
<th>Relationship to the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Names of other finance companies in the town/village where the proposed branch/office is to be located:

6. Names of commercial banks in the town/village where the proposed branch/office is to be located:

7. The main types of business of the proposed branch/office:

8. Estimated capital expenditure in respect of opening of a new branch/office:
   (a) Land & building/rent paid in advance
   (b) Furniture, fittings and fixtures
   (c) Office equipment
   (d) Other fixed assets
   (e) Other

9. The impact of the costs associated with the opening of a branch/office on the compliance with the liquid assets requirement of the finance company:

(109)
10. The impact of opening a branch/office on the compliance with the capital adequacy requirement of the finance company:

11. Means of communication/flow of information (i.e., messenger/courier/facsimile/on-line systems) and the frequency of flow of information (i.e., daily/weekly/monthly) between the proposed branch/office and the head office:

12. Projections for the first three years of operations of the proposed branch/office:

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Deposit liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Accommodation :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Income :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income from :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest income :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Expenses :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Profit/(Loss) :</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13. Names, qualifications and experience of the officers who will be posted as manager (officer in charge) and second officer to the proposed branch/office and details of support staff:

14. A report from the Police Station in the area confirming that it is safe to establish a branch/office in the proposed location:

15. Details of the security arrangements at the proposed branch/office:

16. Whether necessary approval has been obtained from the relevant local authority to establish a branch/office in the proposed location:

I certify that the above information is true and correct.

Name of the officer : ..............................................................
Designation : ..............................................................
Signature : ..............................................................
Date : ..............................................................
FINANCE COMPANIES (PUBLICATION OF HALF YEARLY FINANCIAL STATEMENTS)
GUIDELINES NO. 2 OF 2006

1. These guidelines may be cited as the Finance Companies (Publication of Half Yearly Financial Statements) Guidelines No. 2 of 2006.

2. Finance Companies are requested to publish their key financial data and key performance indicators for 12 month period ended 31 March and 6 months period ended 30 September, every year, commencing end March 2007, in accordance with a format given by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

3. Such key financial data and key performance indicators are required to be published in at least one each of Sinhala, Tamil and English national newspapers within 3 months after the relevant dates which are specified in paragraph 2 hereof.
### Income Statement

<table>
<thead>
<tr>
<th>Period *</th>
<th>Period **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>xx</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>xx</td>
</tr>
<tr>
<td>Net interest income</td>
<td>xx</td>
</tr>
<tr>
<td>Other operating income</td>
<td>xx</td>
</tr>
</tbody>
</table>

#### Selected Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Current period as at DD/MM/YY</th>
<th>As at DD/MM/YY (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Quality (Rs.'000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total accommodations (Net of interest in suspense)</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Net total accommodations (Net of provision for bad and doubtful debts &amp; interest in suspense)</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Non-performing accommodations (Net of Interest in suspense)</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Liquidity (Rs.'000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required minimum amount of liquid assets</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Available amount of liquid assets</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Required minimum amount of Government securities</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Available amount of Government securities</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Capital Adequacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core capital to risk weighted assets ratio (Minimum 5%)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Total capital to risk weighted assets ratio (Minimum 10%)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Capital funds to total deposit liabilities ratio (Minimum 10%)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average assets (%)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Return on average equity (%)</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

### Summarised Balance Sheet

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>As at *** (Unaudited)</th>
<th>As at **** (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total deposits</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Bank Borrowings</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Other borrowings</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Total interest payable</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Taxation</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Dividend payable</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Debentures and hybrid capital instruments</td>
<td>xx</td>
<td>xx</td>
</tr>
</tbody>
</table>

| Shareholders funds | | |
| Issued and paid-up capital | xx | xx |
| Reserve fund | xx | xx |
| Revaluation reserve | xx | xx |
| Other reserves | xx | xx |
| Deferred expenditure | (x) | (x) |

| Assets | | |
| Cash and bank balances | xx | xx |
| Deposits with banks & other financial institutions | xx | xx |
| Government securities | xx | xx |
| Shares in other companies (Investments) | xx | xx |
| Shares in other companies (Dealing) | xx | xx |
| Debt securities and hybrid capital instruments | xx | xx |
| Trading stock of Real Estates | xx | xx |
| Hire purchase | xx | xx |
| Finance leases | xx | xx |
| Loans | xx | xx |
| Other accommodations | xx | xx |
| Other receivables | xx | xx |
| Other assets | xx | xx |
| Property plant and equipments | xx | xx |

| Total Liabilities | xx | xx |

<p>| Selected Performance Indicators | | |</p>
<table>
<thead>
<tr>
<th>Asset Quality (Rs.'000)</th>
<th>As at *** (Unaudited)</th>
<th>As at **** (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accommodations (Net of interest in suspense)</td>
<td>xx</td>
<td>xx</td>
</tr>
</tbody>
</table>

**N.B.:** Financial statements should be published half yearly. When financial statements are published for the financial year ended 31 March it should reflect the total income for the whole year.
FINANCE COMPANIES (MAINTENANCE OF SAVINGS ACCOUNTS FOR MINORS)
GUIDELINES NO. 1 OF 2007

1. These Guidelines may be cited as the Finance Companies (Maintenance of Savings Accounts for Minors) Guidelines No. 1 of 2007.

2. Every registered finance company (RFC) that maintains savings accounts for minors is required to include the following clauses in the terms / conditions pertaining to opening, operating and maintaining of savings accounts for minors :

   “(a) The balance lying to the credit of an account of a minor may be transferred upon instructions of a parent or a legal guardian of the minor, to an account maintained in the name of the minor in an authorized deposit taking institution, upon completion of sixty months from the date of the first deposit or at any time thereafter.

   (b) The balance lying to the credit of an account of a minor may be withdrawn by a parent or a legal guardian of the minor, for a justifiable reason such as meeting the cost of medical treatment or education of the minor or for any other reason acceptable to the RFC.”

Such RFC is also required to adequately explain the contents of the above two clauses to the parent or legal guardian of the minor at the time of opening the savings account. If the account is opened by a person other than a parent or legal guardian, the parent or the legal guardian should be informed by the RFC, of the contents of the above two clauses, within one month from the opening of the account.

3. In these Guidelines :

   (a) “a minor” means a person who has not attained the legal age of majority within the meaning of the Age of Majority Ordinance (Chapter 66) and any amendments thereto.

   (b) “an authorized deposit taking institution” means a finance company, within the meaning of the Finance Companies Act, No. 78 of 1988, a licensed commercial bank or licensed specialised bank within the meaning of the Banking Act, No. 30 of 1988 or any other entity authorized under any law for the time being in force to accept deposits of money and lend and/or invest money so received.

Sgd./(Mrs.) L K Gunatilake
Director
Department of Supervision of
Non-Bank Financial Institutions

26.04.2007
Ref No.: 24/04/015/0005/008

Department of Supervision of
Non-Bank Financial Institutions


To: Panel of External Auditors

Dear Sir / Madam,

Panel of External Auditors for Non-Bank Financial Institutions
Licensed by the Central Bank of Sri Lanka

Further, to the letter sent on 23.10.2012 by the Department of Supervision of Non-Bank Financial Institutions, we submit herewith the guidelines approved by the Monetary Board of Central Bank of Sri Lanka for the Panel of External Auditors for Non-Bank Financial Institutions to be effective from 01.01.2013. These guidelines have been issued for the purpose of ensuring efficient standards and uniform conduct of audits.

i. Guidelines at Annex I – for audits of Licensed Finance Companies, and,


Yours faithfully,

Director

Encl.
Guidelines for the Panel of External Auditors of Licensed Finance Companies

The Central Bank of Sri Lanka, as the supervisory authority of Licensed Finance Companies (hereafter referred to as non-bank financial institutions in this guideline) in Sri Lanka, is vested with the responsibility of ensuring that the external audits are conducted satisfactorily to ensure efficient standards in the conduct of operations of non-bank financial institutions. Accordingly, external auditors of non-bank financial institutions in Sri Lanka are informed of the following guidelines which have been formulated in recognition of the fact that external auditors are responsible to express an opinion on the financial statements based on conclusions drawn from the audit evidence obtained. The Central Bank of Sri Lanka is of the view that these guidelines would require the external auditors to expand the scope of their audit work. Detailed operational guidelines to the external auditors are as follows and all aspects should be adequately covered in the audit.

1. Audit objective
   The overall audit objective should always ensure that the financial statements give a true and fair view of the state of the non-bank financial institution’s affairs at a given date and of the financial performance for the year ended, and comply with statutory and other relevant requirements in relation to presentation and disclosures of financial statements.

2. Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and guidelines issued by Securities and Exchange Commission of Sri Lanka
   These guidelines are supplementary to and should be read in conjunction with the currently applicable Sri Lanka Accounting Standards and guidelines for appointment of the external auditors of listed companies issued by Securities and Exchange Commission of Sri Lanka, in preparing their report on the financial statements.

3. Regular communication with the Central Bank
   External auditors shall meet the Central Bank of Sri Lanka to clarify their audit opinion if requested in an event where the regulator needs further clarifications on the audit opinion, audit findings or audit scope.

4. Audit partner duration and re-appointment
   As per the Finance Companies (Corporate Governance) Direction No.3 of 2008, the engagement of an audit partner with a non-bank financial institution shall not exceed five years, and the particular audit partner is not re-engaged for the audit before expiry of three years from the date of the completion of the previous term.

5. Resources and proficiency of the external auditors
   It is paramount that the external auditors of non-bank financial institutions undertake an audit engagement only after considering their own competences and the adequacy of their resources (including relevant experience) to carry out their duties. In assessing their competences and resources, the external auditors should be aware of the type and range of the non-bank financial institutional activities and the nature of its systems.

6. Scope of audit
   The external auditors are required to ensure that the accounting and other records of non-bank financial institution meet the Sri Lanka Auditing Standards and the functions of the company are conducted in accordance with regulatory requirements issued by the Central Bank of Sri Lanka.

7. Planning the audit
   At the planning stage, the external auditors should establish an overall strategy for the audit, develop an audit plan and reduce audit risk to an acceptably low level. Accordingly, the external auditors are required to consider the following during the planning stage;
   a. Nature of the business and what it does
   b. Information system used in the business
   c. The legal framework in which the company operates
   d. The audit risk
   e. Identification of key audit areas, where there is a high risk
   f. The adequacy and scope of the internal audit function
   g. Timing and nature of the audit work
   h. The staff allocation and experience
   i. The Central Bank directions/guidelines/determinations/rules and there levels of compliance
   j. Any formal correspondence including letters, on-site examination reports and circulars between the Central Bank of Sri Lanka and the non-bank financial institutions.
8. **Compliance/accuracy with all the regulatory requirements issued by the Central Bank of Sri Lanka**

The external auditors, in performing their statutory duties under the Finance Business Act, No.42 of 2011, in recognizing the dependence of the Central Bank on prudential returns and other information submitted by the non-bank financial institutions, shall ensure that non-bank financial institutions conduct its functions in accordance with all the rules and directions issued by the Central Bank of Sri Lanka and accuracy of such information.

9. **Internal control systems**

A system of internal controls in a non-bank financial institution is defined as; ‘the whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.’

In evaluating the adequacy of internal control systems in a non-bank financial institution, the external auditors are required to assess the internal control systems only to the extent that they wish to place reliance on those systems in arriving at their opinion as to whether the financial statements give a true and fair view. A careful evaluation of the systems, which include computer based accounting systems, information systems and their relationship with the risk of material misstatement in the financial statements, will be essential.

10. **Review of the financial statements**

   a. When reviewing the financial statements of the non-bank financial institution, the external auditors should carry out such a review of the financial statement in conjunction with the conclusions drawn from the audit evidences obtained, in order to express a reasonable basis for an opinion on the financial statements.

   b. The external auditors should consider whether the financial statements comply with relevant statutory requirements in relation to presentation and disclosure of financial statements and whether the accounting policies adopted will enable them to express an unqualified opinion on the financial statements.

11. **Branch audits**

The external auditors approach to branch audits will principally be determined by the degree of Head Office control over the business and accounting functions at each branch and by the scope and effectiveness of the non-bank financial institution’s inspection and/or internal audit visits. The following need to be considered during branch audits;

   a. The extent and impact of visits of the regulator
   b. Materiality and risks associated with the branch operation
   c. Obtain reasonable assurance that the systems of control over branches are operating satisfactorily when the branch accounting records are centralized.

12. **Auditor Independence**

The audit partners, senior management of the audit firm or their immediate family members and financial dependents should take all possible measures to ensure independency and should not have any conflict of interest with the non-bank financial institution, the parent of the non-bank financial institution, the subsidiaries, the associates of the non-bank financial institution and shareholders.

For the purpose of this section,

- “Senior management of the audit firm” means partners, managers and consultants in charge of audits
- “Immediate family” means parents, spouse and dependent children.

13. **Non-audit services**

External auditors shall not undertake any consultancy or other non-audit services with a non-bank financial institution during the same financial year in which the audit is carried out. The restricted non-audit services are:

   a. Book keeping or other services related to the accounting records or financial statements of the audit client
   b. Financial information systems design and implementation
   c. Appraisal or valuation services, fairness opinion, or contribution in-kind reports
   d. Actuarial services
   e. Internal audit outsourcing services
   f. Management functions, human resources and payroll services
   g. Broker or dealer, investment adviser, or investment services: and
   h. Legal Services and expert services related to the audit

This restriction also applies to non-audit services provided by audit firms where a partner of such audit firm is a director or has an equity stake in the non-bank financial institution during the same financial year in which the audit is carried out.
14. Management letter

The external auditors are requested to submit the finalized management letter agreed with the management of the non-bank financial institution to the Central Bank within six months of the end of the financial year. If the external auditors are unable to finalize the management letter, they should submit an interim report with their major findings/concerns within the said period.

15. Delisting of the audit firm from the panel of external auditors

a. The Institute of Chartered Accountants of Sri Lanka should inform the Director of the Department of Supervision of Non-Bank Financial Institutions in the event an appointed external auditor breaches any of the following fundamental principles as defined in the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

1. Integrity
2. Objectivity
3. Professional competence and due care
4. Confidentiality
5. Professional behaviour

b. In an event where the external auditors are found to have failed to perform their duties to the satisfaction of the Director of Department of Supervision of Non-Bank Financial Institutions in terms of expressing their independent opinion on a timely manner and reflecting the true and fair view of the overall financial condition of non-bank financial institutions, the matter will be referred to the Institute of Chartered Accountants of Sri Lanka to assess the extent of non-compliance with the Sri Lanka Auditing Standards and a report will be issued by the Council of the Institute of Chartered Accountants of Sri Lanka by conducting a rigorous review on the matter. Based on the report, if non-compliances have been identified the practitioner may be removed from the panel of external auditors of the non-bank financial institutions, after obtaining approval of the Monetary Board.
To: All RFCs

Dear Sir / Madam,

COLLECTION OF INFORMATION FOR THE FACTS BOOK AS AT .................

Further to our letter dated 03.07.2007 on the above subject.

We shall be thankful if you will furnish us any changes of the contents of the Facts Book Sheet with the latest available information and return it by ............. as per the attached format.

You are kindly requested to communicate to us any changes in respect of name of the company, company registration no, composition of Board of Directors, Chief Executive Officer, Chairman, address of branches and address of business place within seven days from the date of such change.

Yours faithfully,

Director
Collection of Information for the Facts Book

Fact Sheet Revision as at ………………..

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<tr>
<td><strong>1. Name of Company</strong></td>
<td><strong>2. (a) Date of Incorporation</strong></td>
<td><strong>(b) Registration Number</strong></td>
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<tr>
<td><strong>3. Date of Commencement of Business</strong></td>
<td><strong>4. Registered Address</strong></td>
<td><strong>Head Office Address</strong></td>
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<tr>
<td><strong>5. Secretary of Company</strong></td>
<td><strong>6. Location of Branches</strong></td>
<td><strong>Name of (If any)</strong></td>
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<tr>
<td><strong>7. Financial Year ends on</strong></td>
<td><strong>8. Name of Auditor</strong></td>
<td><strong>Address</strong></td>
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<tr>
<td><strong>9. Name of Auditor</strong></td>
<td><strong>10. Date of Listing on CSE (if Listed)</strong></td>
<td><strong>11. Credit Rating (if Rated)</strong></td>
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<tr>
<td><strong>12. Name of Auditor</strong></td>
<td><strong>13. Date of Listing on CSE (if Listed)</strong></td>
<td><strong>14. Date of Registration under</strong></td>
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<tr>
<td><strong>15. Stated Capital as at …………….</strong></td>
<td><strong>16. Issued Capital as at …………….</strong></td>
<td><strong>(a) Control of Finance Companies Act</strong></td>
</tr>
<tr>
<td><strong>17. Paid up Capital as at …………….</strong></td>
<td><strong>18. Reserve Funds as at …………….</strong></td>
<td><strong>(b) Finance Companies Act</strong></td>
</tr>
<tr>
<td><strong>19. Retained Profits as at …………….</strong></td>
<td><strong>20. Ten Largest Shareholders</strong></td>
<td><strong>(c) Finance Leasing Act</strong></td>
</tr>
<tr>
<td><strong>21. Board of Directors (Full Name)</strong></td>
<td><strong>(Voting Shares)</strong></td>
<td><strong>(d) Finance Business Act</strong></td>
</tr>
<tr>
<td><strong>22. Audit Committee - Names of members</strong></td>
<td><strong>No of Shareholders</strong></td>
<td><strong>23. Loan / Credit Committee - Names</strong></td>
</tr>
<tr>
<td><strong>24. No of Staff as at …………….</strong></td>
<td><strong>25. Financial data (Rs. ‘000) as at</strong></td>
<td><strong>Latest quarters</strong></td>
</tr>
<tr>
<td><strong>26. Total Assets</strong></td>
<td><strong>27. Loans/Advances</strong></td>
<td><strong>28. Investments in Shares</strong></td>
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<td><strong>29. Deposit Liabilities</strong></td>
<td><strong>30. Borrowings</strong></td>
<td><strong>31. Shareholders Funds</strong></td>
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<tr>
<td><strong>32. Key Ratios as at …………….</strong></td>
<td><strong>(a) Core Capital Ratio</strong></td>
<td><strong>(b) Total Capital Ratio</strong></td>
</tr>
<tr>
<td><strong>(d) Liquid Assets to Deposits Required</strong></td>
<td><strong>(c) Capital Funds to Deposit Liabilities Available</strong></td>
<td><strong>(e) Return on Equity Ratio</strong></td>
</tr>
<tr>
<td><strong>(f) Return on Assets Ratio</strong></td>
<td><strong>33. Key persons</strong></td>
<td><strong>Contact Details of Key persons</strong></td>
</tr>
<tr>
<td><strong>Name</strong></td>
<td><strong>Telephone</strong></td>
<td><strong>Fax</strong></td>
</tr>
<tr>
<td><strong>1. Chairman</strong></td>
<td><strong>2. Deputy Chairman</strong></td>
<td><strong>3. Managing Director</strong></td>
</tr>
<tr>
<td><strong>4. Chief Executive Officer</strong></td>
<td><strong>5. Compliance Officer</strong></td>
<td><strong>(119)</strong></td>
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SRI LANKA DEPOSIT INSURANCE SCHEME REGULATIONS

1.1 These Regulations shall be cited as “Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010.”

2.1 In terms of the Section 5 of the Monetary Law Act, the Central Bank of Sri Lanka is charged with the duty of securing, as far as possible by action authorized by such Act, the two objectives, namely, (a) economic and price stability and (b) financial system stability.

2.2 In terms of the Sections 32A to 32E of the Monetary Law Act, the Central Bank may establish, maintain, manage and control, as determined by the Monetary Board from time to time, a scheme for insurance of deposits held by banking institutions.

2.3 In terms of the Sections 46(1) and 76(J) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to licensed commercial banks and licensed specialised banks, regarding the manner in which any aspect of the business of such bank is to be conducted.

2.4 In terms of the Sections 27 to 29 of the Finance Companies Act, the Central Bank may operate a scheme for insurance of deposits held by registered finance companies and require such finance companies to insure their deposit liabilities under the scheme or under any other scheme as is specified by the Monetary Board.

2.5 Accordingly, this Deposit Insurance Scheme will be implemented in the interest of the overall financial system stability of the country, and it will initially outline a mechanism to protect small depositors from failure of financial institutions, thereby promoting the stability of financial institutions by maintaining small-depositor-confidence.

3.1 This Scheme shall be titled Sri Lanka Deposit Insurance Scheme.

3.2 The Scheme shall come into effect from 01st October, 2010.
4.1 All Licensed Commercial Banks, Licensed Specialised Banks and Registered Finance Companies shall be the members of the Scheme.

5.1 Deposits to be insured shall include demand, time and savings deposit liabilities of member institutions and exclude all borrowing instruments.

5.2 The following deposit liabilities shall be excluded from the Scheme:
   
   (i) Deposit liabilities to member institutions.
   
   (ii) Deposit liabilities to the Government of Sri Lanka inclusive of Ministries, Departments and Local Governments.
   
   (iii) Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Banking Act, Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act, Direction No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks and the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Registered Finance Companies.
   
   (iv) Deposit liabilities held as collateral against any accommodation granted.
   
   (v) Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

5.3 All eligible deposits shall be insured by member institutions.

6.1 Member institutions shall pay a premium calculated on the total amount of deposits, excluding the deposit liabilities stated in 5.2 above, as at end of the quarter/month as may be determined by the Monetary Board from time to time, to the Deposit Insurance Fund stated in Regulation 7.

6.2 The calculation of premia effective until further notice shall be as follows:

   (i) Licensed banks which maintained a capital adequacy ratio of 14 per centum or above at the end of the immediately preceding financial year as per its audited accounts as accepted by the Director of Bank Supervision – a premium of 0.10 per centum per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
   
   (ii) All other licensed banks – a premium of 0.125 per centum per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
   
   (iii) Registered Finance Companies – a premium of 0.15 per centum per annum payable monthly calculated on total amount of all eligible deposits as at end of the month.

6.3 Member institutions shall remit the applicable amount of the premium to the account of the Deposit Insurance Fund within a period of 15 days from the end of the respective quarter/month and submit the details of deposits and calculation of premium in a format specified by the Director of Bank Supervision.

6.4 In the event of a delay in the payment of the premium inclusive of instances of under-payment, a penalty will be levied at the prevailing weighted average 91 days primary Treasury bill yield rate plus 200 basis points.
7.1 The Scheme shall have a fund titled “Deposit Insurance Fund” (hereafter referred to as “the Fund”), and it shall be operated and managed by the Monetary Board, which responsibility it may delegate to an officer or a Department of the Central Bank of Sri Lanka of its choice.

7.2 Credits to the Fund shall include premia and penalties paid by member-institutions, all proceeds of profits, income and gains arising out of the investments of the moneys in the Fund, recovery of deposits paid as compensation, such sums as may be appropriated out of the abandoned property in the case of licensed banks and dormant deposits in the case of registered finance companies transferred to the Central Bank of Sri Lanka in terms of Directions issued by the Monetary Board under Part IX – Sections 72 and 76 of the Banking Act and Sections 31(1) to 31(3) of the Finance Companies Act as applicable, borrowings and contributions from the Government and/or any other sources as may be approved by the Monetary Board.

7.3 Debits to the Fund shall be for: Compensation payments to depositors, investments, repayment of abandoned property or dormant deposits, as the case may be, in the event of such property/dormant deposits lying in the fund and operating expenses of the Scheme as may be determined by the Monetary Board.

8.1 The moneys in the fund shall be invested as hereinafter provided:

(i) *Government Securities* – Government securities will include Treasury bills, Treasury bonds and other marketable securities issued by the Government of Sri Lanka.

(ii) Secured advances or loans to any member institution in the instance of a severe liquidity crisis in such member institution, if, in the opinion of the Monetary Board (after considering an assessment report on the liquidity position submitted by the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a registered finance company), such an advance/loan will help avoid an imminent financial panic in the particular institution or in the financial system as a whole.

8.2 Such advances or loans to member institutions shall be provided on the security of re-salable collaterals and/or Government/Central Bank of Sri Lanka Guarantees and at rates of interest as may be determined by the Monetary Board.

8.3 The repayment period of such loans or advances shall be as determined by the Monetary Board.

9.1 Compensation to depositors on insured deposits will be paid as per regulations issued by the Monetary Board from time to time, or as hereinafter provided.

9.2 Compensation on insured deposit liabilities of a member institution will be paid only when the licence/registration of the member institution is suspended/cancelled by the Monetary Board in terms of the relevant statutory provisions.

9.3 Within a week from the announcement of the Monetary Board decision to suspend/cancel the licence/registration of the member institution, the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a registered finance company, shall prepare a list of depositors with the details of deposit accounts setting out the amounts due from the institution to such depositors as at the date of the Monetary Board Order of suspension/cancellation.

9.4 The compensation within the limits as specified will be paid within six months from the date of the suspension/cancellation. No interest will be paid in the ensuing period.
9.5 The compensation payable in respect of insured deposits of a member institution will be computed on a “per-depositor” basis, consolidating all insured deposits liabilities to each depositor inclusive of any interest accrued and net of any dues from the depositor to the member institution as at the date of the suspension/cancellation of licence/registration.

9.6 The amount of compensation payable to a depositor shall be limited to the total insured deposits computed as above, subject to a maximum of Rs. 200,000 or its equivalent in the case of foreign currency deposits, if such amount exceeds Rs. 200,000.

9.7 Any compensation paid to depositors of a member institution by the Deposit Insurance Fund shall be accounted in the books of the member institution as its deposit liability to the Deposit Insurance Scheme, while redeeming the deposit liabilities due to the respective depositors by an equivalent amount.

9.8 In the event that any depositor is unable to receive the entitled compensation at the time of payment of compensation, the legal beneficiaries of the depositor shall be paid the compensation in terms of the applicable legal provisions and procedures.

9.9 The payment of compensation shall not be a liability of the Monetary Board or the Central Bank of Sri Lanka, and shall be limited to funds available or raised in the deposit insurance fund including any borrowings permitted and contributions received. The Monetary Board and the Central Bank of Sri Lanka shall not be responsible for any liability that exceeds the total amount lying to the credit of the Fund.

9.10 The payment of compensation shall come into effect in the case of a suspension/cancellation as ordered by the Monetary Board on or after 01st January, 2012.

10.1 There shall be an established Deposit Insurance Unit in the Bank Supervision Department (The Unit) which shall be responsible for the operational and management arrangements, under the instructions and supervision of the Director of Bank Supervision in terms of Directions/Regulations and policies as approved by the Monetary Board from time to time.

10.2 The Unit shall maintain books, accounts and statements relating to financial transactions of the Scheme in terms of the applicable Sri Lanka Accounting Standards.

10.3 The financial year of the Scheme shall be the calendar year and the Auditor General shall be the Auditor.

10.4 The Unit shall prepare financial statements on income and expenses, assets and liabilities, cash flows and investments for each financial year and submit the audited financial statements to the Monetary Board on or before 31st March of the following year and disclose such statements for the information of the member institutions and the public.

10.5 The financial statements of the Sri Lanka Deposit Insurance Scheme shall be distinctly separate from the financial statements of the Central Bank of Sri Lanka and accordingly, no consolidation of the Unit’s financial statements shall be made with that of the Central Bank of Sri Lanka.

11.1 Deposit Insurance Scheme Regulations, No. 1 of 1987 dated 27th February, 1987 and Gazette, No. 443/17 dated 6th March, 1987 issued under Section 32E of the Monetary Law Act, (Chapter 422) and subsequent amendments shall be repealed and cease to operate with effect from 01st October, 2010 and the Deposit Insurance Fund operated under these Regulations as at 30th September, 2010 shall be vested with the Sri Lanka Deposit Insurance Scheme with effect from 01st October, 2010.

11.2 As such, all commitments or contingencies arising from the Scheme operated under Deposit Insurance Scheme Regulations, No.1 of 1987 as at 30th September, 2010 shall extinguish as on 01st October, 2010.

(123)
To: CEOs of all Member Institutions of
Sri Lanka Deposit Insurance Scheme

Dear Sir/Madam,

SRI LANKA DEPOSIT INSURANCE SCHEME – PREMIUM TO BE LEVIED ON INSURED DEPOSIT

In terms of Regulation 10.1 of the Sri Lanka Deposit Insurance Scheme Regulations No. 01 of 2010 dated 27th September, we write to inform you of the following.

1. The premium on deposits in terms of Regulation No. 6 of the Regulations should be paid to “Sri Lanka Deposit Insurance Fund” through RTGS, specially mentioning the account name as “Sri Lanka Deposit Insurance Fund – Account Number 4681” or drawing a cheque in favor the said account.

2. In terms of Regulation No. 6.3 of the Regulations, all members of the scheme are required to e-mail the details of the ‘calculation of premium’ as per Annex I to the Director of Bank Supervision (e-mail addresses: dbsd@cbsl.lk, anuradha@cbsl.lk and sumithi@cbsl.lk) along with the payment of premia.

3. All Member Institutions should maintain a proper system of information to support the accuracy of calculation of premium.

Yours faithfully,

(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Encl.
Annex 1

Sri Lanka Deposit Insurance Scheme
Payment of Premium

1. Name of the Member Institution: …………………………………………………………………………………………………

2. Capital Adequacy Ratio
   (At the end of the immediately preceding financial year as per its audited accounts): …………………

3. Quarter / Month: …………………………………………………………………………………………………………………

4. Premium to be Paid
   (Rs. ’000)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Total deposit liability as per the general ledger (a)</td>
<td>XXX</td>
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<tr>
<td>Less: Total excluded deposits</td>
<td>(XX)</td>
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<tr>
<td>Total eligible deposits</td>
<td>XXX</td>
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<tr>
<td>Applicable annual insurance premium rate (%) (b)</td>
<td>XX</td>
</tr>
<tr>
<td>Total insurance premium to be paid for the quarter/month (c)</td>
<td>XXX</td>
</tr>
</tbody>
</table>

(a) Deposit liability as at end of the quarter in the case of licensed banks and as at end of the month in the case of registered finance companies.

(b) Rate of Premium
   (i) Licensed banks which maintained a capital adequacy ratio of 14% or above at the end of the immediately previous financial year as per its audited accounts as accepted by the Director of Bank Supervision – a premium of 0.10 per cent per annum, payable quarterly.
   (ii) All other licensed banks – a premium of 0.125 per cent per annum, payable quarterly.
   (iii) Registered Finance Companies – a premium of 0.15 per cent per annum, payable monthly calculated on total amount of all eligible deposits as at end of the month.

(c) Premium should be paid within 15 days from the end of the quarter / month.

Prepared by Checked by Authorised by

<table>
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<tr>
<th>Name of the officer:</th>
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<tr>
<th>Designation of the officer:</th>
<th>Head of Finance</th>
<th>Chief Executive Officer</th>
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This return should be sent to the Director of Bank Supervision.
Telephone: 0112477100, 0112398602 and 0112477169. Fax: 0112477711.
E-mail: dbsd@cbsl.lk, anuradha@cbsl.lk and sumithi@cbsl.lk

Note:
As per the e-mail dated 29th October 2013 of Actg. Director of Bank Supervision Department, e-mail address of the Unit has been changed as sldis@cbsl.lk with a copy to dbsd@cbsl.lk.
Further details of postal address, telephone numbers and the fax of SLDIS are as follows:
Postal Address: Director of Bank Supervision, Bank Supervision Department, Level 6, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01.
Telephone numbers: 011 2398602/011 2477169 (through Mrs. S Ketawala or Mrs. I L S Priyangika)
Fax: 011 2477764

(125)
Circular No.: 02/2010
Bank Supervision Department

09 December 2010

To: CEOs of all Member Institutions of
Sri Lanka Deposit Insurance Schemes

Dear Sir/Madam,

SRI LANKA DEPOSIT INSURANCE SCHEME – OPERATING INSTRUCTIONS

All member institutions are requested to adhere to the following instructions.

1. **Conversion rates for foreign currency deposit liabilities:** The daily indicative exchange rates issued by International Operations Department of the Central Bank in the Central Bank web site (http://www.cbsl.gov.lk) should be used to convert the foreign currency liabilities in the local accounting requirements.

2. **Deposits held as collaterals against any accommodation granted:** The deposits held as collateral to the extent of actual usage of the credit facilities as of the reporting date should be excluded for calculation of insurance premium. In the case of a deposit taken as an additional collateral, the deposit balance or the outstanding balance of the accommodation, which ever is lower, should be excluded.

3. **Deposit liability calculation:** The outstanding balance of depositors’ accounts eligible for insurance as at the end of each month/quarter should be treated as the deposit liability.

4. **Eligibility of deposits:**
   
   (a) Certificates of deposits shall be considered as eligible deposits.
   
   (b) Vostro accounts of entities in the member institution’s group entity shall not be considered as eligible deposits.
   
   (c) Deposits at Off-shore Banking Unit and overseas branches shall not be considered as eligible deposits.

5. **Reporting on depositor wise details:** Member institutions shall submit depositor wise details of eligible deposits to the Deposit Insurance Unit of the Central Bank of Sri Lanka in the annexed format in an electronic form, along with a covering letter duly signed by the Chief Executive Officer and the Chief Financial Officer, commencing from 31 December 2011.

Yours faithfully,

Acting Director of Bank Supervision

Copy: Director of Supervision of Non-Bank Financial Institutions
Central Bank of Sri Lanka
(Name of the Member Institution)

Return on Depositor wise details of eligible deposits
As at .................. (dd/mm/yyyy)

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Name of Depositor/(s)</th>
<th>NIC No. or any other Identity No.</th>
<th>Eligible Deposit Balance</th>
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Note: In case of joint accounts, Names and NIC numbers of joint account holders and the total deposit balances shall be reported.

CFO / Chief Financial Officer

CEO / Chief Executive Officer

Name

Name
THE MONETARY LAW ACT

REGULATIONS made by the Monetary Board under section 32E of the Monetary Law Act, (Chapter 422).

Nivard Ajith Leslie Cabraal,
Chairman,
Monetary Board.

Central Bank of Sri Lanka,
Colombo,
26th January 2011.

Sri Lanka Deposit Insurance Scheme Regulations
Amendment to the Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010

1.1 These Regulations shall be cited as “Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2011.”

2.1 Sri Lanka Deposit Insurance Regulations, No. 1 of 2010 published in Gazette Extraordinary No. 1673/11 of 28th September, 2010 is hereby amended as follows.

2.2 By the substitution for word “regulation” of the word “regulation” wherever it is applicable.

2.3 In regulation 5 thereof by the repeal of paragraph 5.2 (iii) of that regulation and the substitution therefor of the following paragraph:

“5.2 (iii) Deposit liabilities to directors, key management personnel and other related parties excluding shareholders as defined in Banking Act Direction, No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act Direction, No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks and the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Registered Finance Companies.”
Circular No.: 01/2011

Bank Supervision Department

20th April 2011

To: CEOs of all Member Institutions of
Sri Lanka Deposit Insurance Scheme

Dear Sir/Madam,

**SRI LANKA DEPOSIT INSURANCE SCHEME – OPERATING INSTRUCTIONS**

All member institutions are informed that Paragraph 4(c) of Circular No.02/2010 on the above subject dated 09 December 2010 is hereby amended as follows:

“Deposits at overseas branches shall not be considered as eligible deposits”.

Accordingly, deposits at Off-shore Banking Unit shall be considered as eligible deposits from next premium date.

Yours faithfully,

(Mrs.) T M J Y P Fernando

*Director of Bank Supervision*

Copy: Director of Supervision of Non-Bank Financial Institutions

Central Bank of Sri Lanka
THE MONETARY LAW ACT

REGULATIONS made by the Monetary Board under section 32E of the Monetary Law Act, (Chapter 422).

Nivard Ajith Leslie Cabraal,
Chairman,
Monetary Board.

Central Bank of Sri Lanka,
Colombo,
20th June 2011.

Sri Lanka Deposit Insurance Scheme Regulations
Amendment to the Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010

Citation.
1.1 These Regulations shall be cited as “Sri Lanka Deposit Insurance Scheme Regulations, No. 2 of 2011.”

Amendments to the principal regulation.
2.1 Sri Lanka Deposit Insurance Regulations, No. 1 of 2010 published in Gazette Extraordinary No. 1673/11 of 28th September, 2010 is hereby amended as follows:

Substitution for regulation 7.3.
2.2 In regulation 7 thereof by the repeal of paragraph 7.3 of that regulation and the substitution therefore of the following paragraph:

“7.3 Debits to the Fund shall be for compensation payments to depositors, investments and operating expenses of the Scheme as may be determined by the Monetary Board.”
Circular No. : 04

To : All Licensed Banks
   All Licensed Specialised Banks
   All Registered Finance Companies

Financial Intelligence Unit
15 September 2006

COMPLIANCE WITH THE REPORTING REQUIREMENTS UNDER
THE FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006

Your attention is drawn to the provision of the Financial Transactions Reporting Act, No.6 of 2006 (FTRA) which imposed duties on every “Institution” as defined in Section 33 of the FTRA to report to the Finance Intelligence Unit of the Central Bank established by Order made by His Excellency the President under the provisions of the FTRA.

(a) Under Section 6(a) of the FTRA, cash transactions of amounts exceeding Rs.500,000/- or its equivalent in foreign currency.

(b) Under Section 6(b) of the FTRA, electronic funds transfers done at the instance of a customer of Rs.500,000/- or its equivalent in foreign currency.

(c) Under Section 7 of the FTRA:–
   (i) any suspected transaction or attempted transaction may be related to the commission of any unlawful activity or any other criminal offence; or
   (ii) information that it suspects may be relevant to an act preparatory to an offence under the provisions of the Convention on the Suppression of Financing of Terrorism Act, No.25 of 2005; to an investigation or prosecution of a person or persons for an act constituting an unlawful activity, or may otherwise be of assistance in the enforcement of the Money Laundering Act, No.5 of 2006 and the Convention on the Suppression of Terrorist Financing Act, No.25 of 2005.

You are hereby informed to ensure compliance with the above statutory provisions. The reporting formats in respect of (a), (b) and (c) are attached for those banks that have not yet received this.

Actg. CEO (FIU)

Copies to : Governor, CBSL
            DG (J), DG (W)
            Director, Bank Supervision
            Director, Supervision of Non-Bank Financial Institutions
            External Auditors of licensed banks
            Secretary / SLBA
            Compliance Officers of licensed banks
Dear Sirs,

COMPLIANCE WITH THE REPORTING REQUIREMENTS UNDER
THE FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006

Further to our Circular No. 4 dated 15th September 2006 on the above subject, I wish to draw your attention to the following:

As per clause (a) and (b) of the said circular please ensure that your reports are forwarded to the FIU on a fortnightly basis, in the specimen formats given to you.

E.g.: Reports for the period 1st to 15th of each month should be forwarded to the FIU on or before the 30th of the month.

Reports for the period 16th to 31st of each month should be forwarded to the FIU on or before 15th of the subsequent month.

You are hereby requested to ensure compliance with the above.

Yours faithfully,

Actg. Additional Director (FIU)
To : Chief Executive Officers of
    All Licensed Banks and Registered Finance Companies

Dear Sir/Madam,

COMPLIANCE WITH THE REPORTING REQUIREMENTS UNDER
THE FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006

Further to our Circular No. 4 of 15th September 2006 on the above subject.

In terms of the Order and Regulations published in Gazette Extraordinary No.1555/9 dated 25th June 2008 by His Excellency the President under the Provisions of the Section 6 of the Financial Transactions Reporting Act, No.6 of 2006, the reporting threshold for cash and electronic fund transfers has been revised to Rs.1,000,000/- or its equivalent in foreign currency with effect from 01st June 2008.

You are hereby informed to ensure compliance with the above regulatory provisions embodied in the Gazette aforementioned.

Please acknowledge the receipt.

Yours faithfully,

Director
Financial Intelligence Unit

Copies to : All Compliance Officers of Licensed Banks and Registered Finance Companies
            Director, Bank Supervision Department
            Director, Department of Supervision of Non-Bank Financial Institutions
To : CEOs of All Registered Finance Companies

Dear Sir/Madam,

COMPLIANCE WITH THE SECTION 2 OF
THE FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006

In terms of the provisions of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA), the immediate attention of all registered finance companies is drawn to the legal requirement on duties of institutions – identification essential to conduct of business of institutions. Section 2(1) of the FTRA which states as follows:

“No institution shall open, operate or maintain an account, where the holder of such accounts cannot be identified, including any anonymous accounts or any account identified by number only, or any account which to the knowledge of the Institution is being operated in a fictitious or false name.”

You are hereby reminded to ensure compliance with the above statutory provisions.

Failure to conform to the above requirement is a punishable offence as prescribed in the relevant provisions of the FTRA.

Please acknowledge the receipt.

Yours faithfully,

Director
Financial Intelligence Unit

Copies to : All Compliance Officers of Registered Finance Companies
To : All Chief Executive Officers of RFCs

Dear Sir/Madam,

WEB BASED INFORMATION REPORTING SYSTEM
IN SUBMITTING REGULAR REPORTS TO
THE FINANCIAL INTELLIGENCE UNIT

1. We wish to draw your attention to our circular No. 4, dated 15th September 2006 and directive on 30th June 2008 on reporting Cash Transactions Reports (CTRs), Electronic Fund Transfer Reports (EFTs) and submission of Suspicious Transactions Reports (STRs) in terms of the provisions of the Section 6 and 7 of the Financial Transactions Reporting Act, No 6 of 2006 (FTRA) and Financial Transaction Regulation No. 1 of 2008 along with the order issued on 25th June 2008.

2. Accordingly, all reporting institutions are required to report CTRs and EFTs exceeding Rs 1,000,000/- or its equivalent in any foreign currency to the Financial Intelligence Unit (FIU).

3. The FIU has now developed a new Information Technology tool, LankaFIN, to be used in submitting reports electronically by Reporting Institutions to the FIU using a web based interface instead of the existing process of submitting reports with soft copies. Therefore, all Registered Finance Companies are requested to submit CTRs, EFTs and STRs to the FIU using the internet based procedure, with effect from 1st December 2009 as per the instructions given at annex I.

4. In order to comply with the legal requirements of the FTRA, reporting institutions are also required to submit certified copies of STRs to the FIU.

5. To enable access to the LankaFIN System, all anticipating users are required to obtain the required username and password from the FIU. Password requisition form is available in the LankaFIN website (https://lankafin.cbsl.lk).

6. Information reporting system through internet to the FIU will be effective from 1st December, 2009.

Yours faithfully,

Director
Financial Intelligence Unit

c.c. : Compliance Officers
Annexure I

TERMS AND CONDITIONS FOR THE LankaFIN USERS

The website of the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (hereinafter called “LankaFIN”) provides Information about FIU, FIU related news, circulars and directives issued by the FIU and data reporting formats. Data reporting formats consist of Suspicious Transaction Reports (STRs), electronic files of Cash Transaction Reports (CTRs) and Electronic Funds Transfers (EFTs). The home page of the LankaFIN can be accessed with the following web address, https://lankafin.cbsl.lk. Reporting officers should login to the respective links and require to forward the reports as indicated in the user manual which is available online on the web-site. This specific information technology tool consists of number of data security features and other encryptions. Users are subject to the LankaFIN terms and conditions as amended from time to time and regulations made under relevant legislations.

User’s Responsibilities

1. User is required to make a formal application which is available on the LankaFIN login page to obtain a Username. This needs to be submitted to the FIU with the required authorisation.

2. User undertakes not to access LankaFIN using defective or insecure software/equipment or in any manner which might adversely affect LankaFIN.

3. User must change the password assigned to him/her immediately after accessing LankaFIN for the first time and at regular intervals thereafter.

4. User shall inform LankaFIN immediately if he/she becomes aware of any unauthorised access or use of the “Username” and “Passwords” by unauthorised person. User needs to acknowledge that the Financial Intelligence Unit shall not be liable for any loss or damage that he/she may suffer due to unauthorised use of his/her Username and Password.

5. User shall keep his/her Username and Password strictly confidential and undertake not to reveal them to any person at anytime or under any circumstances.

6. If the Compliance Officer who is appointed as per the Section 14 of the Financial Transactions Reporting Act (FTRA) is unable to hold his office temporarily, it is required to obtain a new Username for the acting Compliance Officer from the FIU.

7. User shall keep all information, techniques, data and designs relating to LankaFIN completely confidential. User shall not disclose any of them to any other party.

8. User obligations relating to confidentiality will continue indefinitely and will not end with the expiry or termination of LankaFIN user facilities.

Data Submission

An IT tool has designed and linked up for required testing before Submission of data to the FIU. In case the tests are failed, the reports will not reach the FIU. Therefore users are advised to prepare the formats as specified in the LankaFIN manual and submit them accordingly. If the data formats are not prepared in line with required standards and/or if any mandatory fields are missing, reports may bounce back to the users resulting non-submission of reports. Non-submission of reports would treat as non-compliance with the statutory provisions.

All reporting institutions are also required to submit certified copies of STRs immediately after submission of STRs through LankaFIN, as the submission of written STRs is a legal requirement in terms of the provisions of the FTRA.

The FIU wish to receive reports/submissions under the previous system in parallel to the new system until 15th July, 2009. Therefore, all reporting institutions are required to equip with all necessary technical requirements and other administrative arrangements to meet the requirements.
Rules

1. These Rules may be cited as the Licensed Banks and Registered Finance Companies [Know Your Customer (KYC) and Customer Due Diligence (CDD)] Rules, No.1 of 2011.

2. These Rules shall apply to every Licensed Bank and Registered Finance Company (hereinafter referred to as the “Financial Institution”).

3. Every Financial Institution shall take such measures as may be specified in these Rules for the purpose of obtaining the customer identification data or information relating to its customers who may be natural or legal persons.

PART I

A. Natural Persons

4. Every Financial Institution shall, obtain from natural persons, the following information :-
   (a) full name and any other names used (such as maiden name) ;
   (b) male/female ;
   (c) permanent address (the full address should be obtained; a post office box number is not sufficient) ;
   (d) telephone number, fax number, and e-mail address ;
   (e) date of birth ;
   (f) place of birth ;
   (g) nationality or citizenship(s) ; current / previous (add period) ;
   (h) an official personal identification number or any other identification (e.g., passport, national identity card, driving licence) that bears a photograph of the customer ;
   (i) occupation, public position held and/or name of employer ;
   (j) type of account.

5. Every Financial Institution shall verify the above information submitted to it, in any one of the following ways—
   (a) confirming the date of birth from an official document (e.g., birth certificate, passport, national identity card);
(b) confirming the permanent address (e.g., utility bills, tax assessment, bank statement, a letter from a public authority, Certificate of a Grama Niladhari or electoral register) ;

(c) contacting the customer by telephone, by letter or by e-mail to confirm the information supplied after an account has been opened or conduct a field visit to verify the information given. If the confirmation of information reveals a disconnected phone, returned mail, or incorrect e-mail address, then the Financial Institution shall carry out further investigation ;

(d) confirming the validity of the official documentation provided through certification by an authorized person.

Note: The instances mentioned above are some of the available methods to verify the information, but there may be other documents or information of an equivalent nature which may be produced as satisfactory evidence of customer’s identity.

6. Every Financial Institution shall apply effective customer identification procedures in the case of both customers who are available for interview as well as to those customers who are not so available.

7. Every Financial Institution shall make an initial assessment of a customer’s risk profile. Particular attention needs to be focused on the customers identified as having a higher risk profile. In such cases additional inquiries shall be made or information shall be obtained, in respect of such customers, including the following:–

(a) evidence of the customer’s permanent address sought through independent verification by field visits ;

(b) personal reference (i.e., by an existing customer of the same institution) ;

(c) prior bank reference regarding the customer and the customer contact with the Financial Institution;

(d) the customer’s source of wealth ;

(e) verification of details relating to employment, public position previous/present, if any (where appropriate), supplied by the customer.

8. Every Financial Institution shall with regard to one-off or occasional transactions where the amount of the transaction or series of linked transactions does not exceed the amount prescribed under paragraph (a) of section 6 of the Act, obtain the minimum information specified in rule 4 of these rules.

B. Partnerships

9. In the case of a partnership, every Financial Institution shall verify the identity of each partner of such partnership and also verify the details of immediate family members who have ownership or control thereof.

10. The provisions contained in Rule 4 to Rule 8 shall mutatis mutandis be followed in respect of partnerships.

C. Institutions

11. The customer identification rules shall in relation to the different types of institutions, be applied with particular attention being given to the different levels of risk involved.

12. The provisions contained in Rule 4 to Rule 8 shall mutatis mutandis, be followed in respect of Institutions.
C1. Corporate Entities

13. For corporate entities, the principal guideline is to inquire about the background of the entity to identify those who have control over the business and the entity’s assets, including those with whom the control and management finally rests. Particular attention shall be paid to shareholders, signatories, or others who invest a significant proportion of the capital or financial support or otherwise exercise control. Where the owner is another corporate entity or trust, the objective is to undertake reasonable measures to inquire about the background of the company or entity and to verify the identity of its principals.

For the purpose of this Rule “control” means the nature of a corporate entity, and those who are mandated to manage funds, accounts or investments without requiring further authorisation, and who would be in a position to override internal procedures and control mechanisms. Where a corporate entity is listed on the stock exchange, or is a subsidiary of such a company, then the company itself may be considered to be the principal to be identified. However, consideration shall be given to whether there is effective control of a listed company by an individual, small group of individuals or another corporate entity or trust. Under these circumstances those controllers shall also be considered to be principals and identified accordingly.

14. Every Financial Institution shall, obtain the following information from corporate entities:

(a) name of corporate entity;
(b) the certified copy of the Certificate of Incorporation;
(c) the certified copy of Articles of Association;
(d) the resolution of the Board of Directors to open an account and identification of those who have authority to operate the account;
(e) nature and the purpose of the business of such corporate entity and its legitimacy;
(f) principal place of business operation/activity of the corporate entity;
(g) details of previous areas or locations where the corporate entity carried out its business operation activities, with duration;
(h) the mailing address of the corporate entity;
(i) the contact telephone and Facsimile numbers;
(j) any official identification number, if available (e.g., company registration number, tax identification number).

15. Every Financial Institution shall verify the above information in any one of the following ways:

(a) carrying out a review of the latest financial statements (audited, if available) of the corporate entity;
(b) conducting an enquiry through a business information service, or an undertaking from a reputable firm of lawyers or accountants confirming the documents submitted;
(c) undertaking a company search or other conducting enquiries as to the financial stability of the corporate entity, to verify that the corporate entity has not been, or is not in the process of being, dissolved, struck off, wound up or terminated;
(d) utilizing an independent information verification process, such as by accessing public and private databases;
(e) obtaining prior bank references;
(f) visiting the corporate entity, where practical;
(g) contacting the corporate entity by telephone, mail or e-mail.
16. Every Financial Institution shall also take reasonable steps to verify the identity and reputation of any agent that opens an account on behalf of a corporate customer, if that agent is not an officer of the corporate customer.

C2. Pension Programmes or Retirement Benefit Programmes

17. In the case of pension programmes or retirement benefit programmes trustee and any other person who has control over the relationship (e.g., administrator, programme manager, and account signatories) shall be considered as the principal and the Financial Institution shall take steps to verify their identities.

The provision contained in Rule 4 to Rule 8, shall *mutatis mutandis*, be followed in respect of such programme.

C3. Societies and Co-operatives

18. In the case of societies and co-operatives the principal shall be those exercising control or significant influence over the organisation’s assets. This will often include board members and executives and account signatories.

C4. Charities, Clubs and Associations

19. In the case of charities, clubs, and associations, every Financial Institution shall take reasonable steps to identify and verify at least two signatories along with the institution itself. The principal shall be those exercising control or significant influence over the organisation’s assets. This will often include members of a governing body or committee, the President/Chairman, the members of the Board of Directors, or managing body, the treasurer, and all signatories.

20. In all cases independent verification shall be obtained that the persons involved are true representatives of the institution. Independent confirmation shall also be obtained of the objective of the institution.

D. Trusts, Nominee and Fiduciary Accounts

21. Every Financial Institution shall establish whether the customer is taking the name of another customer, acting as a “front” or acting on behalf of another person as trustee, nominee or other intermediary. If so, the receipt of satisfactory evidence of the identity of any intermediaries and of the persons upon whose behalf they are acting, as well as details of the nature of the trust or other arrangements in place specifically, the identification of a trust shall include the trustees, settlers, grantors and beneficiaries, shall be an initial requirement.

22. Every Financial Institution shall take reasonable steps to verify the trustee, the settler of the trust (including any persons settling assets into the trust) any protector, beneficiary, and signatory. Beneficiaries shall be identified where they are defined.

23. In the case of a foundation, every Financial Institution shall verify the founder, the managers, directors and the beneficiaries.

E. Beneficial Owners

24. Every Financial Institution shall be able to justify the reasonableness of the measures taken to identify the beneficial owners, having regard to the circumstances of each case. Every Financial Institution may
also consider obtaining an undertaking or declaration from the customer, on the identity of, and the information relating to, the beneficial owner.

F. Professional Intermediaries

25. Every Financial Institution shall identify every single client on behalf of whom a professional intermediary such as a lawyer, notary, other independent legal professional or accountant, opens a client account. Where funds held by the intermediary are not co-mingled but where there are “sub-accounts” which can be attributable to each beneficial owner, all beneficial owners of the account held by the intermediary shall be identified. Where the funds are co-mingled, the Financial Institution shall look through to the beneficial owners; however, there may be circumstances which should be set out in supervisory guidance where the Financial Institution may not need to look beyond the intermediary (e.g., When the intermediary is subject to the same due diligence standards in respect of its client base as the Financial Institution).

26. In the above circumstances where an account is opened for an investment company, unit trust or limited partnership and the same due diligence requirements are applicable to Financial Institution are applicable in respect of its client base, the following shall be considered as principals, and the Financial Institution shall take steps to identify:
(a) the fund itself;
(b) its directors or any controlling board where it is a company;
(c) its trustee where it is a unit trust;
(d) its managing (general) partner;
(e) account signatories;
(f) any other person who has control over the relationship (e.g., fund administrator or manager).

27. Where other investment methods are involved, the same steps shall be taken as in Rule 25 where it is appropriate to do so. In addition all reasonable steps shall be taken to verify the identity of the beneficial owners of the funds and the identity of those who have control of the funds.

28. Every Financial Institution shall treat intermediaries as individual customers of such Institution and shall verify separately the standing of the intermediary. The provision of Rule 10 and Rule 11 shall mutatis mutandis apply in this instance.

G. Other Types of Institutions

29. For the categories of accounts referred to in the headings under B, Cl – C4, D, E and F of these Rules, the following information shall be obtained in addition to the requirements needed to verify the identity of the principal:–
(a) name of account;
(b) mailing address;
(c) contact telephone and fax numbers;
(d) any official identification number, if available (e.g., company registration number, tax identification number);
(e) description of the purpose/activities of the account holder (e.g., in a formal constitution);
(f) copy of documentation confirming the legal existence of the account holder (e.g., registration document of charity).

(141)
30. Every Financial Institution shall verify this information in any one of the following ways: –

(a) obtaining an independent undertaking from a reputable firm of lawyers or accountants confirming the documents submitted;

(b) obtaining prior bank references;

(c) accessing public and private databases or official sources.

H. Introduced Business

31. No Financial Institutions shall rely on introducers who are subject to weaker standards than those governing the Financial Institutions’ own KYC procedures or those who are unwilling to furnish copies of their own due diligence documentation.

32. Every Financial Institution that relies on an introducer shall always carefully assess whether the introducer is a fit and proper person who exercises the necessary due diligence in accordance with the standards set out in these Rules.

33. Every Financial Institution shall use the following criteria to determine whether an introducer can be relied upon:

(a) complying with the minimum customer due diligence practices set out in these Rules;

(b) adapting the same customer due diligence procedures which a Financial Institution shall observe with respect to customer identification;

(c) satisfying itself as to the reliability of the system put in place by the introducer to verify the identity of the customer;

(d) reaching agreement with the introducer that it will be permitted to verify the due diligence undertaken by the introducer at any stage;

(e) all relevant identification data and other documentation pertaining to the customer’s identity shall be immediately submitted by the introducer to a Financial Institution who shall carefully review the documentation provided. Such information shall be available for review by the supervisory authority and the Financial Intelligence Unit; and

(f) conducting periodic reviews to ensure that an introducer whom/which it relies on, continues to conform to the criteria set out above.

PART II
REQUIREMENTS

34. Every Financial Institution shall comply with such requirements as specified below:–

Opening of Accounts

(1) Individual Accounts:

(a) The following information shall be obtained: –

(i) Full name as appearing in the identification document;

(ii) Identification document to be specified as, national identity card, valid passport or valid driving licence;

(iii) Permanent address as appearing on the identification document. Any other address to be
accepted should be supported by a utility bill not over three months old. Utility bills are to be specified as electricity bill, water bill and telecom or any fixed line operator’s bill. No post-box number should be accepted. In the case of ‘C/o’, property owner’s consent and other relevant address verification documents are required to be obtained;

(iv) Telephone number, facsimile number, and e-mail address;
(v) Nationality;
(vi) Occupation, business, public position held and the name of the employer;
(vii) Purpose for which the account is opened;
(viii) Expected turnover/volume of business;
(ix) The reason for choosing to open the account in a foreign jurisdiction in case of NRFC/NRRAs;
(x) Satisfactory reference;
(xi) Verification of Signature.

(b) The following documents shall be obtained (each copy should be verified against the original)

(i) Mandate/Account Opening form.
(ii) Copy of identification document.
(iii) Copy of address verification documents.
(iv) Copy of the valid visa/permit in the case of RNNFC/NRRA/RGFC accounts for non-nationals.
(v) Copy of the business registration if the account is opened for such purpose.

(2) **Proprietorship/Partnership Accounts**:  

(a) The following information shall be obtained:–

(i) Full name as appearing in the registration document.
(ii) Personal details of the proprietor/partners as in the case of individual accounts.
(iii) Registered address or the principle place of business and the permanent address of the proprietor/partners.
(iv) Contact telephone, fax numbers.
(v) Tax file number.
(vi) Satisfactory reference.
(vii) Signature.
(viii) The extent of the ownership controls.
(ix) Other connected business interests.

(b) The following documents shall be obtained (each copy should be verified against the original)

(i) Mandate/Account opening form.
(ii) Copy of the business registration document.
(iii) Proprietors’/partners’ information document.
(iv) Copy of identification and address verification documents.
(3) Corporations/Limited Liability Company:

(a) The information shall be obtained:

(i) Registered name of the institution.
(ii) Principal place of institution’s business operations.
(iii) Mailing address, if any.
(iv) Nature and purpose of business.
(v) Telephone/Fax/E-mail.
(vi) Income Tax file number.
(vii) Bank references.
(viii) Personal details of all Directors as in the case of individual customers.
(ix) Major share holders and their financial interests and control.
(x) List of subsidiaries/associates and other business connections.
(xi) Signatures.

(b) The following documents shall be obtained (each copy should be verified against the original)

(i) Mandate/Account Opening form.
(ii) Copy of the Certificate of Incorporation, Copy of the Form 40 or Form 1 and Articles of Association.
(iii) Board Resolution authorizing the opening of the account.
(iv) Copy of Form 18.
(v) Copy of Form 20.
(vi) Copy of Form 44 (applicable for offshore companies).
(vii) Copy of Form 45 (applicable for offshore companies).
(viii) Copy of the Board of Investment Agreement if a BOI approved company.
(ix) Copy of the Export Development Board (EDB) approved letter if EDB approved company.
(x) Copy of the certificate to commence business if a public quoted company.
(xi) Latest audited accounts if available.

Note: The above documents should apply to a company registered abroad as well. The non-documentary methods in the absence of the above documents would entail a search at the Credit Information Bureau (CRIB), bank references, site visits and visiting the business website of the customer.

(4) Clubs, Societies, Charities, Associations and NGO:

(a) The following information shall be obtained:

(i) Name and address as appearing in Charter, Constitution etc.
(ii) Detailed information of at least two office bearers, signatories, administrators, members of the governing body or committee or any other person who has control and influence over the operations of the entity as in the case of individual accounts.
(iii) The purpose for which the account is opened, the objectives and the areas of activities.
(iv) The source and level of income/funding.
(v) Other connected institutions/associates/organizations.
(vi) Telephone/Facsimile numbers/e-mail address.

(b) The following documents shall be obtained (each copy should be verified against the original)

(i) Copy of the registration document/constitution, charter etc.
(ii) Customer information form as in the case of individual accounts.
(iii) Mandate/Account Opening Form.

(5) **Trust, Nominees and Fiduciary Accounts :**

(a) The following information shall be obtained :

(i) Identification of all trustees, settlers/grantors and beneficiaries in case of trustees;
(ii) Whether the customer is acting as a ‘front’ or acting as a trustee, nominee, or other intermediary.

(b) The following documents shall be obtained (each copy should be verified against the original)

(i) Mandate/Account Opening Form.
(ii) Copy of the Trust Deed.
(iii) Particulars of all individuals.

(6) **Sole Proprietorship :**

A copy of the business registration licence/permit (should be verified against the original).

**Maintenance of Accounts**

1. No Financial Institution shall open an account unless and until adequate identity of the prospective customer is obtained. If there appears to be any discrepancy in the information furnished at a subsequent date the account shall be suspended until the veracity of such information is confirmed.

2. The general customer information to be recorded at the outset shall include details of the customer’s business, profession, level of income, economic profile, business associates and other connections, source of funds, and the purpose for which the account is opened.

3. Every Financial Institution shall retain copies of all identification and address verification documents.

4. Where the permanent address given in the application is at a location far away from that of the branch which receives the account opening request, the request shall be discouraged or turned down and the prospective customer shall be requested to open the account at the closest branch to his residence or his business, unless an acceptable and a valid reason is given. Such exceptions shall be recorded in file. If a change of address is made after the opening of the account, the account shall be transferred to the nearest branch of that bank.

5. Where two or more accounts are opened in the same bank by a customer the Financial Institution shall record the specific purpose for which such accounts are opened, in order to enable continued due diligence of all accounts.
6. Every Financial Institution shall verify whether any prospective customer appears on any list of any known suspected terrorist list or alert, list issued by the relevant government authorities, such as the Controller of Immigration, Director General of Customs, the Governor of the Central Bank, Ministry of Foreign Affairs.

7. When instructions are received from customer to transfer funds from one account to another account numbers should be recorded internally to aid future reference.

8. When foreign currency accounts and temporary rupee accounts are opened for non-nationals/foreign passport holders who are resident in Sri Lanka, a local address shall be obtained as their permanent address during their stay in the Island. A copy of the passport, visa with validity period, foreign address and the purpose for which the account is opened shall be made available in the file. On the expiry of the visa, the account shall cease to operate unless and otherwise appropriate instructions are received. On leaving the Island the account shall either be closed or be converted into a non-resident account. Financial Institutions must ensure that a valid visa is held at all times by the clients during the continuation of the account with them.

9. Every Financial Institution shall, when rupee accounts are opened and maintained for non-residents (foreign passport holders), use a foreign address as a permanent address and for all correspondence. The reason for choosing to open the account in a foreign jurisdiction should be recorded.

10. All rupee accounts for resident non-nationals shall carry a Sri Lankan address. A foreign address shall be used temporarily until the account holder is resident abroad. Every Financial Institution shall update the address on the client’s return, under the ongoing due diligence standards. In the case of joint accounts a foreign address may be used only when all parties are domiciled abroad. If any one party remains in the Island, the local address needs to be maintained.

11. Accounts for charitable and aid organizations, non-governmental organisations and non-profit organisations shall be opened only with the registration of the regulatory authority empowered to regulate charitable and aid organizations, non governmental organisations and non-profit organisations for the time being and with other appropriate credentials. Due regard shall be paid to specific directions governing their operations i.e., issued by the Department of Bank Supervision and Department of Supervision of Non-Bank Financial Institutions of the Central Bank and the Controller of Exchange.

12. Opening of accounts for ‘politically exposed persons’ (PEPs) shall be required to obtain the authorization of senior management.

For the purpose of this paragraph politically exposed persons means “individuals in Sri Lanka or abroad who are, or have been, entrusted with prominent public functions” e.g., Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of State owned corporations, important political party officials. Business relationships with family members or close associates of such person involve reputational risks similar to those of such persons themselves. This is not intended to cover middle ranking or more junior officials in the forgoing categories.

13. All cash deposits made into savings and/or current accounts by third parties shall have on record, the identity of the depositor. The required details are, the name, address, identification number of a valid identification document, purpose and the signature. However, clerks, accountants and employees of business houses who are authorized to deal with the accounts do not come within the definition of ‘third parties’.
14. When outward remittances/wire transfers are made out of Foreign Currency accounts, it shall be mandatory that a complete application be forwarded to the Financial Institution incorporating important and meaningful originator information such as name, address, account number, identification number together with a brief account of the purpose for such transfers. This is applicable to domestic wire transfers as well.

15. In the event foreign currency brought into the country is accepted to the credit of any foreign currency account the Financial Institution shall be satisfied of the source of funds.

16. A proper customer identification or relationship shall be established when import documents on collection basis are released to non customers of Financial Institutions. Identification shall include the correct address of the person or the business.

17. Every Financial Institution to whom these rules apply shall be required to complete the updating of all accounts with all relevant information by June 30, 2011.

18. Accounts which record frequent transactions below the threshold limit as prescribed by Order published in the Gazette in terms of the section 6(a) of the Act, in such a manner which shows that the customer client is attempting to circumvent the mandatory reporting requirement, shall be reported to the Financial Institution’s Compliance Officer for appropriate action.

19. Every Financial Institution shall ensure that account transactions are consistent with the customer profile on record. Any inconsistency should be inquired into and the correct position recorded. Inconsistent transactions should be reported to the Financial Institution’s compliance officer for appropriate action.

Introduction of New Technologies

1. Every Financial Institution shall pay special attention to any money laundering threats that may arise from new or developing technologies, including internet banking, that might favour anonymity and where so required take measures, to prevent their use in money laundering schemes. Financial Institutions should be mindful of a variety of Electronic Cards that are used by customers for buying goods and services, drawing cash from ATMs and for the electronic transfer of funds. Pre-loading of credit cards in particular can be resorted to, inter-alia, for money laundering and terrorist financing purposes and should not be permitted, as to do so would tantamount to the abuse of credit cards.

2. Additional KYC and CDD on existing and new credit card merchant bases with a special focus on the nature of business of credit card merchants, shall be undertaken and appropriate measures taken in terms of the provisions of the FTRA against any customer, transaction or merchant involved in any unlawful activity. Payments made through the internet by credit card customers in particular warrant very close attention to ensure that payments are not made for unlawful activities.

3. Every Financial Institution shall ensure that appropriate KYC procedures are duly applied to the customers as well as to the agents where marketing of credit cards is done through agents.

4. When applications for opening of accounts are received by mail or e-mail due care shall be exercised to record the true identity of the client prior to opening the accounts or activating them. In any event Financial Institutions shall not deviate from the required identity procedures just because the prospective client is unable to present himself in person.
5. Every Financial Institution shall preserve Society for Worldwide Inter bank Financial Telecommunication (SWIFT) messages that accompany inward remittances for a period of six years.

6. Every Financial Institution shall when Financial Institution maintain accounts for money changers/ money remitters they need to be aware that such clients are engaged exclusively in the money changing/money remitting business in compliance with the terms and conditions of the permit issued to them. Since money changers are covered by the provisions of the Act and the Prevention of Money Laundering Act, No.5 of 2005, it is the duty of the Financial Institutions to ensure that they fully comply with the requirements of law. Any unauthorized engagement in financial transactions should be brought to the notice of the Financial Institution’s Compliance Officer, for appropriate action.

**Alternative Remittance Systems (Hundi, Hawala etc.)**

Every Financial Institution shall exercise extra vigilance to distinguish between formal money transmission services and other money or value transfer systems through which funds or value are moved from one geographic location to another through informal and unsupervised networks or mechanisms. To ascertain the sources of funds thus becomes an imperative.

**Correspondent Banks and Shell Banks**

Prior to commencing banking relationships with ‘correspondent Banks/ financial institutions’, the Financial Institutions should gather sufficient information with regard to their management, major business activities, and their money laundering prevention and detection efforts. It is also the duty of the Financial Institutions to ensure that the purpose of the account is exclusively for correspondent banking activities and that the bank is effectively supervised by the relevant authorities for their due diligence and anti money laundering standards in that country. The Financial Institutions should refuse to enter into, or conduct business and provide services to, financial institutions that are located in jurisdictions that have poor KYC standards or have been identified as being ‘non-co-operative’ in the fight against money laundering and terrorist financing. It is also imperative that the Financial Institutions ensure that their correspondent financial institutions do not undertake business with shell financial institutions. No accounts for ‘shell’ financial institutions should be opened without the prior approval of the Controller of Exchange, being obtained.

**Treasury Dealings**

With regard to dealings in Forex, money market, bonds, securities, precious metals etc. confirmations shall be obtained from the counter-parties on their adherence to Anti Money Laundering/Counter Financing of Terrorism rules to prevent transactions with non-compliant countries/entities.

**Trade Finance/Letters of Credit and other contingencies**

Trade-based money laundering and terrorist financing usually involves invoice manipulation and uses trade finance routes and commodities to avoid financial transparency, laws and regulations. The use of these facilities needs to be reviewed from time to time. Facilities requested by customers who have borrowing facilities or large deposits with other institutions shall be brought under close scrutiny. Other examples are the assignment of proceeds to an apparently unconnected third party, the use of pro forma invoices without a description of the goods and a reticence to provide a description of goods and other appropriate supporting documentation.
PART III

MISCELLANEOUS

35. Every Financial Institution is required to appoint a compliance officer in terms of section 14 of the Act, who shall be responsible for ensuring the institution’s compliance with the requirements of the Act. These officers must be at the senior management level.

36. Every Financial Institution shall establish an audit function to test its procedures and systems for compliance, in terms of subsection (l)(c) of section 14 of the Act.

37. Every Financial Institution is required to make its officers and employees aware of the laws relating to money laundering and financing of terrorism and to train its officers, employees and agents to recognize suspicious transactions. Financial Institutions are also required to screen all persons before hiring them as employees.

38. Every Financial Institution shall ensure that its domestic and foreign branches, and subsidiaries adopt and observe measures to the extent that local laws and regulations are applicable and where the foreign branches/subsidiaries are unable to adopt and observe such measures in jurisdictions which do not comply with or insufficiently comply with the recommendations of the Financial Action Task Force, such matter shall be reported to the Financial Institution’s Compliance Officer for appropriate action.

39. Every Financial Institution shall scrutinize and examine the background of all their relatively large transactions that are complex, unusual or have no apparent economic and lawful purpose and retain a written record of such examination.

40. The provisions contained in Rule 14 to Rule 15 shall, mutatis mutandis, be followed in respect of such persons specified in items C3, C4, D and E of Part 1 of these Rules.

41. In these Rules –

   “Act” means the Financial Transactions Reporting Act, No.6 of 2006 ;

   “Licensed bank” means any commercial bank and specialised bank, licensed under the Banking Act, No. 30 of 1988 ;

   “Registered Finance Companies” means finance companies registered in terms of the Finance Companies Act, No. 78 of 1988 ; and

To: CEOs of Licensed Banks, Registered Finance Companies, Insurance Companies and Stock Brokers

Dear Sir/Madam,

**AUDITOR’S DECLARATION ON ENSURE COMPLIANCE UNDER THE FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006**

We would like to draw your attention to the Section 14(1)(c) of Financial Transactions Reporting Act (FTRA), No. 6 of 2006 which read as, “Every institution shall be required to establish an audit function to test its procedures and systems for the compliance with the provisions of this Act.”

Accordingly, the Compliance Officer appointed in terms of Section 14(1)(a) of FTRA is required to establish and maintain procedures and systems ensuring the Institution’s compliance with the requirements of the Act.

Appreciate if you could therefore; communicate with us the mechanism in place to ensure your institution’s compliance with the above requirements of the FTRA No. 6 of 2006.

Your cooperation in this regard is highly appreciated.

Yours faithfully,

*Director*
Financial Intelligence Unit

c.c.: Compliance Officers
To: CEOs of Registered Finance Companies,

Dear Sir/Madam,

COMPLIANCE WITH THE REPORTING REQUIREMENTS UNDER THE SECTION 7 OF THE FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006

Reference to Circular No. 4 of 2006, on 15th September 2006 on the above.

As per the Section 7 of the Financial Transactions Reporting Act (FTRA), No. 6 of 2006, when an Institution, has reasonable grounds to suspect that any transaction or attempted transaction may be related to commission of any unlawful activity or any other criminal offence under the FTRA No. 6 of 2006, Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 or Prevention of Money Laundering Act, No. 5 of 2006; the said institution shall, as soon as practicable, after forming that suspicion or receiving the information, report the transaction or attempted transaction or the information to the Financial Intelligence Unit (Reporting of Suspicious Transactions – STRs).

Further, as per the Section 14(b)(iv) of the FTRA, Compliance Officer of every institution shall establish and maintain procedures and systems to implement the reporting requirements under the Section 7 of the FTRA.

However, the FIU has observed that no such reports have been received from your institution. Therefore, you are kindly requested to inform us the mechanism in place to ensure compliance of your institution with Section 7 of the FTRA.

You are also requested to forward us the program in place (circulars issued, etc.) to identify the Suspicious Transactions at branch level, details on awareness programs conducted for the officers of your institution on identification of STRs, Number of STRs identified and reported to the compliance officer.

Yours faithfully,

Director
Financial Intelligence Unit

c.c.: Compliance Officers
Circular No.: 01/12
Our Ref.: 37/04/001/0004/012

Financial Intelligence Unit
28 February 2012

To: CEOs of Licensed Banks, Licensed Finance Companies, Insurance Companies and Stock Brokers

Dear Sir/Madam,

REVISIONS TO 40+9 RECOMMENDATIONS OF THE FINANCIAL ACTION TASK FORCE

As you may aware, the Financial Action Task Force (FATF), the global policy setter on money laundering and terrorist financing has revised the existing 40+9 Recommendations at its Plenary held on 16th February 2012.

The revised FATF Recommendations have integrated counter-terrorist financing measures with anti-money laundering controls while introducing new measures to counter the financing of the proliferation of weapons of mass destruction. It has also addressed the laundering of the proceeds of corruption and tax crimes. Risk-based approach was further strengthened enabling countries and financial intermediaries to target their resources more effectively.

Sri Lanka as a founder member of Asia Pacific Group on Money Laundering (APG) (Regional Monitoring Body) is required to incorporate the revisions to FATF Recommendations into domestic legal system to ensure country’s compliance with the international standard.

Accordingly, the FIU will initiate the process of amending the existing rules incorporating revisions introduced in due course. You are therefore, kindly requested to be familiarized with the revisions of FATF Recommendations to ensure effective implementation in future. New International Recommendations/Standard on Combating Money Laundering and the Financing of Terrorism and Proliferation can be downloaded by using the FATF web link http://www.fatfgafi.org/dataoecd/49/29/49684543.pdf.

Yours faithfully,

Director
Financial Intelligence Unit

c.c.: Compliance Officers
Circular No.: 03/12
Our Ref.: 37/04/001/0004/012

Financial Intelligence Unit
22 March 2012

To: CEOs of Licensed Finance Companies,

Dear Sir/Madam,

**COMPLIANCE WITH THE REPORTING REQUIREMENTS UNDER THE FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006**

Further, to Circular No. 4 of 2006 dated 15th September 2006, we wish to draw your attention to Sections 7, 12(1) and 14(1) of the Financial Transactions Reporting Act (FTRA), No. 6 of 2006 on Suspicious Transactions Reports (STRs).

**STR Reporting Obligation;**

Under the Section 7 (1) of the FTRA, Where an Institution:--

(a) has reasonable grounds to suspect that any transaction or attempted transaction may be related to the commission of any unlawful activity or any other criminal offence; or

(b) has information that it suspects may be relevant--

(i) to an act preparatory to an offence under the provision of the Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005.

(ii) to an investigation or prosecution of a person or persons for an act constituting an unlawful activity, or may otherwise be of assistance in the enforcement of the Prevention of Money Laundering Act, No. 5 of 2006 and Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005.

The Institution shall, as soon as practicable, after forming that suspicion or receiving the information, but no later than two working days there from, report the transaction or attempted transaction or the information to the Financial Intelligence Unit.

**Internal procedure on Identification and Reporting of STRs;**

As per the Section 14(1) of the FTRA, Compliance Officer of every Institution should establish and maintain procedures and systems to implement the reporting requirements under the Section 7 of the FTRA and train its officers, employees and agent to recognize suspicious transactions.

**Protection of Persons Reporting STRs;**

As per Section 12(1) of the FTRA, no civil, criminal or disciplinary proceedings shall be brought against a person who makes the report in good faith or in compliance with regulations made under the Act or rule or directions given by the FIU in terms of the Act.

**Submission of STRs;**

Every Institution must submit the report on suspicious transaction to the Director, Financial Intelligence Unit through the Compliance Officer of the reporting Institution designated under the FTRA. As instructed
in the Circular dated 17th December 2009 on “Web based information reporting system in submitting regular reports to the Financial Intelligence Unit” all STRs have to be submitted electronically using the web based interface (https://lankafin.cbsl.lk) and certified copies of the reports should be submitted subsequently. Any contravention or non-compliance on the above will be liable to penalties under the FTRA.

Yours faithfully,

Director
Financial Intelligence Unit

c.c.: Compliance Officers
Director, Department of Supervision of Non-Bank Financial Institutions
FINANCIAL TRANSACTIONS REPORTING ACT, NO. 6 OF 2006

RULES made by the Financial Intelligence Unit under Subsection (3) of Section 2 of the Financial Transactions Reporting Act, No. 6 of 2006.

Financial Intelligence Unit

(Signed for and on behalf of the Financial Intelligence Unit)

4th May 2012,
Colombo.

Rules

The Licensed Banks and Registered Finance Companies [Know Your Customer (KYC) and Customer Due Diligence (CDD)] Rules, No. 1 of 2011 published in Gazette Extraordinary No. 1699/10 of March 28, 2011 are hereby amended as follows:–

(1) by the repeal of Rule 8 of Part I thereof and the substitution therefor of the following:–

“8. Every Financial Institution shall with regard to one-off or occasional transactions where the amount of the transaction or series of linked transactions exceed rupees two hundred thousand, obtain the minimum information specified in Rule 4 of these rules:

Provided however that if the Financial Institution has reasonable grounds to suspect that the transaction or series of linked transactions are suspicious or unusual, the Financial Institution shall, disregarding the amount so specified above, obtain such minimum information”; and

(2) in Rule 34 of Part II thereof under the heading “Maintenance of Accounts”:–

(a) by the repeal of paragraph 6 thereof and the substitution therefor of the following:–

“6. Every Financial Institution shall verify whether the name of any prospective customer appears on any known or suspected terrorist list or alert list, issued from time to time by the relevant authorities”; and

(b) in paragraph 13 thereof by the substitution for the words and figures “13. All cash deposits made into savings and/or current accounts by third parties” of the words and figures “13. All cash deposits exceeding rupees two hundred thousand made into savings or current accounts by third parties”.

(155)
Circular No. 01/13

Ref. No. : 37/01/062/0001/013

To : CEOs of Licensed Banks, Licensed Finance Companies, Insurance Companies and Stock Brokering Firms

Dear Sir/Madam,

Public Statement by the Financial Action Task Force


Pursuant to Sri Lanka’s progress in addressing deficiency in AML/CFT laws, Sri Lanka has been listed in the compliance document and identified as improving global AML/CFT compliant country in its Public Statement. This decision was reached in response to the Sri Lanka’s commitment to work with the FATF and Asia Pacific Group on Money Laundering (APG).

The relevant Public Statement can be downloaded by using the FATF web link, http://www.fatf_gafi.org.

Yours faithfully,

Director
Financial Intelligence Unit

c.c. Compliance Officers
Circular No. 01/13

Ref. No. : 37/01/062/0001/013

Financial Intelligence Unit
27 June 2013

To : CEOs of Licensed Banks, Licensed Finance Companies,
       Insurance Companies and Stock Brokering Firms

Dear Sir/Madam,

Public Statement by the Financial Action Task Force

Further to the Circular No. 01/13 dated 28 February 2013 on the above.


Pursuant to Sri Lanka’s progress in addressing deficiencies in AML/CFT laws and implementation of UNSCR 1267 and 1373, the FATF has decided Sri Lanka to be removed from FATF monitoring process under its on-going global AML/CFT compliance process. This decision was reached in response to Sri Lanka’s commitment to work with FATF and Asia Pacific Group on Money Laundering (APG).

The relevant Public Statement can be downloaded by using the FATF web-link http://www.fatf-gafi.org/.

Yours faithfully,

Director
Financial Intelligence Unit

c.c. Compliance Officers
Circular No. 02/13

To: Chief Executive Officers of all Licensed Banks,
Licensed Finance Companies

Dear Sir/Madam,

Prevention and Suppression of Terrorism and Terrorist Financing
Obligation of Reporting Institutions

The attention of all Licensed Banks/Licensed Finance Companies is drawn to revised Financial Action Task Force (FATF) Recommendation No.6 effective from February 2012 and Extraordinary Gazette Notification No.1760/40 dated 31 May 2012 issued by the Minister of External Affairs.

1) Accordingly, Sri Lanka is required to implement targeted financial sanctions prescribed in the above Gazette Notification to comply with the United Nations Security Council Resolution (UNSCR) 1267 (1999) and its successor resolutions which require countries to freeze funds, financial assets or economic resources of designated individuals and entities immediately, and to ensure that no such funds, financial assets or economic resources are made available to or for the benefit of such designated persons or entities or their beneficiaries. Accordingly, every licensed bank/licensed finance company is obliged to have measures in place to freeze funds, financial assets or economic resources of such designated persons and entities immediately.

2) Freezing is effective as and when the United Nations Security Council announces the names of such designated persons and entities and such freezing shall be in force until such time the person or entity is delisted from the designated list.

3) Please refer attached FIU/UNSCR1267/Directives No.01 for the details on obligations of licensed bank or licensed finance company in complying with targeted financial sanctions relating to terrorism and terrorist financing. These Directives shall be construed as a part of the existing Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance framework of the Licensed Banks and Licensed Finance Companies.

Yours faithfully,

Director
Financial Intelligence Unit

c.c. Compliance Officers of all Licensed Banks and Licensed Finance Companies
Director, Bank Supervision
Director, Supervision of Non-Bank Financial Institutions
Prevention and Suppression of Terrorism and Terrorist Financing
Obligation of Reporting Institutions

Further to United Nations (UN) Regulation No.2 of 2012 which was published in Extraordinary Gazette Notification No. 1760/40 dated on May 31, 2012 in order to facilitate the implementation of obligations, relating to the freezing of funds or other assets under paragraph 4(b) and related paragraph of the United Nations Security Council Resolution (UNSCR) 1267 (1999) and the modifications and strengthening set out in the aforesaid subsequent UNSCRs, in particular paragraph I of Resolutions 1988 (2011) and 1989 (2011), within Sri Lanka and thereby specify a means to comply with them aforesaid obligations.

1. Banks / Finance Companies are advised to strictly follow the procedure laid down in the UN Regulation No.2 of 2012 Gazetted on May 31, 2012 (copy enclosed) and ensure strict compliance.

2. As and when amendments to the list of designated individuals and entities (referred to as consolidated lists in the said Gazette), approved by Security Council Committee established pursuant to resolutions 1267 (1999)/1989 (2011), and 1267 (1999)/1988 (2011), are received from Ministry of External Affairs (MEA), the FIU will circulate such amendments to all compliance officers of Banks/Finance Companies via E-mails. Further, Banks/Finance Companies are advised to refer the updated list of such individuals/entities in the United Nations Security Council website at http://www.un.org/sc/committees/1267/consolist.shtml and http://www.un.org/sc/committees/1988/list.shtml.

3. Banks/Finance Companies are advised that on receipt of the notifications from the FIU to updated list of designated individuals/entities it should be ensured that the name/s of the proposed customer does not appear in the list before entering into any new business relationship. Further, Banks/Finance Companies should scan all existing business relationship to ensure that no business relationship is held by or linked to any of the entities or individuals included in the designated lists.

4. In ensuring efficient detection of suspected financing of terrorism, the reporting institution should maintain a database of names and particulars of individuals/entities in the designated lists.

5. Banks/Finance Companies should ensure that the information contained in the database are updated and relevant, and made easily accessible to its employees at the head office, branch or subsidiary for the purpose of identifying funds, financial assets or economic resources of designated individuals and entities.

6. In case, the match of any of the customers with the particulars of designated individuals/entities, the banks shall prevent designated persons from conducting any transactions and freeze funds, financial assets or economic resources without delay as per paragraphs 5 and 6 of United Nations Regulation No.2 of 2012.

7. Upon freezing of funds, financial assets or economic resources of designated individuals and entities, or upon the occurrence of an attempted transaction by or for designated individuals or entities, Banks/Finance Companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources, held by such customer on their books to the FIU at Fax No. 011-2477692 or 011-2477722 and also convey over telephone on 011-2477125. The particulars apart from being sent by post/fax should necessarily be conveyed on e-mail to fiu@cbsl.lk.

8. Banks / Finance Companies shall also send by post a copy of the communication mentioned in (7) above to the Competent Authority (Chief of National intelligence, Office of the Competent Authority, Ministry of Defence & Urban Development, No. 15/5 Baladaksha Mawatha, Colombo - 03). The particulars apart from being sent by post should necessarily be conveyed on e-mail to cniofficemod@gmail.com.

9. Banks/Finance Companies are advised to bring the provisions of the United Nations Regulation No.2 of 2012 to the notice of the staff concerned and ensure strict compliance.

Part II
Specialised Leasing Companies
1. These Regulations may be cited as the Finance Leasing (Registration and Annual Licence Fees) Regulations, No. 1 of 2010 and shall come into operation with immediate effect.

2. For the purpose of section 3 (C) of the Finance Leasing Act, No. 56 of 2000 (the Act), the minimum issued and paid-up capital of a public company applying for licence under the Act shall be as follows.

<table>
<thead>
<tr>
<th>Minimum issued and paid up capital (Rs. Mn.)</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>From 01/01/ 2011</td>
</tr>
<tr>
<td>150</td>
<td>From 01/01/ 2012</td>
</tr>
<tr>
<td>200</td>
<td>From 01/01/ 2013</td>
</tr>
<tr>
<td>250</td>
<td>From 01/01/ 2014</td>
</tr>
<tr>
<td>300</td>
<td>From 01/01/ 2015</td>
</tr>
</tbody>
</table>

Provided however, issued ordinary shares and issued non-cumulative, non redeemable preference shares shall be considered as paid up only if they are issued for cash consideration.

3. For the purpose of section 4(1)(e) of the Act, the application fee for registration shall be –

- (a) Rs.25,000/- for a licensed commercial bank, licensed specialised bank or a finance company;
- (b) Rs.50,000/- for any other public company.

4. The registration fee applicable for obtaining registration under section 3 of the Act is Rs.250,000/- (for the calendar year of registration) which shall be paid to the Central Bank of Sri Lanka on or before the date of registration.

5. For the purpose of section 6 of the Act, every finance leasing establishment registered under the Section 3 of the Act shall pay an annual licence fee within two months of the end of the preceding calendar year, to the Central Bank of Sri Lanka as set out below based on the total assets as shown in the audited balance sheet as at the end of the preceding financial year.

<table>
<thead>
<tr>
<th>Total Assets of the Establishment</th>
<th>Annual Licence Fee (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs.1 billion or below</td>
<td>150,000/-</td>
</tr>
<tr>
<td>above Rs.1 billion but less or equal to Rs.10 billion</td>
<td>250,000/-</td>
</tr>
<tr>
<td>over Rs.10 billion</td>
<td>500,000/-</td>
</tr>
</tbody>
</table>

6. Finance Leasing (Fee) Regulation No.1 of 2001 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (RESERVE FUND)
DIRECTION NO. 5 OF 2006

1. This Direction may be cited as Finance Leasing (Reserve Fund) Direction No.5 of 2006 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with immediate effect.

2. A registered finance leasing establishment to which this Direction is applicable (hereinafter referred to as a “relevant establishment”) shall maintain a reserve fund (hereinafter referred to as the “the Reserve Fund”) and shall, out of the net profits after the payment of tax of each year, before any dividend is declared, transfer to the Reserve Fund–

   (i) a sum equivalent to not less than 5 per cent of such profits until the amount of the Reserve Fund is equal to 50 per cent of the issued and paid-up ordinary share capital of the relevant establishment; and

   (ii) a further sum equivalent to not less than 2 per cent of such profits until the amount of the Reserve Fund is equal to the issued and paid-up ordinary share capital of the relevant establishment.

3. Relevant establishments that have reserves and retained profits which are not earmarked for any specified purposes by statute or by the Sri Lanka Accounting Standards, may transfer such reserves to the Reserve Fund. If the amount so transferred satisfies the conditions under 2(i) and 2(ii) above, such establishment need not transfer any amount to the Reserve Fund thereafter. However, in the event the amount so transferred does not satisfy the conditions under 2(i) and 2(ii) above, such relevant establishment shall continue to make transfers out of the net profits each year after the payment of tax, before any dividend is declared, to the Reserve Fund as required under 2(i) and 2(ii) above.

4. The Reserve Fund of a relevant establishment shall not be reduced or impaired. Provided, however, that the Director may, specify circumstances in which the Reserve Fund may be reduced, and shall permit a reduction when a transfer is made for the purpose of increasing the issued and paid-up ordinary share capital. The Director shall permit an impairment of the Reserve Fund when it is the only means of preventing an impairment of issued and paid-up ordinary share capital, subject to the condition that within a given period of time, the deficiency shall be rectified.

5. For the purpose of this Direction, “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

6. Finance Leasing (Reserve Fund) Direction No.6 of 2005 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
1. This Direction may be cited as the Finance Leasing (Capital Adequacy Ratio) Direction No.1 of 2011 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act, No.56 of 2000 (hereinafter referred to as ‘specialised leasing companies’).

2. (i) Every specialised leasing company shall at all times maintain a capital adequacy ratio of not less than 10 per cent in relation to its total risk weighted assets with core capital ratio constituting not less than 5 per cent in relation to its total risk weighted assets.

(ii) The capital adequacy ratios referred to in section 2(i) above shall be computed as per the guidelines given in Schedule I hereto.

3. Specialised leasing companies shall use the format at Schedule II attached hereto for reporting of capital adequacy ratios on a periodic basis as specified in Schedule I.

4. Where a specialised leasing company has failed to comply with this Direction, such specialised leasing company shall not pay dividends until such compliance is effected and confirmed to the Director.

5. This Direction shall come into force with effect from 01.07.2011.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.

Schedule I

GUIDELINES ON COMPUTATION OF CAPITAL ADEQUACY RATIO

1. Minimum Capital Ratio
   All specialised leasing companies shall at all times maintain the capital adequacy ratios determined by the Director.

2. Reporting Format
   2.1 The attached reporting format (Schedule II) collects information on the capital adequacy position of specialised leasing companies. The returns comprise of 3 major parts and shall be submitted through the web – based.

   2.1.1 Part I - NBL-MF-20-RWCA 1 (Computation of capital adequacy ratios)
   2.1.2 Part II - NBL-MF-20-RWCA 2 (Computation of total capital base)
   2.1.3 Part III - NBL-MF-20-RWCA 3 (Computation of total risk weighted assets)
3. Submission dates
   3.1 A return as at end of each month within fifteen days after the end of each month.
   3.2 A return as at end of each financial year within six months after the end of each financial year.

4. Computation of Capital Adequacy Ratio (Part I)
   4.1 Eligible Core Capital (Eligible Tier I)
      (WBRC 20.1.1.0.0.0)
      The amount must agree with item 6 of the Part II computation of total capital base below.

   4.2 Capital Base
      (WBRC 20.1.2.0.0.0)
      The amount must agree with item 13 of the Part II computation of total capital base below.

   4.3 Total Risk Weighted Amount
      (WBRC 20.1.3.0.0.0)
      The risk-weighted assets are determined by adding the risk to the various categories of the assets. The amount
      must agree with item 23 of the Part III computation of total risk weighted assets below.

   4.4 Core Capital (Tier I) Ratio, %
      (WBRC 20.1.4.0.0.0)
      Eligible core capital (item 1 of Part I) divided by total risk weighted amount (item 3 of Part I).

   4.5 Total Capital Ratio, %
      (WBRC 20.1.5.0.0.0)
      The total capital base (item 2 of part I) divided by total risk weighted amount (item 3 of Part I).

5. Computation of Total Capital Base (Part II)

6. Eligible Core Capital (Eligible Tier I)
   (WBRC 20.2.1.1.0.0)
   The Eligible Core Capital shall be the total Core Capital less total amount of deductions/adjustments to core capital.
   The amount must agree with the item 7 less from item 8 of the Part II below.

7. Core Capital (Tier I)
   (WBRC 20.2.1.1.1.0)
   Core Capital shall mean the definition given by the Finance Leasing (Minimum Core Capital) Direction No 1 of
   2010. The amount must agree with the sum of items 7.1 to 7.8 of the Part II computation of total capital base below.

   7.1 Issued and Paid –up Ordinary Shares or Common Stocks
      (WBRC 20.2.1.1.1.1)
      Issued and fully paid ordinary shares or common stock. For the computation, only the paid up portion of partly
      paid shares or stock should be taken as capital. Any shares issued against reserves, surpluses, retained profits
      which are not eligible to be included.

   7.2 Non-Cumulative, Non-Redeemable Preference Shares
      (WBRC 20.2.1.1.1.2)
      Issued and fully paid non-cumulative, non-redeemable preference shares where the payment of dividends could
      be reduced or waived off permanently in the event of profitability being inadequate to support such payment
      in part or full.

   7.3 The Excess of Issue Price over the Par Value of the Ordinary Shares
      (WBRC 20.2.1.1.1.3)
      The excess of issue price over the par value of the ordinary shares, common stock or non-cumulative, non-
      redeemable preference shares, if applicable.

   7.4 Statutory Reserve Fund
      (WBRC 20.2.1.1.1.4)
      Balance as per last audited statement of accounts in the Reserve Fund set up by leasing companies in terms of
      the Finance Leasing (Reserve Fund) Direction No.5 of 2006.
7.5 General or other Free Reserves
(WBRC 20.2.1.1.1.5)
Disclosed reserves in the form of general or other free reserves created or increased by appropriation of retained earnings, share premium or other realised surpluses as per the last audited statement of accounts.

7.6 Published Retained Profits/Accumulated Losses
(WBRC 20.2.1.1.1.6)
Balance in the profit and loss account brought forward from the previous financial years and as reported in the last audited statement of accounts. Accumulated losses should be reported in parentheses and deducted from the other capital constituents. Retained profits arising from the revaluation of investment property should not be included.

7.7 Surplus/loss after tax, arising from the sale of Fixed and Long Term Investments
(WBRC 20.2.1.1.1.7)
Any surplus/loss after tax, arising from the sale of fixed and long term investments since the closing date of the last audited accounts. Net loss arising from the sale of fixed and long term investments should be reported in parentheses and deducted from the other capital constituents.

7.8 Unpublished Current Year’s Profits/Losses
(WBRC 20.2.1.1.1.8)
Any surplus/loss after tax, arising from the sale of fixed and long term investments since the closing date of the last audited accounts and subject to certification by the specialised leasing company’s external auditor.

8. Deductions/Adjustments- Tier I
(WBRC 20.2.1.1.2.0)
The amount must agree with the sum of item 8.1 to 8.6 of Part II computation of total capital base below.

8.1 Good will
(WBRC 20.2.1.1.2.1)
Report the amount of goodwill as shown in the balance sheet.

8.2 Net deferred tax
(WBRC 20.2.1.1.2.2)
Net debit balance of deferred tax.

8.3 Other Intangible Assets
(WBRC 20.2.1.1.2.3)
Intangible assets and losses in the current period and those brought forward from previous period should be deducted from core capital.

8.4 Advances granted to employees of the specialised leasing company for the purchase of shares of the specialised leasing company under a share ownership plan (WBRC 20.2.1.1.2.4).

8.5 50% of Investments in Banking and Financial Subsidiary Companies (WBRC 20.2.1.1.2.5)
50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in banking and financial subsidiary companies.

8.6 50% of Investments in the capital of other Banking and Financial Institutions
(WBRC 20.2.1.1.2.6)
50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in other banking and financial institutions.

9. Supplementary Capital (Tier II)
(WBRC 20.2.1.2.1.0)
The amount must agree to sum of following items from 9.1 to 9.4 of Part II computation of total capital base below (WBRC 11.2.1.2.1.1 to 11.2.1.2.1.5).

9.1 Revaluation Reserves (approved by the Director)
(WBRC 20.2.1.2.1.1)
Revaluation surpluses/reserves, any shares issued against revaluation surpluses/reserves and retained profits/revaluation surpluses arising from the revaluation of investment property and shares issued against such profits/
surpluses may be included in Tier 2 (Supplementary) Capital provided that such revaluation is prudently done reflecting fully the possibility of price fluctuations and forced sale, with prior approval from the Director. Shares issued against goodwill, promoters role and other similar non-cash considerations should not be included in Tier 2 (Supplementary) Capital.

9.2 General Provisions
(WBRC 20.2.1.2.1.2)
General provisions or general loan loss reserves created against the possibility of future losses. Where they are not ascribed to a particular asset and do not reflect deduction in the valuation of a particular asset, they qualify for inclusion in Tier II (Supplementary) Capital. General provisions should not exceed 1.25 per cent of the sum of all risk weighted assets.

9.3 Hybrid Capital Instruments (Debt/Equity)
(WBRC 20.2.1.2.1.3)
Capital instruments having certain characteristics of both equity capital and debt. e.g.: perpetual loan stock, non-redeemable preference shares, etc., which satisfy the following characteristics:

(i) Prior written approval of the Director has been obtained for inclusion of such item in the capital
(ii) Unsecured, subordinated and fully paid.
(iii) Not redeemable at the initiative of the holder in less than five years or without the prior consent of Director.
(iv) Available to participate in losses without the company being obliged to cease trading.
(v) Obligation to pay interest that can be deferred where the profitability of the company would not support such payment. Prior approval of the Director is required for the inclusion of such items in the capital base.

9.4 Approved Subordinated Term Debt
(WBRC 20.2.1.2.1.4)
Subordinated term debt that satisfies following conditions:

(i) Prior written approval of the Director has been obtained for inclusion as Tier II capital.
(ii) Unsecured, fully paid up and subordinated to the interests of all creditors other than holders of unsecured subordinated term debt instruments and hybrid (debt/equity) capital instruments.
(iii) A minimum original maturity of an instrument to be 5 years.
(iv) No early repayment or redemption to be made without the prior consent of the Director.
(v) Discounting of the amount counted as capital by 1/5th each year during the four years preceding maturity; and
(vi) The total approved subordinated term debt should not exceed 50 per cent of total Tier I capital.

Report total actual amount of approved subordinated term debts.

10. Deductions/Adjustments – Tier II
(WBRC 20.2.1.2.2.0)

10.1 50% of Investments in Banking and Financial Subsidiary Companies
(WBRC 15.2.1.2.2.1)
50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in banking and financial subsidiary companies.

10.2 50% of Investments in the capital of other Banking and Financial Institutions
(WBRC 20.2.1.2.2.2)
50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in other banking and financial institutions.

11. Total Supplementary Capital (Tier II)
The amount must agree to Supplementary Capital (Tier II) (9) less Tier II Deductions (10)
(WBRC 20.2.1.2.0.0)
12. Eligible Supplementary Capital (Tier II)  
(WBRC 20.2.1.3.0.0)  
Eligible Tier 2 capital is limited to a maximum of 100 per cent of Tier 1 capital. In the event of Tier 1 capital being less than the total of Tier 2 capital, eligible Tier 2 capital would be equivalent to Tier 1 capital. If Tier 1 capital is negative a “Nil” amount should be reported as eligible Tier 2 capital.

13. Capital Base  
(WBRC 20.2.1.4.0.0)  
The amount must agree with the sum of items of eligible core capital (6) and eligible supplementary capital (12). An indicatives list of institutions which may be deemed to be banking and financial subsidiaries/ institutions for the purpose of items 8.5, 8.6, 10.1 and 10.2
   i. Licence Commercial Banks and Licence Specialised Banks  
   ii. Registered Finance Companies  
   iii. Specialised Leasing Companies  
   iv. Insurance Companies  
   v. Merchant Banks  
   vi. Primary Dealers

Part III Computation of Total Risk Weighted Assets

14. Cash in Hand and Bank Balances  
(WBRC 20.3.1.1.0.0)  
Cash in Hand which are notes and coins are the legal tender in Sri Lanka and the credit balances in bank’s current accounts [Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs)].

15. Call/Savings/Fixed Deposits with Other Institutions (WBRC 20.3.1.2.0.0)  
   15.01 Deposits with Banks (WBRC 20.3.1.2.1.0)  
   Deposits maintained with LCBs and LSBs.  
   15.02 Deposits with Finance Companies (WBRC 20.3.1.2.2.0)  
   Deposits maintained with Finance Companies.  
   Note: A 100 per cent risk weight should be assigned to the deposits with any financial institution whose business activities have been suspended by the Central Bank of Sri Lanka (CBSL).

16. Central Bank and Government Securities  
(WBRC 20.3.1.3.0.0)  
Holdings of any securities in Central Bank and Sri Lankan Government eg.: Treasury bills, Treasury bonds, Rupee loans etc. and Central Bank securities.

17. Investments in Promissory Notes/Commercial Papers with any other Institutions  
(WBRC 20.3.1.4.0.0)  
Any amount investing in commercial paper and promissory notes with other institutions

18. Investments in Shares  
(WBRC 20.3.2.0.0.0)  
Investments in equity or other capital instruments in quoted or unquoted companies as reported in the balance sheet.

19. Accommodations  
(WBRC 20.3.3.0.0.0)  
   19.01 Finance Lease  
   (WBRC 20.3.3.1.0.0)  
   Total outstanding finance leases net of with bad and doubtful accommodation and interest in suspense as reported in the balance sheet.
19.02 Hire Purchase  
(WBRC 20.3.3.2.0.0)  
Total outstanding hire purchase net of with bad and doubtful accommodation and interest in suspense as reported in the balance sheet.

19.03 Term Loan  
(WBRC 15.3.3.3.0.0)  
Total loans net of with bad and doubtful accommodation as reported in the balance sheet.

19.04 Factoring  
(WBRC 20.3.3.4.0.0)  
Total outstanding factoring value net of with bad and doubtful accommodation as reported in the balance sheet.

19.05 Inter Company Credit  
(WBRC 20.3.3.5.0.0)  
The outstanding inter company receivable balance as reported in the balance sheet.

19.06 Other Accommodations  
(WBRC 20.3.3.6.0.0)  
All other outstanding accommodation other than the above reported in item 19.01 to 19.05 net of with bad and doubtful accommodation as reported in the balance sheet.

20. Fixed Assets  
(WBRC 20.3.4.0.0.0)  
Immovable property, machinery and equipment, motor vehicles, furniture and fittings and other fixed assets, reported at cost or at revalued amount, net of accumulated depreciation.

21. Other Assets  
(WBRC 20.3.5.0.0.0)  
All other assets or investments not included elsewhere in the Return.

22. Off-Balance Sheet Items  
(WBRC 20.3.6.0.0.0)  
All other off-balance sheet assets.

23. Total Risk Weighted Assets  
(WBRC 20.3.7.0.0.0)  
The total risk weighted assets of on-balance sheet items and off-balance sheet items which is the total shown in column 3 of Part III.

Schedule II  
Part I

NBL-MF-20-RWCA 1 (Computation of Capital Adequacy Ratio)

AS AT …………………………...  
(Rs.’000)

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<th>Web – Based Return Code</th>
<th>Item</th>
<th>Amount</th>
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<td>3</td>
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<td>Total Risk Weighted Amount Part III</td>
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<td>4</td>
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<td>Core Capital (Tier I) Ratio % = (1/3*100) = 5%</td>
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<td>Total Capital Ratio % = (2/3*100) = 10%</td>
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### NBL-MF-20-RWCA 2 (Computation of Total Capital Base)

**AS AT ……………………………..**

(Rs.’000)

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<td>General and Other Free Reserves</td>
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<td>Published Retained Profits / (Accumulated Losses)</td>
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<td>9.2</td>
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<td>General Provisions</td>
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<td>Approved Hybrid Capital Instruments (debt / equity)</td>
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### Part III

**NBL-MF-20-RWCA 3 (Computation of Total Risk Weighted Assets)**

**AS AT ……………………………..**

(Rs.’000)

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<tr>
<th>Code</th>
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<th>On-Balance Sheet and Off- Balance Sheet Assets Item</th>
<th>(1) Principal Amount of Balance Sheet Item</th>
<th>(2) Risk Weight (%)</th>
<th>(3) Total Risk Weighted Assets Amount (1) X (2)</th>
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</tbody>
</table>

* Should be net to specific provisions and interest in suspense.
FINANCE LEASING (MINIMUM CORE CAPITAL)  
DIRECTION, No. 1 OF 2012

In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “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 “specialised leasing companies”) for the purpose of ensuring that specialised leasing companies maintain efficient standards in carrying out their business operations.

Capital is a key aspect of the business of specialised leasing company as it is a source of funding for the business and a necessary ingredient of solvency of such companies. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Minimum Core Capital), Direction No.1 of 2012 and shall apply to specialised leasing companies from the date of this direction.

1. Every specialised leasing company shall at all times maintain an unimpaired core capital not less than Rs. 100 million (Rupees Hundred million) until end December 2012. Thereafter, every specialised leasing company shall at all times maintain an unimpaired core capital not less than the amounts as set out below;

<table>
<thead>
<tr>
<th>Minimum Core Capital Requirement (Rs. mn)</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>From 01.01.2013</td>
</tr>
<tr>
<td>200</td>
<td>From 01.01.2014</td>
</tr>
<tr>
<td>250</td>
<td>From 01.01.2015</td>
</tr>
<tr>
<td>300</td>
<td>From 01.01.2016</td>
</tr>
</tbody>
</table>

2. “Core Capital” shall mean the aggregate of the following:

(a) **Issued and Paid-up Ordinary Shares or Common Stocks**
Issued and fully paid ordinary shares or common stock and in the case of partly paid shares or stock the paid up amount. Any shares issued against reserves, surpluses, retained profits are not eligible to be included.

(b) **Issued and fully paid up Non-Cumulative, Non-Redeemable Preference Shares**
Issued and fully paid non-cumulative, non-redeemable preference shares where the payment of dividends could be reduced or waived off permanently in the event of profits being inadequate to support such payment in part or full.

(c) **Statutory Reserve Fund**
Balance as per the last audited statement of accounts in the Reserve Fund set up by leasing companies in terms of the Finance Leasing (Reserve Fund), Direction No.5 of 2006.

(d) **General or other Free Reserves**
Disclosed reserves in the form of general or other free reserves created or increased by appropriation of retained earnings, share premium or other realised surpluses as per the last audited statement of accounts.
(e) **Published Retained Profits / (Accumulated Losses)**

Accumulated profit or loss as shown in the last audited statement of accounts. Retained profits arising from the revaluation of investment property should not be included.

(f) **Surplus/loss after tax, arising from the sale of Fixed and Long Term Investments**

Any profit earned or loss incurred since the closing date of the last audited accounts including any surplus or loss after tax, arising from the sale of fixed and long term investments.

(g) **Unpublished Current Year’s Profits/Losses**

Current year’s profits/losses (excluding any surplus/loss after tax, arising from the sale of fixed and long term investments) earned/incurred since the closing date of the last audited accounts and subject to certification by the specialised leasing company’s external auditor.

3. Finance Leasing (Minimum Core Capital), Direction No.1 of 2010 is hereby revoked.

*This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.*
In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “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 “specialised leasing companies”) for the purpose of ensuring that specialised leasing companies maintain efficient standards in carrying out their business operations.

Gearing is a measure of financial leverage demonstrating the degree to which the companies’ operations are funded by owners’ funds and various creditors’ funds. While a highly leveraged company is considered risky, equity is considered as a cushion against risk and a measure of financial strength. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Gearing Ratio) Direction No. 2 of 2012 and shall apply to specialised leasing companies from the date of this direction.

1. The maximum outstanding amount of borrowings of a specialised leasing company shall not exceed at any time, seven (7) times the amount equal to the core capital less equity investments in subsidiary companies and associate companies of such specialised leasing company.

2. Specialised leasing company shall submit the information on borrowings to the Central Bank of Sri Lanka on a monthly basis, in accordance with reporting formats at Scheduled I and II and instructions at Schedule III attached hereto. The returns for a given period should be submitted to the Central Bank on or before the 15th day of the month following the month to which the information relates.

3. The Finance Leasing (Gearing Ratio) Direction No.4 of 2006 is hereby revoked.

4. The following definitions shall be applicable for the purposes of this Direction;

   4(i) “borrowings” shall mean funds obtained by way of loans/overdrafts, amounts due to related companies, or issuance of redeemable and cumulative preference shares, securitizations, bonds, debentures, promissory notes, commercial paper, any other dues and any other form of borrowings as may be determined by the Director.

   4(ii) “Core Capital” shall mean same as defined in the section 2 of the Finance Leasing (Minimum Core Capital) Direction No. 1 of 2012.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
## NBL-MF-01-SB 1 – STATEMENT OF BORROWINGS

**Name of Specialised Leasing Company:**

**DD/MM/YY**

Amount in Rs. ’000

<table>
<thead>
<tr>
<th>Web Based Return Code</th>
<th>Types of borrowing</th>
<th>Amount borrowed</th>
<th>Effective rate of interest (range)</th>
<th>Outstanding</th>
<th>Total value of security offered under each category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.1.0.0.0</td>
<td>Bank borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.1.0.0</td>
<td>Bank overdrafts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.2.0.0</td>
<td>Short term loans (1 year and less than 1 year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.3.0.0</td>
<td>Long term (Over 1 year) asset backed Bank loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.4.0.0</td>
<td>Long term Bank loans which are not asset backed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.0.0.0</td>
<td>Other Borrowings from institutions other than banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.1.0.0</td>
<td>Short term loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.2.0.0</td>
<td>Long term asset backed loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.3.0.0</td>
<td>Long term loans which are not asset backed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.0.0.0</td>
<td>Foreign Borrowings (including foreign banks)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.1.0.0</td>
<td>Short term loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.2.0.0</td>
<td>Long term asset backed loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.3.0.0</td>
<td>Long term loans which are not asset backed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.0.0.0</td>
<td>Other Borrowings /Instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.1.0.0</td>
<td>Redeemable &amp; cumulative preference shares</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>1.1.4.2.0.0</td>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.1.4.3.0.0</td>
<td>Unlisted Debentures</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>1.1.4.4.0.0</td>
<td>Listed Debentures</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1.1.4.5.0.0</td>
<td>Promissory Notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.6.0.0</td>
<td>Commercial Papers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.7.0.0</td>
<td>Securitizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.8.0.0</td>
<td>Leases / Hire Purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.9.0.0</td>
<td>Related party credits (Shall not net off with debit balances)</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>1.1.4.10.0.0</td>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.0.0.0.0</td>
<td>Total Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Schedule II**

Name of Specialised Leasing Company:

**DD/MM/YY**

<table>
<thead>
<tr>
<th>Web Based Return Code</th>
<th>Item</th>
<th>Amount / Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.1.0.0.0</td>
<td>Total Borrowings (Rs. ’000)</td>
<td></td>
</tr>
<tr>
<td>1.2.2.0.0.0</td>
<td>Core Capital (Rs. ’000)</td>
<td></td>
</tr>
<tr>
<td>1.2.3.0.0.0</td>
<td>Equity Investments in Subsidiary Companies and Associate Companies (Rs. ’000)</td>
<td></td>
</tr>
<tr>
<td>1.2.4.0.0.0</td>
<td>Core Capital for the Calculation (Rs. ’000)</td>
<td></td>
</tr>
<tr>
<td>1.2.5.0.0.0</td>
<td>Gearing Ratio (times)</td>
<td></td>
</tr>
</tbody>
</table>

**Schedule III**

Instructions for the Statement of Borrowings (NBL-MF-01-SB 1)

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of Borrowings</td>
<td>All bank borrowings, borrowings through other institutions and foreign borrowings shall be reported as short term, long term asset backed, long term borrowings and borrowings which are not asset backed under each category. Other borrowings through instruments shall be reported separately.</td>
</tr>
<tr>
<td>Amount borrowed</td>
<td>The principal amount borrowed/financed/granted during the month</td>
</tr>
<tr>
<td>Effective rate of interest (range)</td>
<td>During the month, the range of rate of interest</td>
</tr>
<tr>
<td>Interest</td>
<td>Amount of interest in arrears as at the date of the statement in respect of each category of borrowing</td>
</tr>
<tr>
<td>Outstanding Capital</td>
<td>The amount of capital outstanding as at the date of the statement</td>
</tr>
<tr>
<td>Total value of security offered under each category</td>
<td>The security offered by the company. The type and the value of the security</td>
</tr>
</tbody>
</table>

Instructions for the Computation of Gearing Ratio (NBL-MF-01-SB 2)

<table>
<thead>
<tr>
<th>Web Based Return Code</th>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.1.0.0.0</td>
<td>Total Borrowings</td>
<td>The total outstanding borrowings must agree with the item 3.2.4.0.0.0 of NBL-MF-03-BS. Total borrowings amount is uploaded automatically.</td>
</tr>
<tr>
<td>1.2.2.0.0.0</td>
<td>Core Capital</td>
<td>Core capital must agree with item 17.2.2.0.0.0 of NBL-MF-17-C2 (Tier I Capital)</td>
</tr>
<tr>
<td>1.2.3.0.0.0</td>
<td>Equity Investments in subsidiary companies and associate companies</td>
<td>Total equity investments in subsidiary companies and associate companies of specialised leasing company. This item must agree with the totals of items from 3.1.3.1.0.0 to 3.1.3.6.0.0 of NBL-MF-03-BS</td>
</tr>
<tr>
<td>1.2.4.0.0.0</td>
<td>Core Capital for the Gearing Ratio Calculation</td>
<td>Item 1.2.2.0.0.0 less item 1.2.3.0.0.0</td>
</tr>
<tr>
<td>1.2.5.0.0.0</td>
<td>Gearing Ratio (times)</td>
<td>Gearing ratio is calculated automatically (item 1.2.1.0.0.0 / 1.2.4.0.0.0)</td>
</tr>
</tbody>
</table>
FINANCE LEASING (ACCRUED INTEREST)
DIRECTION NO. 5 OF 2005

1. This Direction may be cited as Finance Leasing (Accrued Interest) Direction No.5 of 2005 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with effect from 2nd January 2006.

2. Subject to the provisions of paragraph 3 hereunder, no registered finance leasing establishment to which this Direction is applicable (hereinafter referred to as a “relevant establishment”) shall take into account as income, any accrued interest on an accommodation on which interest and/or capital repayments are in arrears for six months or more.

3. In the case of any accommodation where instalments are not paid on a monthly basis, no relevant establishment shall take into account as income, any accrued interest on an accommodation whenever it has realised that instalments in respect of such accommodation will not be paid on the due dates.

4. Every relevant establishment shall (in the maintenance of the books of accounts) segregate any accommodation to which paragraph 2 and/or 3 above are applicable from other accommodation under a separate control account in the general ledger.

5. For the purpose of this Direction, “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision of funds through redeemable cumulative preference shares and debt securities such as bonds, debentures, asset backed securities, commercial papers/promissory notes; inter company credit; any arrangement to provide funds on a repayable basis; any commitment to accept contingent liabilities; or such other financial facility as may be determined by the Director.

6. For the purpose of this Direction, “inter company credit” shall mean any form of accommodation extended by a company to its directors or to their relatives and/or to its associate companies and/or to its subsidiary companies and/or to its holding company. For the purpose of this Direction, “relative” shall mean the spouse and/or dependent child of an individual. A company shall deem to be an “associate company” of another company, where shares equivalent to 20 per cent or more but less than 50 per cent of the issued and paid-up ordinary share capital are held by such other company.

7. For the purpose of this Direction, “subsidiary company” and “holding company” shall have the same meaning as contained in section 150 of the Companies Act, No.17 of 1982.

8. For the purpose of this Direction, “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING
(PROVISION FOR BAD AND DOUBTFUL ACCOMMODATIONS),
DIRECTION NO. 2 OF 2006

1. This Direction may be cited as Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No.2 of 2006 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with immediate effect.

2. Every registered finance leasing establishment to which this direction is applicable (hereinafter referred to as a “relevant establishment”) shall make provision for non-performing accommodations before any profit or loss is declared and ensure that such provision is made subject to a minimum of–
   (i) twenty per cent (20%) of all accommodations in arrears for a period of 6 months and upto 12 months;
   (ii) fifty per cent (50%) of all accommodations in arrears for a period of 12 months and upto 18 months;
   (iii) hundred per cent (100%) of all accommodations in arrears for a period of 18 months and over;
   (iv) hundred per cent (100%) of all accommodations where instalments are not paid on a monthly basis, whenever the company has realised that instalments will not be paid on the due dates.

3. The Director may require any relevant establishment to make further specific provision for non-performing accommodations in addition to the provision already made by such establishment.

4. Every relevant establishment may deduct the value of the following items held as collateral in respect of a particular accommodation in arriving at the provisions required by 2(i) to 2(iv) above–
   (i) cash or cash equivalents (including securities such as Treasury bills, Treasury bonds and fixed deposits in a licensed commercial bank, licensed specialised bank or in a registered finance company, free of any lien or charge);
   (ii) bank guarantees;
   (iii) with regard to vehicles that have been repossessed by the relevant establishment, eighty per cent (80%) of the valuation obtained during the preceding six months from a valuer approved by the Director;
   (iv) with regard to land and buildings, the full value, in case of a primary mortgage, such value shall not exceed the value decided by a qualified professional valuer at the time of providing the accommodation. However, occupied residential properties taken as security without an agreement to hand over vacant possession in the event of sale for the recovery of dues, shall not be reduced in arriving at the required provision.

5. Every relevant establishment may provide an additional specific amount for non-performing accommodations based on the risk associated with the portfolio of performing accommodations and such amount shall not be included as an additional general provision in core capital or capital funds.

6. Where rescheduling occurs before an account is classified as non-performing, the rescheduled account shall be classified as non-performing when, in the aggregate, the period of time the account is in arrears before rescheduling (if any) and after rescheduling is six months or more.

7. Where rescheduling occurs after an account has been classified as non-performing, the rescheduled account shall continue to be classified as non-performing. Rescheduled accommodation classified as non-performing can be declassified only when the repayments under the rescheduled terms have been made for a continuous period of six months.
8. Every relevant establishment shall submit to the Director within one month from the end of each quarter, details on accommodations of which instalments/rentals are in arrears for three months or more as at the end of the relevant quarter as follows:

(i) accommodations (to be repaid in fixed instalments/rentals) in arrears for three months or more, on the Format No. SNBFI/FL/02/01;

(ii) accommodations (not to be repaid in fixed instalments/rentals) in arrears for three months or more, on the Format No. SNBFI/FL/02/02;

(iii) operating leases in arrears for three months or more, on the Format No. SNBFI/FL/02/03;

(iv) age analysis of accommodations in arrears for three months or more, on the Format No. SNBFI/FL/02/04; and

(v) statement of repossessed asset items, on the Format No. SNBFI/FL/02/05.

9. Every relevant establishment shall submit to the Director within one month after the end of each quarter, details of accommodations granted during such quarter and the value of all accommodations outstanding as at the end of such quarter, on the Format No. SNBFI/FL/02/06.

10. For the purpose of this Direction:

(i) “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision of funds through redeemable cumulative preference shares and debt securities such as bonds, debentures, asset backed securities/ mortgaged backed securities, commercial papers/promissory notes; inter-company credit; any arrangement to provide funds on a repayable basis; any commitment to accept contingent liabilities; or such other financial facility as may be determined by the Director.

(ii) “inter-company credit” shall mean any form of accommodation extended by a relevant establishment to its directors or to their relatives and/or to its associate companies and/or to its subsidiary companies and/or to its holding company. For the purpose of this Direction, “relative” shall mean the spouse and/or dependent child of an individual. A company shall deem to be an “associate company” of another company, where shares equivalent to 20 per cent or more but less than 50 per cent of the issued and paid-up ordinary share capital are held by such other company.

(iii) “subsidiary company” and “holding company” shall have the same meaning as contained in section 150 of the Companies Act, No.17 of 1982.

(iv) “non-performing accommodations” shall mean any accommodation where the instalments have been in arrears for more than six months.

(v) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

(vi) “qualified professional valuer” shall mean:

(a) a chartered valuation surveyor; or

(b) a fellow of the Institute of Valuers (Sri Lanka) with a Degree or Diploma in Valuation and with work experience of 15 years; or

(c) a graduate member of the Institute of Valuers (Sri Lanka) with work experience of over 18 years; or

(d) an associate of the Institute of Valuers (Sri Lanka) with work experience over 20 years; or

(e) a licenciate of the Institute of Valuers (Sri Lanka) with work experience of over 25 years.

11. Finance Leasing (Provision for Bad and Doubtful Debts) Direction No.2 of 2005 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING ACT, NO.56 OF 2000  
FINANCE LEASING (PROVISION FOR BAD AND DOUBTFUL ACCOMMODATIONS) DIRECTION NO.2 OF 2006

ACCOMMODATIONS REPAYED IN FIXED INSTALMENTS/RENTALS IN ARREARS FOR THREE MONTHS OR MORE

Name of RFLE: .............................................
Type of Accommodation: ..............................
As at Quarter Ended: .................................

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Amount granted</th>
<th>Date granted &amp; date of settlement</th>
<th>Terms of repayment</th>
<th>Rentals in arrears</th>
<th>Other charges</th>
<th>Stock outstanding</th>
<th>Interest in suspense</th>
<th>Prepaid rentals</th>
<th>Net exposure (12=7+8+9-10-11)</th>
<th>Due date of the rental paid last</th>
<th>Amount &amp; date of last payment</th>
<th>Type &amp; value of security</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
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<td></td>
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</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date:

Signature of the authorised officer

Name:

Designation:
Please fill up a separate sheet for each type of accommodation.

**Item No.** | **Particulars to be given**
---|---
(4) | Date on which the accommodation was granted and date on which the accommodation is to be settled as per the original agreement.
(5) | In the case of instalments/rentals not repaid monthly, particulars of each set of rentals *i.e.*, amounts, number and periodicity.

*Example*:

<table>
<thead>
<tr>
<th>Terms of Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs. 3,165 x 12 (monthly)</td>
</tr>
<tr>
<td>Rs. 10,000 x 2 (half yearly)</td>
</tr>
<tr>
<td>Rs. 6,000 x 4 (quarterly)</td>
</tr>
<tr>
<td>Rs. 2,000 x 1 (annually)</td>
</tr>
</tbody>
</table>

(6) | In the case of instalments/rentals not repaid monthly, number of rentals in arrears pertaining to each set of rentals and the periodicity of such rentals.

*Example*:

<table>
<thead>
<tr>
<th>Rentals in Arrears</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (monthly)</td>
</tr>
<tr>
<td>2 (half yearly)</td>
</tr>
<tr>
<td>4 (quarterly)</td>
</tr>
</tbody>
</table>

(7) | Amount of instalments in arrears and other charges or expenses debited to Collection Account, Debtor Account or any other account.
(8) | Charges or expenses related to the contracts which have been debited to an account/s other than the account referred to in item No. (7) above and the Stock Outstanding Account.
(9) | Balance in the Stock Outstanding Account, *i.e.*, capital elements of the future rentals.
(10) | Outstanding balance in the Interest in Suspense Account, *i.e.*, interest elements of the rentals that have been credited to such account after transferring the contract to non-performing category.
(11) | Rentals which have been pre-paid by a lessee in terms of the relevant lease agreement (Initial payment of a hire purchase agreement or rentals paid in advance for any type of accommodation is not considered as pre-paid rentals).
(13) | In the case of instalments/rentals not repaid monthly, due date of last completely paid rental.
(15) | Value of the items which are specified in section 4(i) to 4(iv) of the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006.
(16) | In case of an accommodation to be repaid in fixed instalments, the ‘Age’ should be derived as follows.

(i) If the date of settlement of a contract falls after the date of the statement, the age of such contract is equal to the number of monthly rentals in arrears up to the date of the statement.
(ii) If the date of settlement of a contract has fallen before the date of the statement, the age of such contract is equal to the aggregate of:

(a) the total number of months between the expiry date and the date of such statement; and

(b) the number of monthly rentals in arrears.

An example is given below:

Given the following details of a contract,
- Date of the statement = 31/03/2003
- Date of settlement of the contract = 18/05/2001
- Number of rentals in arrears = 6

the ‘Age’ is calculated as:

No. of months between the settlement date and date of the statement = 22 months
Add: Number of rentals in arrears = 6 months
Age = 28 months

(iii) In case of a rescheduled contract, the ‘Age’ is equal to the aggregate of:

(a) the number of months calculated as per (i) or (ii) above; and

(b) the number of rentals in arrears before the rescheduling.
FINANCE LEASING ACT, NO.56 OF 2000
FINANCE LEASING (PROVISION FOR BAD AND DOUBTFUL ACCOMMODATIONS) DIRECTION NO.2 OF 2006

ACCOMMODATIONS (NOT REPAYED IN FIXED INSTALMENTS/RENTALS) IN ARREARS FOR THREE MONTHS OR MORE

Name of RFLE: ........................................
Type of Accommodation: ...........................
As at Quarter Ended: ..............................

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Amount granted</th>
<th>Date granted &amp; date of settlement</th>
<th>Terms of repayment</th>
<th>Interest receivable No. of months</th>
<th>Interest receivable Amount</th>
<th>Other charges</th>
<th>Stock outstanding</th>
<th>Interest in suspense</th>
<th>Prepaid rentals</th>
<th>Net exposure (12=7+8+9. 10-11)</th>
<th>Amount &amp; date of last payment</th>
<th>Type &amp; value of security</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
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</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date:

Signature of the authorised officer

Name:

Designation:
INSTRUCTIONS FOR THE COMPLETION OF  
FORMAT NO. SNBFI/FL/02/02

Please fill up a separate sheet for each type of accommodation.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4)</td>
<td>Date on which the accommodation was granted and date on which the accommodation is to be settled as per the original agreement.</td>
</tr>
<tr>
<td>(5)</td>
<td>Conditions agreed upon the settlement of the accommodation as per the relevant agreement.</td>
</tr>
<tr>
<td>(6)</td>
<td>Number of months for which interest has been debited to the account referred to in item No. (7) below.</td>
</tr>
<tr>
<td>(7)</td>
<td>Amount of interest receivables debited to Interest Receivable Account or any account maintained for that purpose.</td>
</tr>
<tr>
<td>(8)</td>
<td>Charges or expenses related to the contracts which have been debited to an account other than the account referred to in item No. (7) above and the Stock Outstanding Account.</td>
</tr>
<tr>
<td>(9)</td>
<td>Balance in the Stock Outstanding Account, i.e., capital elements of the future rentals.</td>
</tr>
<tr>
<td>(10)</td>
<td>Outstanding balance in the Interest in Suspense Account, i.e., interest receivables credited to such account since the contract has been transferred to the non-performing category.</td>
</tr>
<tr>
<td>(11)</td>
<td>Rentals which have been pre-paid by a lessee in terms of the relevant lease agreement (Initial payment of a hire purchase agreement or rentals paid in advance for any type of accommodation is not considered as pre-paid rentals).</td>
</tr>
<tr>
<td>(13)</td>
<td>Date and amount of the last payment made by the borrower.</td>
</tr>
<tr>
<td>(14)</td>
<td>Value of the items which are specified in section 4(i) to 4(iv) of the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006.</td>
</tr>
<tr>
<td>(15)</td>
<td>In case of an accommodation which are not to be repaid in fixed instalments, the ‘Age’ should be calculated as follows.</td>
</tr>
</tbody>
</table>

(i) In the case of a contract which has not been rescheduled, the ‘Age’ is equal to the number of months, up to the statement date, for which interest has been in arrears irrespective of whether interest has been accrued or not.

(ii) In case of a rescheduled contract, the ‘Age’ is equal to the aggregate of:

   (a) number of months calculated as per (i) above; and

   (b) number of months for which interest had been in arrears at the time of rescheduling the contract.
## OPERATING LEASES IN ARREARS FOR THREE MONTHS OR MORE

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Type of equipment</th>
<th>Value of the equipment at the commence-ment</th>
<th>Date of inception &amp; date of settlement</th>
<th>Terms of contract</th>
<th>No. of rentals in arrears</th>
<th>Amount of rentals in arrears &amp; other charges</th>
<th>Written down value of the equipment</th>
<th>Rental income in suspense</th>
<th>Deposits/ prepaid rentals</th>
<th>Equipment returned or repossessed</th>
<th>Net exposure (14=8+9-10-11-13)</th>
<th>Action taken on returned or repossessed equipment</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- Format No. SNBFI/FL/02/03
- **FINANCE LEASING ACT, NO.56 OF 2000**
- **FINANCE LEASING (PROVISION FOR BAD AND DOUBTFUL ACCOMMODATIONS) DIRECTION NO.2 OF 2006**

**Directions - 30 Nov 2013 (Final Proof) - 21/11/2013**

**Signature of the authorised officer**

Name

Designation:
INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBFI/FL/02/03

**Item No.**  | **Particulars to be given**
---|---
(3) | Type of equipment and details relevant to the identity of the equipment such as registration numbers of vehicles.
(4) | Value of the equipment taken into account in arriving at the amount of a rental.
(6) | Amount of a rental and number of rentals to be paid during the period for which the asset has been leased.
(7) | Number of rentals in arrears as at the date of statement.
(8) | Amount of rentals in arrears and other charges due from the lessee as at the date of statement.
(9) | Outstanding value of the leased equipment resulted in amortising the value referred to in (4) above, which is included in the balance of relevant control account as at the statement date.
(10) | Outstanding balance in Rental Income in Suspense Account or any such account maintained for the purpose of suspending rental income element of the rentals referred to in 8 above after a contract has been transferred to the non-performing category.
(11) | Amount of the deposit made by the lessee at the commencement of the contract including pre-paid rentals.
(12) | Date on which the leased equipment was returned to the Registered Finance Leasing Establishment (RFLE) by the lessee or repossessed by the RFLE.
(13) | Forced sale value of the leased equipment when it was returned to the RFLE by the lessee/repossessed by the RFLE [columns No. (12) and (13) may be filled if applicable].
(15) | In case of an equipment which has been returned by a lessee to a RFLE, please indicate:
   (i) the new contract number and the name of the borrower if such equipment has been leased out again; or
   (ii) the action to be taken to dispose such equipment if such equipment is still retained by the RFLE.
(16) | In case of an operating lease contract, ‘Age’ should be derived as follows.
   (i) If the date of settlement of a contract falls after the date of the statement, the age of such contract is equal to the number of monthly rentals in arrears up to the date of the statement.
   (ii) If the date of settlement of a contract has fallen before the date of the statement, the age of such contract is equal to the aggregate of :
      (a) the total number of months between the date of statement and the date of statement; and
      (b) the number of monthly rentals in arrears.

An example is given below :-

Given the following details of a contract,

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of the statement</td>
<td>= 31/03/2003</td>
</tr>
<tr>
<td>Date of settlement of the contract</td>
<td>= 18/05/2001</td>
</tr>
<tr>
<td>Number of rentals in arrears</td>
<td>= 6</td>
</tr>
</tbody>
</table>

the ‘Age’ is calculated as :

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of months between the settlement date and the date of statement</td>
</tr>
<tr>
<td>Add : Number of rentals in arrears</td>
</tr>
<tr>
<td>Age</td>
</tr>
</tbody>
</table>
## AGE ANALYSIS OF ACCOMMODATIONS IN ARREARS FOR THREE MONTHS OR MORE

Name of RFLE: …………………………………………………

As at Quarter Ended: ………………………………………

<table>
<thead>
<tr>
<th>Type of accommodation</th>
<th>Age Analysis</th>
<th>Amount in Rs. '000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 and upto 6 months</td>
<td>6 and upto 12 months</td>
</tr>
<tr>
<td></td>
<td>No. of contracts (1)</td>
<td>Total net exposure (2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date:

Signature of the authorised officer

Name:

Designation:
## INSTRUCTIONS FOR THE COMPLETION OF FORMAT NO. SNBFI/FL/02/04

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1), (3), (5), (7)</td>
<td>Total number of contracts which are in arrears under each age group given in ‘Age’ columns in Formats No. SNBFI/FL/02/01, SNBFI/FL/02/02 and SNBFI/FL/02/03.</td>
</tr>
<tr>
<td>(2), (4), (6), (8)</td>
<td>Total net exposure of accommodations which are in arrears under each age group as given in ‘Net exposure’ columns in Formats No. SNBFI/FL/02/01, SNBFI/FL/02/02 and SNBFI/FL/02/03.</td>
</tr>
<tr>
<td>(9)</td>
<td>Aggregate of item numbers (1), (3), (5) and (7)</td>
</tr>
<tr>
<td>(10)</td>
<td>Aggregate of item numbers (2), (4), (6) and (8)</td>
</tr>
</tbody>
</table>
## Statement of Repossessed Asset Items

Name of RFLE: ........................................
As at Quarter Ended: ..........................

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Date of repossession</th>
<th>Particulars of the asset</th>
<th>Last date of valuation</th>
<th>Valuation of the asset at the time of repossession</th>
<th>Amount in the reposessed account</th>
<th>Date of sale</th>
<th>Amount</th>
<th>Amount outstanding after crediting sale proceeds</th>
<th>Action taken to recover the balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format

Date: 

Signature of the authorized officer

Name:  
Designation:  

Amount in Rs. '000
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)</td>
<td>Date on which the asset has been repossessed.</td>
</tr>
<tr>
<td>(4)</td>
<td>Type of equipment and details relevant to the identity of the equipment such as registration numbers of vehicles.</td>
</tr>
<tr>
<td>(7)</td>
<td>Total amount to be recovered from the borrower.</td>
</tr>
<tr>
<td>(10)</td>
<td>Net sales proceeds of the asset after deduction of expenses relating to the sale of the asset.</td>
</tr>
<tr>
<td>(11)</td>
<td>Difference between Item No. (7) and (10).</td>
</tr>
</tbody>
</table>
FINANCE LEASING ACT, NO.56 OF 2000
FINANCE LEASING (PROVISION FOR BAD AND DOUBTFUL ACCOMMODATIONS)
DIRECTION NO.2 OF 2006

STATEMENT OF ACCOMMODATIONS GRANTED AND TOTAL OUTSTANDING ACCOMMODATIONS

Name of RFLE: ……………………………………

<table>
<thead>
<tr>
<th>Type of accommodation</th>
<th>Accommodation granted during the quarter ended …………</th>
<th>Outstanding accommodations as at …………</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of contracts</td>
<td>Total amount granted / financed</td>
</tr>
<tr>
<td>Finance leases</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Operating leases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire purchase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable cumulative preference shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debentures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securitization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter-company credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any other accommodation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given overleaf in completing the format

Date: ………………………………………

Signature of the authorised officer

Name: ……………………………………..

Designation: ……………………………..

INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBFI/FL/02/06

Item No. | Particulars to be given
(1) Total number of contracts granted under each category of accommodation during the quarter.
(3) Nominal rate of interest
(4) Total number of contracts outstanding under each category of accommodation as at the date of the statement.
(5) The total amount of capital outstanding as at the date of the statement. However, in respect of finance leases and hire purchase facilities, the total outstanding amount should be calculated as follows:
Total rental receivables – total future interest – total interest in suspense – rentals received in advance

(192)
FINANCE LEASING (SINGLE BORROWER LIMIT)  
DIRECTION NO. 3 OF 2006

1. This Direction may be cited as Finance Leasing (Single Borrower Limit) Direction No.3 of 2006 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with immediate effect.

2. Every registered finance leasing establishment to which this direction is applicable shall hereinafter be referred to as a “relevant establishment”.

3. Subject to the provisions in paragraph 5 hereunder, the maximum of a single accommodation or the aggregate of accommodations granted to and outstanding at any point of time from an individual borrower, shall not exceed 15 per cent of the capital funds as shown at its last audited balance sheet.

4. Subject to the provisions in paragraph 5 hereunder, the maximum of a single accommodation or the aggregate of accommodations granted to and outstanding at any point of time from any group of borrowers shall not exceed 20 per cent of the capital funds as shown at its last audited balance sheet.

5. The maximum of a single accommodation or the aggregate of accommodations granted to and outstanding at any point of time from any director, holding company or subsidiary companies of the relevant establishment shall not exceed 15 per cent of the capital funds as shown at its last audited balance sheet. Such accommodation shall be granted on such terms as may be applicable to any other borrower of the relevant establishment and particulars of such accommodation including the name of the borrower, the date of grant of the accommodation or inter-company credit, amount granted, repayment programme, security and rate of interest shall be reported to the Director within 14 days from the date of granting of such accommodation on the Format No. SNBFI/FL/03/01.

6. Where a single accommodation or the aggregate of accommodations granted to and outstanding from an individual or from a group is in excess of the respective limits specified in paragraphs 3, 4 and 5 above, as at the commencement of this Direction, the Director may give such relevant establishment a period of two years from 02.01.2006 to comply with the requirements under this Direction.

7. Every relevant establishment shall submit to the Director, within one month from the end of each month, details of a single accommodation and the aggregate of accommodations granted to and outstanding from an individual borrower, group of borrowers, its directors, its holding company or its subsidiary companies in excess of 10 per cent of its capital funds, as shown in the last audited balance sheet of such establishment, on the Format No. SNBFI/FL/03/02.

8. For the purpose of this Direction,
   
   (i) “individual borrower” shall mean any single company, public corporation, firm, association of persons or an individual.

   (ii) “group of borrowers” shall mean,
   
   (a) an individual and his relatives and a company in which such individual or his relatives hold shares exceeding 10 per cent of the issued and paid-up ordinary share capital of such company; or

   (b) a company and one or more of the following–
   
   (i) its subsidiaries;

   (ii) its holding company; or

   (iii) a subsidiary of its holding company.
(iii) “capital funds” shall mean the aggregate of the following–

(a) issued and paid-up ordinary share capital;
(b) issued and paid-up non-redeemable, non-cumulative preference shares;
(c) share premium;
(d) the Reserve Fund maintained under the Finance Leasing (Reserve Fund) Direction No. 5 of 2006;
(e) reserves which are not earmarked for any specified purposes by any statute or by the Sri Lanka Accounting Standards;
(f) retained profits or accumulated losses;
(g) general provision for bad and doubtful accommodation which is an amount provided over and above the specific provision on the non-performing portfolio and an additional specific provision on the performing portfolio; and
(h) revaluation reserves which may be included only with the prior approval of the Director where assets have been revalued in conformity with the following–

(i) The valuation is to be undertaken with the prior approval of the Director;
(ii) An asset is qualified for revaluation only after 7 years from the previous date of valuation or from the date of purchase, whichever is later;
(iii) The asset should be valued by a valuer who is–

(a) a chartered valuation surveyor ; or
(b) a fellow of the Institute of Valuers (Sri Lanka) with a Degree or Diploma in Valuation and with work experience of 15 years ; or
(c) a graduate member of the Institute of Valuers (Sri Lanka) with work experience of over 18 years ; or
(d) an associate of the Institute of Valuers (Sri Lanka) with work experience over 20 years ; or
(e) licentiate of the Institute of Valuers (Sri Lanka) with work experience of over 25 years.

(iv) “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision of funds through redeemable cumulative preference shares and debt securities such as bonds, debentures, asset backed securities/mortgaged backed securities, commercial paper/promissory notes; inter-company credit; any arrangement to provide funds on a repayable basis; any commitment to accept contingent liabilities; or such other financial facility as may be determined by the Director.

(v) “inter-company credit” shall mean any form of accommodation extended by a company to its directors or to their relatives and/or to its associate companies and/or to its subsidiary companies and/or to its holding company. For the purpose of this Direction, “relative” shall mean the spouse and/or dependent child of an individual. A company shall deem to be an “associate company” of another company, where shares equivalent to 20 per cent or more but less than 50 per cent of the issued and paid-up ordinary share capital are held by such other company.

(vi) “subsidiary company” and “holding company” shall have the same meaning as contained in section 150 of the Companies Act, No.17 of 1982.

(vii) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.


This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
**Finance Leasing Act, No.56 of 2000**

**Finance Leasing (Single Borrower Limit) Direction No.3 of 2006**

**Statement of Accommodations Granted to Directors, Holding Company or Subsidiary Companies**

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Status of the borrower</th>
<th>Type of facility</th>
<th>Amount granted</th>
<th>Date granted and the date of settlement</th>
<th>Terms of repayment</th>
<th>Nominal rate of interest per annum</th>
<th>Type and value of security</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
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<td>(7)</td>
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<td>(9)</td>
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</tr>
</tbody>
</table>

**Every relevant establishment is requested to follow the instructions given over leaf in completing the format**

**Date:**

---

**Signature of the authorised officer**

**Name:**

**Designation:**
INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBF1/FL/03/01

For the purpose of this statement recipients of any accommodations are considered as borrowers.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)</td>
<td>Status of the borrower</td>
</tr>
<tr>
<td></td>
<td><em>i.e.</em>, Director, holding company or subsidiary company</td>
</tr>
<tr>
<td>(6)</td>
<td>Date on which the accommodation was granted and the date on which the accommodation is to be settled as per the original agreement.</td>
</tr>
<tr>
<td>(7)</td>
<td>Conditions agreed upon the settlement of accommodations.</td>
</tr>
<tr>
<td>(9)</td>
<td>In case of a collateral related to an asset of a borrower, in addition to the value, indicate type of charge created by the RFLE on such assets such as Letter of Set-off, Agreement to Sell, Mortgage Bond, Transfer Deed, Pledge of Title Deeds and Caveat on Title Deeds. For the purpose of this statement, an asset acquired by a hirer or lessee under a hire purchase agreement or a finance lease agreement are considered as a security offered against such contracts.</td>
</tr>
</tbody>
</table>
FINANCE LEASING ACT, NO.56 OF 2000  
FINANCE LEASING (SINGLE BORROWER LIMIT) DIRECTION NO.3 OF 2006

ACCOMMODATIONS GRANTED AND OUTSTANDING IN EXCESS OF 10% OF CAPITAL FUNDS

<table>
<thead>
<tr>
<th>Name of the borrower</th>
<th>Contract No.</th>
<th>Type of accommodation</th>
<th>Amount granted</th>
<th>Amount outstanding</th>
<th>Total amount outstanding as a % of the capital funds</th>
<th>Type &amp; value of security</th>
<th>Outstanding accommodation granted to connected parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual borrowers</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
</tr>
<tr>
<td>Group of borrowers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors, holding company or subsidiary companies</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date:

Signature of the authorised officer:

Name:

Designation:
INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBFI/FL/03/02

For the purpose of this statement, recipients of any accommodation are considered as borrowers. This statement should give the particulars of borrowers, in respect of whose aggregate outstanding accommodations as at the end of the quarter are in excess of 10 per cent of the capital funds of the Registered Finance Leasing Establishment (RFLE) as shown in the last audited Balance Sheet.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Name of the borrower under the relevant category. <em>i.e.</em>, individual borrower, group of borrowers, directors, holding company or subsidiary companies.</td>
</tr>
<tr>
<td>(3)</td>
<td>Type of accommodation such as finance lease, hire purchase, term loan.</td>
</tr>
<tr>
<td>(5)</td>
<td>Total amount due from the borrower on each contract which includes outstanding amounts on account of capital/stock, interest receivable/rental receivable and excludes interest/rental income in suspense and prepaid rentals.</td>
</tr>
<tr>
<td>(6)</td>
<td>Aggregate of amounts outstanding given in column No. (5) pertaining to each borrower.</td>
</tr>
<tr>
<td>(7)</td>
<td>Total amount pertaining to each borrower shown in column No. (6) as a percentage of the Capital Funds of the RFLE as shown at its last audited balance sheet.</td>
</tr>
<tr>
<td>(8)</td>
<td>In case of a collateral related to an asset of a borrower, in addition to the value, indicate type of charge created by the RFLE on such assets such as Letter of Set-off, Agreement to Sell, Mortgage Bond, Transfer Deed, Pledge of Title Deeds and Caveat on Title Deeds. For the purpose of this statement, an asset acquired by a hirer or lessee under a hire purchase agreement or a finance lease agreement is considered as a security offered against such contract.</td>
</tr>
<tr>
<td>(9)</td>
<td>In respect of each borrower referred to in column No. (1), aggregate of amounts outstanding, as at the statement date, of the accommodation granted to:</td>
</tr>
<tr>
<td></td>
<td>(i) borrower’s close relatives;</td>
</tr>
<tr>
<td></td>
<td>(ii) a company in which the borrower and his/her close relatives have a substantial interest;</td>
</tr>
<tr>
<td></td>
<td>(iii) a subsidiary of such company;</td>
</tr>
<tr>
<td></td>
<td>(iv) the holding company of such company;</td>
</tr>
<tr>
<td></td>
<td>(v) subsidiary companies of such holding company;</td>
</tr>
<tr>
<td></td>
<td>(vi) a company in which such company or its subsidiary or its holding company or a subsidiary of its holding company has a substantial interest; and</td>
</tr>
<tr>
<td></td>
<td>(vii) an incorporated body other than a company in which individuals or companies given in (i) to (vi) in this paragraph have a substantial interest.</td>
</tr>
</tbody>
</table>

For the purpose of this paragraph ‘substantial interest’ of a company, means the holding of a beneficial interest by another company or an individual or his/ her close relatives, whether singly or taken together, in the shares thereof the paid up value of which exceeds ten per centum of the paid up capital of the company or the existence of guarantee or indemnity given by an individual or his/her relatives or by another company on behalf of such company.
FINANCE LEASING (LENDING)
DIRECTION NO. 2 OF 2009

1. This Direction may be cited as the Finance Leasing (Lending) Direction No. 2 of 2009 and shall apply
to every registered finance leasing establishment, which is a public company referred to in paragraph (c)
of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall
come into operation with immediate effect.

2. No relevant establishment shall without the prior written consent of the Director, grant any accommo-
dation:

(i) to a director and/or a relative of a director of the relevant establishment;

(ii) to its holding company;

(iii) on the security of its own shares or on the security of the shares of any of its subsidiary companies;

(iv) to purchase its own shares; or

(v) on the guarantee or indemnity of a director of the relevant establishment, a relative of a director of
the relevant establishment or any employee of the relevant establishment.

3. Subject to the provisions of paragraph 2 hereof, a relevant establishment may grant accommodation, in
accordance with any scheme for the time being in force, for the purchase of or subscription for fully paid
shares in the relevant establishment being a purchase or subscription by Trustees of or for shares to be
held by or for the benefit of, employees of the company:

Provided that the aggregate principal amount of such accommodation outstanding at any time, shall not
exceed the equivalent of ten per centum of the total amount of the issued and paid up share capital of
the relevant establishment or ten per centum of the unimpaired adjusted capital funds of the relevant
establishment as per its last audited balance sheet, whichever is greater.

4. A relevant establishment may grant accommodation to its subsidiary companies or associate companies
subject to the limits specified in the Finance Leasing (Single Borrower Limit) Direction No. 3 of 2006
and on such terms as may be applicable to similar facilities granted to other borrowers of the relevant
establishment, and the particulars of such accommodations including the name of the borrower company,
the date of grant of such accommodation, amount granted, repayment programme, security and the rate of
interest shall be reported to the Director within 14 days from the date of grant of such accommodation.

5. No relevant establishment shall recover on any accommodation, charges of any description, other than
interest, in excess of 5 per cent of the principal amount granted.

6. Every relevant establishment shall submit to the Director within 3 months after the end of each financial
year details of all accommodations outstanding as at the end of the financial year on the format
annexed.

7. Where in a relevant establishment, the aggregate principal amount of such accommodation outstanding
exceeds as at the commencement of this Direction the respective limits specified in paragraphs 2 and 3
above the Director may give such relevant establishment a period of one year from the commencement
of this Direction to comply with the requirements under this Direction.

8. For the purpose of this Direction,

(i) “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision
of funds through debt securities such as bonds, debentures, asset backed securities, commercial
papers/promissory notes; or such other financial facility as may be determined by the Director.
(ii) “Associate company” when used in relation to a relevant establishment shall mean a company in which the relevant establishment holds not less than 20 per centum and not more than 50 per centum of the paid up ordinary share capital of the investee company.

(iii) “adjusted capital funds” shall mean the aggregate of the paid up capital, the Reserve Fund as provided for in the Finance Leasing (Reserve Fund) Direction No.5 of 2006 and permanent free reserves.

(iv) “relative’ shall mean the spouse and dependent child of an individual.

(v) “subsidiary company” shall have the same meaning as contained in section 529 of the Companies Act, No.7 of 2007.

(vi) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

(vii) “Trustee” shall mean a person appointed under or named in a trust deed executed in respect of an employee share ownership plan of a relevant establishment.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Amount granted</th>
<th>Date granted &amp; date of settlement</th>
<th>Terms of repayment</th>
<th>Rentals in arrears</th>
<th>Other charges</th>
<th>Stock outstanding</th>
<th>Interest in suspense</th>
<th>VAT in suspense</th>
<th>Pre paid rentals</th>
<th>Net exposure (13=7+8+9-10-11-12)</th>
<th>Amount &amp; date of last payment</th>
<th>Type &amp; value of security</th>
<th>Age</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>

Date: ………………..

Signature of the CEO / MD

Name: ……………………………………

Designation: ……………………………………
FINANCE LEASING
(BUSINESS TRANSACTIONS WITH DIRECTORS AND THEIR RELATIVES)
DIRECTION No. 3 OF 2009

1. This Direction may be cited as the Finance Leasing (Business Transactions with Directors and their Relatives) Direction No.3 of 2009 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with immediate effect.

2. Subject to the provisions of paragraph 2 of the Finance Leasing (Lending) Direction No.02 of 2009 a relevant establishment shall not, without the approval of the Director, conduct any business transaction with a director of the relevant establishment or with a relative of a director of the relevant establishment where the total value of transaction/s exceeds Rs.75,000 per month or Rs.750,000 for a financial year.

3. The provisions of paragraph 2 hereof shall not apply when creating liabilities to the relevant establishment in the form of borrowings and investments from a director of the relevant establishment or a relative/s of a director of the relevant establishment in conformity with the Finance Leasing (Debt Instrument) Direction No.01 of 2007 if such transaction is carried out in a manner that shall not grant such director or relative of a director “more favourable treatment” than that is accorded to an unrelated comparable counterparty of the relevant establishment.

4. For the purpose of this Direction,
   (a) a “relative” shall mean the spouse or a dependent child of an individual.
   (b) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “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 “specialised leasing companies”) for the purpose of ensuring that specialised leasing companies maintain efficient standards in carrying out their business operations. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Liquid Assets) Direction No.4 of 2012 and shall apply to specialised leasing companies from the date of this direction.

1. Every specialised leasing company shall maintain minimum liquid assets at the close of the business on any day of an amount not less than 5 per cent of the total liabilities and off balance sheet items excluding liabilities to the shareholders, securitizations and asset backed long term (over one year) borrowings with effect from 01.09.2012 and not less than 10 per cent with effect from 01.07.2013.

2. Liquid assets shall include:
   (a) Cash;
   (b) Balances with licensed commercial banks;
   (c) Balances with licensed specialised banks which have a credit rating of A- or above;
   (d) Balances with licensed finance companies which have a credit rating of A- or above;
   (e) Treasury Bills and Securities issued by the Government of Sri Lanka which have a maturity not exceeding one year;
   (f) Treasury bonds issued under the Registered Stock and Securities Ordinance;
   (g) Central Bank of Sri Lanka securities maturing within one year; and
   (h) Such any other asset as may be determined by the Director.

3. This Direction shall come into force with effect from 01.09.2012.

4. Any specialised leasing company which fails to comply with the provisions of section (1) shall pay to the Central Bank one tenth of one per centum per day on the amount of the deficiency.

5. Every specialised leasing company shall use the format at Schedule I attached hereto for the reporting of liquid assets and shall forward same to the Director through the Web Base Reporting System before the 15th day of the month following the month to which the statement relates.

6. Finance Leasing (Liquid Assets) Direction No. 4 of 2011 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
Schedule 1

NBL-MF-16-LA (Liquid Assets)

.................................................................

(Name of Specialised Leasing Company)

As at ..............................

Rs. ’000

<table>
<thead>
<tr>
<th>Code</th>
<th>Web-Based Return Code</th>
<th>Item</th>
<th>Amount/ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>16.1.1.0.0.0</td>
<td>Total Amount for the required liquid assets calculation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Item 1.1 plus items 1.2 and less sum of the items from 1.3 to 1.5)</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>16.1.1.1.0.0</td>
<td>Total Liabilities as at first working day of the month preceding the</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>16.1.1.2.0.0</td>
<td>Off- balance sheet items as at first working day of the month</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>16.1.1.3.0.0</td>
<td>Liabilities to the shareholders as at first working day of the month</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>16.1.1.4.0.0</td>
<td>Securitizations as at first working day of the month preceding the</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>16.1.1.5.0.0</td>
<td>Assets backed long term borrowings as at first working day of the</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>month preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>16.1.2.0.0.0</td>
<td>Available Liquid Assets (Daily Average liquid assets for the month of</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>…… (maintenance period) (sum of item 2.1 to item 2.8)</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>16.1.2.1.0.0</td>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>16.1.2.2.0.0</td>
<td>Balances with licensed commercial banks</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>16.1.2.3.0.0</td>
<td>Balances with licensed specialised banks (credit rating A- or above)</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>16.1.2.4.0.0</td>
<td>Balances with licensed finance companies (credit rating A- or above)</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>16.1.2.5.0.0</td>
<td>Treasury Bills and Securities issued by the Government of Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>16.1.2.6.0.0</td>
<td>Treasury bonds issued under the Registered Stock and Securities</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Ordinance</td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>16.1.2.7.0.0</td>
<td>Central Bank of Sri Lanka securities</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>16.1.2.8.0.0</td>
<td>Such any other asset as may be determined by the Director</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>16.1.3.0.0.0</td>
<td>Required Liquid Assets</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>16.1.3.1.0.0</td>
<td>5% of 16.1.1.0.0.0</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>16.1.3.2.0.0</td>
<td>10% of 16.1.1.0.0.0 (with effect from 01.07.2013)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>16.1.4.0.0.0</td>
<td>Liquid Assets Ratio (16.1.2.0.0.0 as a % of 16.1.1.0.0.0)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>16.1.5.0.0.0</td>
<td>Deficit Liquid Assets (16.1.2.0.0.0 less 16.1.3.0.0.0)</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>16.1.6.0.0.0</td>
<td>Charge to be paid to the Central Bank (16.1.5.0.0.0/1000)</td>
<td></td>
</tr>
</tbody>
</table>

Date: ......................

Authorized Official Signature

Note: The base date is the first working day of the month preceding the maintenance period

e.g.: Liquid assets for January will be based on total liabilities excluding liabilities to the shareholders, securitisation, and asset backed long term borrowings on the preceding December 1st.

The required liquid assets should be maintained for a period (maintenance period) commencing on the first working day and ending on the last working day of the calendar month following the month in which the base date occurs.
### Instructions for Schedule I

<table>
<thead>
<tr>
<th>Web-Based Return Code</th>
<th>Line Item</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.1.1.0.0.0</td>
<td>Total Amount for the required liquid assets calculation</td>
<td>Item 16.1.1.1.0.0 plus item 16.1.1.2.0.0 less sum of the items from 16.1.1.3.0.0 to 16.1.1.5.0.0</td>
</tr>
<tr>
<td>16.1.1.1.0.0</td>
<td>Total Liabilities</td>
<td>Total Liabilities net of with provision for bad and doubtful accommodations and interest in suspense as at first working day of the month preceding the maintenance period.</td>
</tr>
<tr>
<td>16.1.1.2.0.0</td>
<td>Off- balance sheet items</td>
<td>Off-balance sheet items as at first working day of the month preceding the maintenance period (base date)</td>
</tr>
<tr>
<td>16.1.1.3.0.0</td>
<td>Liabilities to the shareholders</td>
<td>Liabilities to the shareholders reported under the item 3.2.1.0.0.0 plus any other liabilities to the shareholders reported in NBL-MF-03-BS as at first working day of the month preceding the maintenance period</td>
</tr>
<tr>
<td>16.1.1.4.0.0</td>
<td>Securitizations</td>
<td>Total outstanding value of securitizations reported under the items 3.2.4.8.0.0 and 3.2.4.9.0.0 of NBL-MF-03-BS as at first working day of the month preceding the maintenance period</td>
</tr>
<tr>
<td>16.1.1.5.0.0</td>
<td>Asset backed long term borrowings</td>
<td>Long term (over 1 year) borrowings which are backed by asset securities/cash securities from banks (local/foreign) or any other institutions as at first working day of the month preceding the maintenance period</td>
</tr>
<tr>
<td>16.1.2.0.0.0</td>
<td>Available Liquid Assets (Daily average of liquid assets)</td>
<td>To calculate daily average of liquid assets: take the daily sums of liquid assets as mentioned in code 16.1.2.1.0.0 to 16.1.2.8.0.0 throughout the month and divide the total by the number of days of that month.</td>
</tr>
<tr>
<td>16.1.2.1.0.0</td>
<td>Cash</td>
<td>Local and foreign currency notes and coins held by cashiers and in vault.</td>
</tr>
<tr>
<td>16.1.2.2.0.0</td>
<td>Balances with licensed commercial banks (LCBs)</td>
<td>Favourable balances of current accounts maintained with LCBs in Sri Lanka and Fixed deposits maintained with LCBs maturing within one year and free from any bankers lien or charge</td>
</tr>
<tr>
<td>16.1.2.3.0.0</td>
<td>Balances with licensed specialised bank (LSBs)</td>
<td>Fixed deposits maintained with LSBs (with a credit rating A- or above) maturing within one year and free from any lien or charge.</td>
</tr>
<tr>
<td>16.1.2.4.0.0</td>
<td>Balances with licensed finance companies (LFCs)</td>
<td>Fixed deposits maintained with LFCs (with a credit rating A- or above) maturing within one year and free from any lien or charge.</td>
</tr>
<tr>
<td>16.1.2.5.0.0</td>
<td>Treasury Bills and Securities issued by the Government of Sri Lanka</td>
<td>Total value of investments in bills and securities issued by the government of Sri Lanka which have a maturity not exceeding 1 year. Bills assigned for borrowings should not be included. Investments in Bills which are maintained for the utilization purpose of Investment Fund Accounts shall be considered.</td>
</tr>
<tr>
<td>16.1.2.6.0.0</td>
<td>Treasury bonds issued under the Registered Stock and Securities Ordinance</td>
<td>Total value of investments in Treasury Bonds. Bonds assigned for borrowings should not be included. Investments in Bonds which are maintained for the purpose of Investment Fund Accounts shall be considered.</td>
</tr>
<tr>
<td>16.1.2.7.0.0</td>
<td>Central Bank of Sri Lanka securities</td>
<td>Total value of investments in securities issued by the Central Bank of Sri Lanka which have a maturity not exceeding 1 year. Bills assigned for borrowings should not be included.</td>
</tr>
<tr>
<td>16.1.2.8.0.0</td>
<td>Such other assets as may be determined by the Director</td>
<td>The Director may be determined any other liquid assets from time to time</td>
</tr>
<tr>
<td>16.1.3.0.0.0</td>
<td>Required Liquid Assets</td>
<td>Required Liquid Assets is calculated automatically – 5% of 16.1.1.0.0.0 with effect from 01.09.2012 and 10% of 16.1.1.0.0.0 with effect from 01.07.2013</td>
</tr>
<tr>
<td>16.1.4.0.0.0</td>
<td>Liquid Assets Ratio</td>
<td>Liquid Assets Ratio is calculated automatically – 16.1.2.0.0.0 as a % 16.1.1.0.0.0</td>
</tr>
<tr>
<td>16.1.5.0.0.0</td>
<td>Deficit Liquid Assets</td>
<td>Deficit Liquid Assets is calculated automatically – 16.1.2.0.0.0 less 16.1.3.0.0.0</td>
</tr>
<tr>
<td>16.1.6.0.0.0</td>
<td>Charge to be paid to the Central Bank</td>
<td>Charge to be paid to the Central Bank is calculated automatically – 16.1.5.0.0.0/1000</td>
</tr>
</tbody>
</table>

Note: Every specialised leasing company shall use the format at Schedule I to maintain daily liquidity assets.
FINANCE LEASING (DEBT INSTRUMENTS) DIRECTION NO. 1 OF 2007

1. This Direction may be cited as the Finance Leasing (Debt Instruments) Direction No.1 of 2007 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with immediate effect.

2. Subject to the provisions of this Direction, the Finance Leasing (Gearing Ratio) Direction No.4 of 2006 and such other directions that may be issued from time to time, a relevant establishment which,

(i) maintains an unimpaired, issued and paid up capital not less than the amount specified by the Director by Notice issued under paragraph (a) of sub-section (1) of section 34A of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as the ‘Act’) may borrow money by the issue of debt instruments on public offer basis, under the following conditions:

(a) It shall maintain, at all times, its core capital at an amount not less than Rupees Two Hundred Million.

(b) If the total value of any issue of a debt instrument exceeds Rs.200 million and is not guaranteed by a rated financial institution, which is not a related company, the relevant establishment shall obtain a credit rating for the debt instrument from an independent rating agency acceptable to the Central Bank of Sri Lanka and submit the rating report to the Director within one month from the date of the report, and any revision thereto.

(c) A relevant establishment shall apply for and obtain the written approval of the Director, prior to the publication or display of any advertisement soliciting subscription to a debt issue. A relevant establishment shall forward to the Director a copy of any advertisement, in print or electronic form, at least 3 working days prior to the publication/display of such advertisement. Every advertisement soliciting subscription to a debt issue and to be–

(aa) published in the print media (excluding hoardings, bill boards and banners) by a relevant establishment shall contain a statement that such relevant establishment has been registered under the Finance Leasing Act, No. 56 of 2000; the date of incorporation of the relevant establishment; the names of its directors; the amounts of core capital, borrowings and profit/(loss) as appearing in its financial statements which are certified by its external auditor; the rate of interest, the periodicity of payment of interest and the annual effective rates of interest in respect of all maturities; the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue; and the terms and conditions subject to which the debt instrument is issued;

(bb) transmitted or broadcast through audio or audio-visual media (including websites posted on the internet and electronic mail) by a relevant establishment shall contain a statement that such relevant establishment has been registered under the Finance Leasing Act, No.56 of 2000; the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue; the rate of interest, the periodicity of payment of interest and the annual effective rates of interest in respect of all maturities;

(cc) displayed by a relevant establishment through hoardings, bill boards and banners, shall state the fact that such relevant establishment has been registered under the Finance Leasing Act, No.56 of 2000 and the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue.

(ii) maintains an unimpaired, issued and paid up capital less than the amount specified by the Director by Notice issued under paragraph (a) of sub-section (1) of section 34A of the Act, shall not issue any debt instrument on public offer basis and may borrow money by the issue of debt instruments through private placements.
3. A relevant establishment shall apply and obtain written approval of the Director, prior to the issue of any debt instrument and such application shall contain the following:

(i) the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue, type of the debt instrument, attributes of the debt instrument, total value of the issue, sale/discount price of a debt instrument, minimum subscription, redemption period(s), the rate of interest, the periodicity of payment of interest and the annual effective rate of interest in respect of all maturities, security offered, ranking in the order of claims, conditions relating to early redemption, transferability and underwriters, lawyers, auditors, trustees to the issue, if any;

(ii) a certificate by the external auditors of the relevant establishment confirming the unimpaired issued and paid up capital and the core capital of the relevant establishment at the time of application and at the end of the immediately preceding two financial years;

(iii) a certified copy of the section of the Operations Manual of the relevant establishment that covers the operational aspects relating to issue of debt instruments;

(iv) a certified copy of a specimen or a photocopy of the debt instrument (the wording of the text on the face and the terms and conditions on the reverse);

(v) a certified copy of the prospectus delivered to the Registrar of Companies, in terms of the Companies Act, No.7 of 2007, if any;

(vi) a statement by the Board of Directors detailing the manner in which the monies raised by the issue of debt instruments shall be utilised;

(vii) a certified copy of a statement by the Board of Directors containing the following information at the date of application:

(a) amount outstanding of the total borrowing of the relevant establishment
(b) types, terms and conditions and amount outstanding (capital and interest) of borrowings by the issue of debt instruments.

4. The date of redemption of any debt instrument should not be less than one month and should not exceed sixty months from the date of issue of such debt instrument.

5. (i) Every relevant establishment that borrows money by the issue of debt instruments shall issue a debt instrument to every person who invests in such debt instrument, which for all purposes shall be deemed to be an acknowledgement of acceptance of such sum of money by the relevant establishment.

(ii) Every such debt instrument shall be signed by at least two officers, who are authorised by the Board of Directors for the purpose of issuing of debt instruments.

(iii) Every debt instrument shall contain the following:

(a) serial number of the debt instrument;
(b) name and registered address of the relevant establishment;
(c) date of issue of the debt instrument;
(d) name, national identity card number or passport number and the address of the investor;
(e) amount of money received by the relevant establishment by the issue of such debt instrument in words and figures;
(f) the annual rate of interest payable and the basis of payment (monthly or at redemption);
(g) date on which the debt instrument is redeemable;
(h) names of officers who signed the debt instrument.

6. In addition to the requirements imposed under the Financial Transactions Reporting Act, No.6 of 2006
and any Rules issued thereunder, every relevant establishment shall maintain a record of the following particulars in respect of each debt instrument issued by such relevant establishment—

(a) Serial number;
(b) Name, address, contact details and national identity card number or passport number of each investor or in the case of corporate investors, name, registered address, principal place of business, company registration number;
(c) Amount of investment;
(d) Date of redemption of the debt instrument;
(e) Rate of interest and the basis of payment of interest (monthly or at redemption);
(f) Date and amount of each payment (interest and/or principal).

7. Every relevant establishment that borrows money by the issue of debt instruments shall display at each place of business of the relevant establishment, the latest audited financial statements of the relevant establishment.

8. The Director may issue additional terms and conditions as he may deem necessary to any one or group or category of relevant establishments at the time of granting approval under paragraph 3 hereof or at any time thereafter.

9. In this Direction:–
   (i) “Board of Directors” means the Board of Directors of the relevant establishment.
   (ii) “Core capital” shall mean the aggregate of the following—
        (a) issued and paid-up ordinary share capital;
        (b) issued and paid-up non-redeemable, non-cumulative preference shares;
        (c) share premium;
        (d) the Reserve Fund maintained under the Finance Leasing (Reserve Fund) Direction No.5 of 2006;
        (e) reserves which are not earmarked for any specified purposes by statute or by the Sri Lanka Accounting Standards;
        (f) retained profits or accumulated losses;
        (g) current year profits or losses; and
        (h) general provision for bad and doubtful accommodations which is an amount provided over and above the specific provision on the non-performing portfolio and an additional specific provision on the performing portfolio, subject to confirmation by the auditors.
   (iii) “Debt instrument” means, a debenture, bond, promissory note or any other debt instrument as may be determined by the Director;
   (iv) “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka;
   (v) “Financial institution” means a bank licensed under the Banking Act, No.30 of 1988 or a finance company registered under the Finance Companies Act, No.78 of 1988 or a finance leasing establishment registered under the Finance Leasing Act, No.56 of 2000;
   (vi) “Private placement” means, the issue of any debt instrument, without the issue of a prospectus or advertising through the mass media, including the internet, posts, facsimile, electronic mail, leaflets, banners, posters or booklets or through any kind of propaganda carried out by any means whatsoever;
   (vii) “Related company” means the holding company, a subsidiary company and a subsidiary company of the holding company of the relevant establishment.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (STIMULUS PACKAGE CONDITIONS)
DIRECTION NO. 1 OF 2009

1. This Direction may be cited as the Finance Leasing (Stimulus Package Conditions) Direction No.1 of 2009 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with immediate effect.

2. Notwithstanding the provisions of any other directions issued by the Director under the Act, a beneficiary relevant establishment shall not do any of the following during the Restructuring Period:
   
   (i) grant loans, credit facilities or any type of financial accommodation, including grants, donations and transfers, either directly or indirectly, to a Related Party;
   
   (ii) invest, either directly or indirectly, in shares or otherwise, in any Related Company;
   
   (iii) guarantee, pledge, underwrite or make similar undertaking, either directly or indirectly, with respect to any liability of a Related Party;
   
   (iv) make any bonus payments, whether in cash or otherwise, to any member of staff or any director of the beneficiary relevant establishment;
   
   (v) pay dividends on shares, whether by cash or otherwise, to any shareholder in the beneficiary relevant establishment.

3. A beneficiary relevant establishment shall recover at least fifty per cent (50%) of dues, owed as at the date of this Direction, from related companies, except those that are registered finance companies or registered finance leasing establishments, within one month and at least seventy five per cent (75%) of such dues within two months from the date of this Direction.

   Provided however, that the Director may determine the quantum of recoveries of such dues and the period of time, having considered representations that would be made by a related company in respect of repayment of dues owed to the relevant establishment.

4. A beneficiary relevant establishment shall reduce its operational and administrative cost as at the date of this direction, by at least twenty per cent (20%) within one month from the date of this Direction and continue the cost reduction during the restructuring period.

5. A beneficiary relevant establishment, in which the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by one and the same person, shall appoint an independent Chief Executive Officer within one month from the date of applying for a facility under the Stimulus package.

6. A beneficiary relevant establishment shall not remove any member of the Board of Directors or key management personnel or allow any member of the Board of Directors or key management personnel to resign from or vacate the current position during the restructuring period without approval of the Director.

7. A beneficiary relevant establishment shall reduce salaries/remunerations/ emoluments of the members of the Board of Directors and key management personnel by at least 25 per cent from the amount applicable on the date of the Direction and shall maintain this reduction during the restructuring period.
8. In paying of gratuity and other retirement benefits in the event of a retirement of a member of the Board of Directors who is an employee of a beneficiary relevant establishment or its Key Management Personnel, the company shall—

(i) calculate the gratuity payment on the amount eligible as salary on the date of retirement;

(ii) limit cash payment to a maximum of Rs.500,000/-; and

(iii) pay the balance of the gratuity or retirement benefit in the form of a three year promissory notes in the relevant establishment which cannot be withdrawn prematurely.

9. The Board of Directors and the Chief Executive Officer of a beneficiary relevant establishment shall assess the situation of the company continuously and submit reports as required by the Director covering key areas, including the following:

(a) Inflow of new promissory notes or commercial papers, withdrawals of promissory notes or commercial papers, renewals of matured promissory notes or commercial papers.

(b) Disposal of assets.

(c) Recovery of accommodations.

(d) Position of liquid assets.

(e) Mismatch of assets and liabilities for the next 7 days, 14 days, 21 days and 30 days, and action plan to meet negative gaps.

10. For the purposes of this Direction—

(a) Accommodation shall mean loans, facilities under hire purchase or lease agreement, provision of funds through debt securities such as bonds, debentures, asset backed securities, commercial papers, promissory notes or such other financial facility as may be determined by the Director.

(b) Act shall mean the Finance Leasing Act, No.56 of 2000.

(c) Director shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

(d) Key Management Personnel shall mean those persons having authority and responsibility for planning, directing and/or controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

(e) Restructuring Period shall mean the time period between the date of application by a beneficiary relevant establishment for any facility or concession under the ‘Stimulus Package’ for Finance and Leasing Industry – 2009 and the date of repayment and settlement in full of all facilities obtained thereunder.

(f) Related Company shall mean any of the following:

(i) its subsidiary company;

(ii) its associate company;

(iii) its holding company;

(iv) a subsidiary company or associate company of its holding company.

(v) any company in the same group of companies to which the beneficiary relevant establishment belong.

(g) Related Party shall mean any of the following:

(i) A Related Company as defined in item (g) herein above;

(ii) A past or present director of the beneficiary relevant establishment;
(iii) A past or present key management personnel of the beneficiary relevant establishment;

(iv) A relative of a past or present director or a past or present key management personnel of the beneficiary relevant establishment;

(v) A shareholder who owns shares exceeding 10% of the paid up capital of the beneficiary relevant establishment;

(vi) A concern in which a past or present director or past or present key management personnel of the beneficiary relevant establishment or a relative of a past or present director or past or present key management personnel or a shareholder who owns shares exceeding 10% of the paid up capital of the beneficiary relevant establishment, has substantial interest.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
1. This Direction may be cited as the Finance Leasing (Opening/Shifting/Closure of Branches/Business Places) Direction No.3 of 2010 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of Section 3 of the Finance Leasing Act (hereinafter referred to as ‘specialised leasing company’) with immediate effect.

2. No specialised leasing company shall open, change the location or close any of its branches/Business Places without the prior approval in writing of the Director. Business Places shall mean offices, window offices, service centres or any other outlets operated by the specialised leasing company.

3. The evaluating criteria of the specialised leasing company when assessing a request for approval for a new branch or a Business Place are as follows:–
   
   (a) Core capital as per the last audited financial statements;
   
   (b) The level of compliance with the Regulations/Directions/Instructions issued under the Finance Leasing Act, No. 56 of 2000;
   
   (c) The business / financial profile and profitability;
   
   (d) Assets quality;
   
   (e) The level of liquidity;
   
   (f) The availability of qualified and experienced staff at all levels;
   
   (g) Convenience of the proposed location to the customers ; and
   
   (h) Strength of Information Technology.

4. Issuing of debt instruments may be carried out only by the head office or a branch, of a specialised leasing company.

5. The specialised leasing company shall use the following formats of application for seeking approval.

   (i) Form “A” for an opening of a new branch / Business Place;
   
   (ii) Form “B” for closure of existing branch / Business Place;
   
   (iii) Form “C” for shifting of a branch / Business Place.

6. Validity period of approval shall be six months from the date of approval;

7. No specialised leasing company shall close its any of branches / 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.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
APPLICATION FOR OPENING OF A BRANCH / BUSINESS PLACE

1. Name of the specialised leasing company:

2. Category: head office / branch / window office / service centres / any other outlets:

3. Core Capital [as shown in the last audited balance sheet]:

4. Address of the proposed location:

5. Details of the existing places of business belonging to the company or its related companies in the administrative district where the branch/business place is proposed to be established:

(A) Applicant Company:

<table>
<thead>
<tr>
<th>Location of the place of business</th>
<th>Date of establishment</th>
<th>Type of business</th>
<th>As per the last audited financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total Accommodations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(B) Other entities belonging to the same group of companies operating in the administrative district where the branch / business place is proposed to be located:

<table>
<thead>
<tr>
<th>Name of the Entity</th>
<th>Address of the place of business</th>
<th>Type of business</th>
<th>Relationship to the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Names of other specialised leasing companies in the town / village where the proposed branch / business place is to be located:

7. Names of commercial banks and registered finance companies in the town / village where the proposed branch / business place is to be located:

8. The main types of business of the proposed branch / business place:

9. Estimated capital expenditure in respect of opening of a new branch / business place:
   
   (a) Land & building / rent paid in advance:
   
   (b) Furniture, fittings and fixtures:
   
   (c) Office equipment:
   
   (d) Other fixed assets:
   
   (e) Other:

10. Means of communication / flow of information (i.e., messenger / courier / facsimile / on-line systems) and the frequency of flow of information (i.e., daily / weekly / monthly) between the proposed branch / business place and the head office:
11. Projections for the first three years of operations of the proposed branch / business place:

(a) Accommodation:

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Leasing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire Purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factoring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Borrowings:

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promissory Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Papers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(c) Income:

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Leasing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire Purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factoring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
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<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest Income:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(d) Expenses:

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Debt Instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(e) Profit / (Loss):

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
</table>

12. Names, qualifications and experience of the officers who will be posted as manager (officer in charge) and second officer to the proposed branch / business place and details of support staff:

13. Whether necessary approval has been obtained from the relevant local authority to establish a branch / business place at the proposed location:

I certify that the above information is true and correct.

Name of the officer: ........................................

Designation: ..................................................

Signature: ....................................................

Date: ........................................................

(214)
## APPLICATION FOR CLOSURE OF A BRANCH / BUSINESS PLACE

1. Name of the Specialised Leasing Company:

2. Category: head office / branch / window office / service centres / any other outlets:

3. Address of the location to be closed:

4. Details of the branch / business place to be closed as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>As per the latest financial statements Rs. '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Core Capital</td>
<td></td>
</tr>
<tr>
<td>Total Accommodation</td>
<td></td>
</tr>
<tr>
<td>Finance Leasing (including No. of contract)</td>
<td></td>
</tr>
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<td>Hire Purchase</td>
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<td>Total borrowings</td>
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<td>Promissory notes borrowings</td>
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<td>Total Assets</td>
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<tr>
<td>Profit / (Loss)</td>
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<tr>
<td>No. of investors on debt instruments</td>
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</table>

5. Whether necessary approval has been obtained from the relevant local authority to close the branch / business place:

6. Action to be taken on investors of debt instruments holders:

7. Justifying reasons for the closure of branch / business place:

I certify that the above information is true and correct.

Name of the officer: .................................

Designation: ..................................................

Signature: ..................................................

Date: .....................................................
APPLICATION FOR SHIFTING OF A BRANCH / BUSINESS PLACE

1. Name of the Specialised Leasing Company:

2. Category: head office / branch / window office / service centres / any other outlets:

3. Address of the current location:

4. Address of the proposed location:

5. Details of the branch /business place to be shifted as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>As per the latest financial statements Rs. ’000</th>
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<tr>
<td>Total Core Capital</td>
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<td>Total Accommodation :</td>
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<td>Finance Leasing (including No. of contract)</td>
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<td>Hire Purchase</td>
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<td>Total borrowings :</td>
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<td>Promissory notes borrowings</td>
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<td>Commercial paper borrowings</td>
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<td>Others</td>
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<td>Profit / (Loss)</td>
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<tr>
<td>No. of investors on debt instruments</td>
<td></td>
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</tbody>
</table>

6. Whether necessary approval has been obtained from the relevant local authority to shift the branch / business place to the proposed location from the existing location:

7. Justifying reasons for the shifting of branch / business place:

I certify that the above information is true and correct.

Name of the officer: ...........................................

Designation: ........................................................

Signature: ................................................................

Date: ....................................................................
1. This Direction may be cited as the Finance Leasing (Structural Changes) Direction No.3 of 2011 and shall apply to every registered finance leasing establishment which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act, No.56 of 2000 (hereinafter referred to as ‘specialised leasing company’) with immediate effect.

2. No specialised leasing company without the prior approval in writing from the Director :–
   (a) establish any subsidiary or associate company;
   (b) enhance or reduce its issued capital;
   (c) sell specialised leasing company’s/subsidiary’s business or part of business;
   (d) change the name of the company;
   (e) acquire whole or part of the business of any other leasing company, finance company or any other company;
   (f) change its Articles of Associations;
   (g) amalgamate, consolidate or merge the company with any other leasing company or any other institution(s);  
   (h) change the Board of Directors and Chief Executive Officer/Managing Director/General Manager;
   (i) opening/closure/shifting of a branch or a business place; and
   (j) transfer assets and or liabilities of the company.

3. Any specialised leasing company which fails to comply with the provisions of section (2) shall, pay to the Central Bank a charge equivalent to Rs. 250,000 per violation.

4. Finance Leasing (Corporate and Operational Information) Direction No. 7 of 2006 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING
(PANEL OF EXTERNAL AUDITORS)
DIRECTION No. 5 OF 2012

In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “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 “specialised leasing companies”) for the purpose of ensuring that competent and qualified auditors conduct external audits as part of measures to maintain efficient standards in carrying out duties of specialised leasing companies. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Panel of External Auditors) Direction No.5 of 2012.

1. Every specialised leasing company shall select an external auditor to audit its financial statements from the following panel of auditors,

<table>
<thead>
<tr>
<th>Name of the auditor</th>
<th>Head office address</th>
</tr>
</thead>
</table>
| a. BDO Partners                      | ‘Charter House’
65/2, Sir Chittampalam A Gardiner Mawatha Colombo 02 |
| b. B.R.De Silva & Company            | 22/4, Vijaya Kumaratunga Mawatha Colombo 05                  |
| c. B. V. Fernando & Company          | 70/B/8/SP, Old Y.M.B.A. Building Colombo 08                   |
| d. Ernst & Young                     | 201, De Saram Place
Colombo 10                                                     |
| e. HLB Edirisinghe & Company         | 45, Braybrooke Street
Colombo 02                                                      |
| f. KPMG Ford Rhodes Thornton & Company | 32/A, Sir Mohamed Macan Markar Mawatha Colombo 03          |
| g. Kreston MNS & Company             | 50/2, Sir James Peiris Mawatha Colombo 02                    |
| h. SJMS Associates                   | 2, Castle Lane
Colombo 04                                                      |
| i. PricewaterhouseCoopers            | 100, Braybrooke Place
Colombo 02                                                      |

2. Every specialised leasing company shall select an audit firm from the above panel to audit the financial statements commencing next financial year.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
1. This Direction may be cited as the Finance Leasing (Corporate Governance) Direction No. 4 of 2009 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with effect from 01 January, 2010.

2. The Responsibilities of the Board of Directors

(1) The Board of Directors (hereinafter referred to as the Board) shall strengthen the safety and soundness of the relevant establishment by–

(a) approving and overseeing the relevant establishment’s strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the relevant establishment;

(b) approving the overall business strategy of the relevant establishment, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;

(c) identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;

(d) approving a policy of communication with all stakeholders, including lenders, creditors, shareholders and borrowers;

(e) reviewing the adequacy and the integrity of the relevant establishment’s internal control systems and management information systems;

(f) identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;

(g) defining the areas of authority and key responsibilities for the Board and for the key management personnel;

(h) ensuring that there is appropriate oversight of the affairs of the relevant establishment by key management personnel, that is consistent with the relevant establishment’s policy;

(i) periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the identification of weaknesses and implementation of changes where necessary;

(j) ensuring that the relevant establishment has an appropriate succession plan for key management personnel;

(k) meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;

(l) understanding the regulatory environment;

(m) exercising due diligence in the hiring and oversight of external auditors.

(2) The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.

(3) There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the relevant establishment’s expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the relevant establishment.
(4) A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.

(5) The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the relevant establishment is firmly under its authority.

(6) The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action.

(7) The Board shall include in the relevant establishment’s Annual Report, an annual corporate governance report setting out the compliance with this Direction.

(8) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.

3. Meetings of the Board

(1) The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board’s consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.

(2) The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the relevant establishment.

(3) A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For other Board meetings, a reasonable notice shall be given.

(4) A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors’ meetings through an alternate director shall, however, be acceptable as attendance.

(5) The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.

(6) If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.

(7) All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.

(8) The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.

(9) Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:

(a) a summary of data and information used by the Board in its deliberations;

(b) the matters considered by the Board;

(c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;

(d) the explanations and confirmations of relevant executives which indicate compliance with the Board’s strategies and policies and adherence to relevant laws and regulations;
(e) the Board’s knowledge and understanding of the risks to which the relevant establishment is exposed and an overview of the risk management measures adopted; and

(f) the decisions and Board resolutions.

4. Composition of the Board

(1) Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 9.

(2) Subject to paragraph 5(1) and the transitional provisions contained herein, the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.

(3) Subject to the transitional provisions contained herein, an employee of a relevant establishment may be appointed, elected or nominated as a director of the relevant establishment (hereinafter referred to as an “executive director”) provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.

(4) Commencing 01.01.2013, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.

A non-executive director shall not be considered independent if such director:

(a) has shares exceeding 2% of the paid up capital of the relevant establishment or 10% of the paid up capital of another relevant establishment;

(b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the relevant establishment as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the relevant establishment as shown in its last audited balance sheet;

(c) has been employed by the relevant establishment during the two year period immediately preceding the appointment as director;

(d) has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the relevant establishment or exceeding 12.5% of the paid up capital of another relevant establishment;

(e) represents a shareholder, debtor, or such other similar stakeholder of the relevant establishment;

(f) is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization:

i. which has a transaction with the relevant establishment as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment; or

ii. in which any of the other directors of the relevant establishment is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment; or

iii. in which any of the other directors of the relevant establishment has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the relevant establishment.

(5) In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.
(6) Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.

(7) Commencing 01.01.2013, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one third of the number of directors that constitute the quorum at such meeting are non-executive directors.

(8) The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the relevant establishment. The relevant establishment shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.

(9) There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.

(10) All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.

(11) If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director’s disagreement with the Board, if any.

5. Criteria to assess the fitness and propriety of directors

(1) Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a relevant establishment.

(2) A director of a relevant establishment shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the relevant establishment. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.

6. Management functions delegated by the Board

(1) The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.

(2) The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the relevant establishment.

7. The Chairman and the Chief Executive Officer

(1) The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after three years commencing from January 01, 2010.

(2) The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent
element. The designation of the Senior Director shall be disclosed in the relevant establishment’s Annual Report.

(3) The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.

(4) The chairman shall:

(a) provide leadership to the Board;

(b) ensure that the Board works effectively and discharges its responsibilities; and

(c) ensure that all key issues are discussed by the Board in a timely manner.

(5) The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.

(6) The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.

(7) The chairman shall encourage each director to make a full and active contribution to the Board’s affairs and take the lead to ensure that the Board acts in the best interests of the relevant establishment.

(8) The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.

(9) Subject to the transitional provisions contained herein, the chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.

(10) The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.

(11) The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the relevant establishment’s operations and business.

8. Board appointed Committees

(1) Every relevant establishment shall have at least two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the relevant establishment.

(2) Audit Committee

The following shall apply in relation to the Audit Committee:

(a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.

(b) The majority of Board members appointed to the committee shall be non-executive directors.

(c) The committee shall make recommendations on matters in connection with:

(i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;
(ii) the implementation of the Central Bank guidelines issued to external auditors from time to time;

(iii) the application of the relevant accounting standards; and

(iv) the service period, audit fee and any resignation or dismissal of the external auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.

(d) The committee shall review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.

(e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor’s independence or objectivity. When assessing the external auditor’s independence or objectivity in relation to the provision of non-audit services, the committee shall consider:

(i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;

(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and

(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.

(f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:

(i) an assessment of the relevant establishment’s compliance with Directions issued under the Act and the management’s internal controls over financial reporting;

(ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and

(iii) the co-ordination between auditors where more than one auditor is involved.

(g) The committee shall review the financial information of the relevant establishment, in order to monitor the integrity of the financial statements of the relevant establishment, its Annual Report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the relevant establishment’s Annual Report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:

(i) major judgmental areas;

(ii) any changes in accounting policies and practices;

(iii) significant adjustments arising from the audit;

(iv) the going concern assumption; and

(v) the compliance with relevant accounting standards and other legal requirements.

(h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.

(i) The committee shall review the external auditor’s management letter and the management’s response thereto.
(j) The committee shall take the following steps with regard to the internal audit function of the relevant establishment:

(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;

(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;

(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;

(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;

(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;

(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;

(k) The committee shall consider the major findings of internal investigations and management’s responses thereto;

(l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.

(m) The committee shall have:

(i) explicit authority to investigate into any matter within its terms of reference;

(ii) the resources which it needs to do so;

(iii) full access to information; and

(iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.

(n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

(o) The Board shall, in the Annual Report, disclose in an informative way:

(i) details of the activities of the audit committee;

(ii) the number of audit committee meetings held in the year; and

(iii) details of attendance of each individual member at such meetings.

(p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.

(q) The committee shall review arrangements by which employees of the relevant establishment may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the relevant establishment’s relations with the external auditor.

(3) Integrated Risk Management Committee

The following shall apply in relation to the Integrated Risk Management Committee:

(a) The committee shall consist of at least one non-executive director, chief executive officer and key management personnel supervising broad risk categories, i.e., credit, market, liquidity,
operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.

(b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the relevant establishment on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the relevant establishment basis and group basis.

(c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.

(d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the relevant establishment’s policies and regulatory and supervisory requirements.

(e) The committee shall, at least quarterly, assess all aspects of risk management including updated business continuity plans.

(f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

(g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board’s views, concurrence and/or specific directions.

(h) The committee shall establish a compliance function to assess the relevant establishment’s compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.

9. Related Party Transactions

(1) The following shall be in addition to the provisions contained in the Finance Leasing (Lending) Direction, No.2 of 2009 and the Finance Leasing (Business Transactions with Directors and their Relatives) Direction, No.3 of 2009 or such other directions that shall repeal and replace the said directions from time to time.

(2) The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the relevant establishment with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction:

(a) A subsidiary of the relevant establishment;

(b) Any associate company of the relevant establishment;

(c) A director of the relevant establishment;

(d) A key management personnel of the relevant establishment;

(e) A relative of a director or a key management personnel of the relevant establishment;

(f) A shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment;

(g) A concern in which a director of the relevant establishment or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment, has substantial interest.
(3) The transactions with a related party that are covered in this Direction shall be the following:

(a) Granting accommodation,
(b) Creating liabilities to the relevant establishment in the form of borrowings and investments,
(c) providing financial or non-financial services to the relevant establishment or obtaining those services from the relevant establishment,
(d) creating or maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.

(4) The Board shall ensure that the relevant establishment does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to an unrelated comparable counterparty of the relevant establishment. For the purpose of this paragraph, “more favourable treatment” shall mean:

(a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the relevant establishment’s regulatory capital, as determined by the Board.

The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the relevant establishment’s share capital and debt instruments with a remaining maturity of 5 years.

(b) Charging a rate of interest lower than the relevant establishment’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;

(c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;

(d) Providing or obtaining services to or from a related-party without a proper evaluation procedure;

(e) Maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.

10. Disclosures

(1) The Board shall ensure that annual audited financial statements and periodical financial statements are prepared and published in accordance with the requirements of the regulatory and supervisory authorities and applicable accounting standards.

(2) The Board shall ensure that at least the following disclosures are made in the Annual Report:

(a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.

(b) A report by the Board on the relevant establishment’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.

(c) The external auditor’s certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after 01 January 2011.

(d) Details of directors, including names, transactions with the relevant establishment.

(e) Fees/remuneration paid by the relevant establishment to the directors in aggregate, in the Annual Reports published after January 01, 2011.
(f) Total net accommodation as defined in paragraph 9(7) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage capital funds of the relevant establishment.

(g) The aggregate values of remuneration paid by the relevant establishment to its key management personnel and the aggregate values of the transactions of the relevant establishment with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and borrowing though debt instruments or investments made in the relevant establishment.

(h) A report setting out the details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.

(i) The external auditor’s certification of the compliance with the Act and directions issued by the Director of Department of Supervision of Non-Bank Financial Institutions in the annual corporate governance reports published after January 01, 2012.

11. Transitional provisions

(1) If the number of directors on the Board of a relevant establishment is either less than 5 or exceed 9, such relevant establishment shall comply with paragraph 4(1) hereof, within three years from 01.01.2010.

(2) If the number of executive directors in a relevant establishment is more than one half of the number of directors of the Board, the Board shall expressly identify the excess executive directors and inform the names of such excess executive directors to the Director of the Department of Supervision of Non-Bank Financial Institutions within three months from 01.01.2010. On the expiry of three years commencing 01.01.2010, such excess executive directors shall not be considered as members of the Board.

(3) The following transitional provision shall apply to the 9-year retirement requirement imposed under paragraph 4(2) of this Direction:

A director who has completed nine years as at January 01, 2010 or who completes such term at any time prior to December 31, 2010, may continue for a further maximum period of 3 years commencing January 01, 2010.

(4) The following transitional provision shall apply to the maximum age limit imposed under paragraph 5(1) of this Direction:

A director who has reached the age of 70 years as at January 01, 2010 or who would reach the age of 70 years prior to December 31, 2010, may continue in office for a further maximum period of three years commencing January 01, 2010.

(5) The following transitional provision shall apply to the maximum 20 company directorship limitation imposed under paragraph 5(2) of this Direction:

If any person holds posts of director in excess of the limitation given in paragraph 5(2), such person shall within a period of three years from January 01, 2010, comply with the limitation and notify the Director of the Department of Supervision of Non-Bank Financial Institutions accordingly.

(6) If the Director of the Department of Supervision of Non-Bank Financial Institutions considers that exemptions referred to in sub-paragraphs 11(3), 11(4) and 11(5) should not be availed of for a person for any reason such as ill health or legal or personal incapacity of such person, such reason may be notified to such person by the Director of the Department of Supervision of Non-Bank Financial Institutions, and after a hearing, the Director of the Department of Supervision of Non-Bank Financial Institutions may limit the period of exemption.
12. Definitions

(1) “Act” shall mean the Finance Leasing Act, No.56 of 2000.

(2) “accommodation” shall have the same meaning as contained in the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No.2 of 2006.

(3) “relative” shall mean the spouse and dependent child of an individual.

(4) “key management personnel” are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

(5) “substantial interest”

(i) in relation to a company means the holding of a beneficial interest by another company or an individual or his relative whether singly or taken together, in the shares thereof the paid up value of which exceeds one million rupees or ten per centum of the paid up capital of the company, whichever is less or the existence of guarantee or indemnity given by an individual or his relative or by another company on behalf of such company;

(ii) in relation to a firm means the holding of a beneficial interest in the capital thereof by an individual or his relative which singly or take together represents more than ten per centum of the total capital subscribed by all partners of that firm or the existence of a guarantee or indemnity given by an individual or his or her spouse or parent or child on behalf of such firm.

(6) “Associate company” when used in relation to a relevant establishment shall mean a company in which the relevant establishment holds not less than 20 per centum and not more than 50 per centum of the paid up ordinary share capital of the investee company.

(7) “body corporate” means a person incorporate under the laws of Sri Lanka or any other foreign country.

(8) “Society” mean shall have the meaning assigned to it in the Societies Ordinance, No. 16 of 1891.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (ASSESSMENT OF FITNESS AND PROPRIETY OF ALL DIRECTORS ON THE BOARD AND OFFICERS PERFORMING EXECUTIVE FUNCTIONS)
DIRECTION No. 3 OF 2012

In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred to as “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 ‘specialised leasing companies’) for the purpose of ensuring that such specialised leasing companies maintain efficient standards in carrying out their business operations.

Fitness and Propriety of all directors on the board and officers performing executive functions is a key requirement to ensure good governance and effective risk management in the specialised leasing companies and thereby to promote stability in the financial system. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Assessment of Fitness and Propriety of all Directors on the Board and Officers performing executive functions) Direction No. 3 of 2012 and shall apply to every specialised leasing company from the date of this direction.

1. No person shall be appointed as a director of a specialised leasing company, or as an officer performing executive functions (hereinafter referred to as “officer”) in such company unless such person is a fit and proper person to hold office as a director or an officer in terms of the provisions of this Direction.

2. In assessing the fitness and propriety of a person for the purpose of section 1 above, the following matters shall be considered by the Director:

   (a) that such person possesses academic or professional qualifications or effective experience, in banking, finance, business, administration or of any other relevant discipline;

   (b) that such person is not being subjected to any investigation or inquiry involving fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, Commission of Inquiry, tribunal or other body established by law, in Sri Lanka or abroad;

   (c) that such person has not been found guilty in respect of an act of fraud, deceit, dishonesty or other similar criminal activity, by any court of law, regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, at any time during the period of fifteen years immediately prior to being so appointed or elected;

   (d) that such person has 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 such person has committed or has been connected with the commission of any act which involves fraud, deceit, dishonesty, improper conduct or non-compliance with provisions of any Statute or rules, regulations, directions or determinations issued thereunder;

   (e) that such person has been convicted in any court in Sri Lanka or abroad for an offence involving moral turpitude;
(f) (i) that such person is being subject to court proceedings for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;

(ii) that such person has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity at any time during the period of fifteen years immediately prior to being so appointed or elected;

(g) that such person has not been declared insolvent or declared bankrupt in Sri Lanka or abroad;

(h) that such person has not failed to satisfy any judgment or order of any court whether in Sri Lanka or abroad, or to repay a debt;

(i) that such person has not been declared by a court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind;

(j) that such person has not been convicted by any court for any offence under the Finance Business Act, No.42 of 2011 or the Companies Act, No.07 of 2007 or Banking Act, No.30 of 1988;

(k) (i) that such person is not a person against whom action has been taken by the Monetary Board of the Central Bank of Sri Lanka under section 51 of the Finance Business Act, No.42 of 2011;

(ii) that such person has not been determined by the Monetary Board as having carried on finance business or accepted deposits in contravention of section 2 of the Finance Business Act, No.42 of 2011 or has been a director, chief executive officer or held any other position of authority in any body corporate or unincorporated body which the Monetary Board has determined as having carried on finance business or accepted deposits in contravention of section 2 of the Finance Business Act, No.42 of 2011;

(l) that such person has not been removed or suspended by a regulatory or supervisory authority from serving as a Director, chief executive officer or other officer or an employee in any bank, finance company, specialised leasing company or a corporate body in Sri Lanka or abroad;

(m) that such person has not been a Director, chief executive officer or held any other position of authority in any bank, finance company, specialised leasing company or 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.

2.2 In addition, criteria set out in section 5 of the Direction, No. 4 of 2009 on Corporate Governance for Specialised Leasing Companies shall also be applicable for all directors on the board.

3.1 Every specialised leasing company shall obtain from respective directors or officers selected for appointment an affidavit and declaration as in Annex I and II and submit to the Director, seeking approval for appointment.

Procedure to be followed in assessing the fitness and propriety.
3.2 In addition to 3.1, a letter from the institution/company in which such director or officer held office immediately preceding the appointment regarding the level of performance of duties assigned to him/her in the particular institution shall be submitted to Director.

3.3 With respect to existing Directors and officers, specialised leasing companies shall obtain affidavits and declarations as in Annex I and II respectively, and submit to the Director within thirty days of this Direction.

3.4 In respect of every continuing Director, a specialised leasing company shall obtain and submit affidavits and declarations to Director annually before the Annual General Meeting of the respective specialised leasing company if such Directors are nominated for re-appointment.

4.1 The Director may, having regard to the matters specified in section 2 of this Direction, approve or refuse to approve the appointment or continuation as the case may be as a director or an officer of a specialised leasing company.

4.2 The Director shall notify the specialised leasing company of such approval or refusal giving reasons therefor and it shall be the duty of the specialised leasing company to communicate such notification to the Director or the officer concerned and implement same.

5. Where the Director, having regard to the matters specified in section 2 of this Direction, is satisfied at any time that a person appointed or continued is not fit and proper as a Director or an officer for continuation, may determine that the person is not fit and proper to be a Director or an officer of a specialised leasing company and the section 4.2 above shall be applicable thereafter.

6.1 Every specialised leasing company shall notify the Director of any reasonable suspicions or findings to the effect that any Director or an officer is not a fit and proper person to hold office in the respective specialised leasing company within fourteen days of it being aware of such suspicion or findings.

6.2 If circumstances vary, change, render invalid, make inapplicable or falsify the information contained in an affidavit or declaration submitted by a director or an officer, such person shall, within fourteen days, notify the Director.

7.1 A person aggrieved by the refusal or determination of the Director under sections 4.1 or 5 of this Direction may within fourteen days of receipt of the communication sent by the specialised leasing company make an appeal giving reasons in writing in justifiable manner to the Monetary Board of the Central Bank of Sri Lanka.

7.2 The Monetary Board may, after considering reasons given by the Director and the appeal of the aggrieved party, decide either to confirm or over-rule the refusal/determination made by the Director.

8. In this Direction, unless the context otherwise requires:–

(a) “Act” shall mean the Finance Leasing Act, No.56 of 2000.

(b) “Date of receipt” of any document under this Direction shall be, if sent via facsimile, electronic mail or hand delivery: on the same day of dispatch; if sent via registered post: on the expiry of 3 working days from the date of dispatch. For the purposes of clarity, if a document has been dispatched on more than one delivery method, the time of delivery of the most expeditious method shall be considered.
(c) “Officers performing executive functions” in a specialised leasing company are as follows:

(i) Chief Executive Officer/General Manager  
(ii) Additional General Manager  
(iii) Senior Deputy General Manager  
(iv) Deputy General Manager  
(v) Assistant General Manager  
(vi) Chief Operating Officer  
(vii) Chief Risk Officer  
(viii) Chief Accountant  
(ix) Chief Financial Officer  
(x) Chief Internal Auditor  
(xi) Compliance Officer  
(xii) Head of Treasury  
(xiii) Head of Legal  
(xiv) Head of Information Technology  
(xv) Head of Marketing  
(xvi) Company Secretary  
(xvii) Officers serving as consultants or advisors to the board of Directors of the specialised leasing company.  
(xviii) Any other officer within the meaning of “key management personnel” as stated in the Finance Leasing (Corporate Governance), Direction No.04 of 2009.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
Annex I

Name of Specialised Leasing Company: .................................................................

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 state](a) as follows :

1. I am the [affirmant / deponent] above named and (I am / I have been selected for appointment as)

............................................ (designation) of ............................................................ (name of the specialised leasing company):

2. I [affirm / state] that I possess the following academic and / or professional qualification/s in banking, finance, business, administration or of any other relevant discipline:

3. I [affirm / state] that the effective experience that I possess in banking, finance, business, administration or of any other relevant discipline is as follows:

4. I [affirm / state] that I am not subjected to any disqualifications given under Section 2.1 and 2.2(b) of the Finance Leasing (Assessment of Fitness and Propriety of all Directors on the Board and Officers Performing Executive Functions) Directions No. 3 of 2012.

The averments contained herein were read over to the [affirmant / deponent] who having understood the contents thereof and having accepted same as true, affirmed / swore to and placed his / her signature at

................................. on this

................................. day of

.................................

Affix Stamps as applicable

Before me

JUSTICE OF THE PEACE /
COMMISSIONER FOR OATHS

(a) Delete the inapplicable words- Buddhist, Hindu, Muslims and any persons who is not a Christian or a Catholic should solemnly sincerely and truly declare and affirm. Christians and Catholic should make oath and state.

(b) Section 2.2 of the Direction shall be applicable only for all directors on the Board/Directors selected for appointment to the Board.
Name of Specialised Leasing Company : .................................................................

DECLARATION

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 the Specialised Leasing Company
   2.1 Date of appointment to the board / present position:
      (please attach a certified copy of the appointment letter in the case of an officer performing executive functions):
      ..........................................................................................................................
   2.2 Designation : .................................................................................................
   2.3 Local or expatriate : ......................................................................................
   2.4 Annual remuneration (with details): ...............................................................  
   2.5 Annual value of benefits derived by Director or officer performing executive functions 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(e)
   3.1 Full name of spouse : ...................................................................................
   3.2 National Identity Card Number : ..................................................................
   3.3 Passport Number: ........................................................................................
   3.4 Details of dependant children : ....................................................................

<table>
<thead>
<tr>
<th>Full name</th>
<th>NIC No.</th>
<th>Passport No.</th>
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<tbody>
<tr>
<td>3.4.1</td>
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<td>3.4.2</td>
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<td>3.4.3</td>
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</tbody>
</table>

(c) Relative – In relation to a director means spouse or dependent child of such director.
4. Background and Experience

Name/s of specialised leasing company/ies or licensed finance company/ies or licensed bank/s, if any, in which he/she is or has been a Director or has been employed as an officer performing executive functions:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Period of office</th>
<th>Designation</th>
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</table>

5. Shareholdings in Specialised Leasing Companies and their Related Companies

Share ownerships in specialised leasing companies, their subsidiaries and associates, if any, presently held:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>No. of shares</th>
<th>Percentage holding</th>
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</table>

6. Business Transactions(d)

Any business transaction the Director or officer performing executive functions presently has with the specialised leasing company, its subsidiaries or associates if any.

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Date of transaction</th>
<th>Amount as at ………………… (Rs. mn)</th>
<th>Classification (performing/ non-performing)</th>
<th>Type and value of collateral (Rs. mn)</th>
<th>% of the specialised leasing company’s Capital Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Limit</td>
<td>Out-standing</td>
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<td></td>
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<tr>
<td>Loans and such other accommodation obtained from the specialised leasing company</td>
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<tr>
<td>Loans and such other accommodation obtained from subsidiaries and associates of specialised leasing company</td>
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<tr>
<td>Investments (Promissory Notes / Commercial Paper etc.) made with the specialised leasing company</td>
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<tr>
<td>Investments (Promissory Notes / Commercial Paper etc.) made with subsidiaries and associates of specialised leasing company</td>
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<tr>
<td>Deposits made with subsidiaries and associates of specialised leasing company</td>
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</table>

(d) “Business transaction” shall mean any accommodations, investments in debt instruments and deposits.
7. Appointments, Shareholdings and Business Transactions of Relatives

7.1 Any relative/s presently employed as a Director or an officer performing executive functions in any specialised leasing company.

<table>
<thead>
<tr>
<th>Name of the specialised leasing company</th>
<th>Full name of the relative</th>
<th>Relationship</th>
<th>Position held</th>
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</table>

7.2 Direct or indirect share ownership in the specialised leasing company, if any, presently held by any relative.

<table>
<thead>
<tr>
<th>Full name of the relative</th>
<th>No. of Shares</th>
<th>Percentage holding</th>
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<tbody>
<tr>
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<td>Direct</td>
<td>Indirect</td>
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</tbody>
</table>

7.3 Any business transaction, a relative currently has with the specialised leasing company, if any.

<table>
<thead>
<tr>
<th>Full Name of the relative</th>
<th>Nature of business transaction</th>
<th>Date of transaction</th>
<th>Limit as at .......... (Rs.mn)</th>
<th>Outstanding as at ........ (Rs.mn)</th>
<th>Type and value of collateral (Rs. mn)</th>
<th>% of specialised leasing company’s paid-up capital</th>
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8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the Director or officer performing executive functions in the specialised leasing company.

DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the specialised leasing company and the Director, Department of Supervision of Non-Bank Financial 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 or Officer Performing Executive Functions in the Specialised Leasing Company / Director or Officer performing executive function selected for appointment

( 237 )
TO BE COMPLETED BY THE CHIEF EXECUTIVE OFFICER WITH REFERENCE TO OFFICERS PERFORMING EXECUTIVE FUNCTIONS / PERSONS SELECTED FOR APPOINTMENT

Additional explanation / information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing executive functions in the specialised leasing company.

Date: ………………

Signature of the Chief Executive Officer
and the official stamp

TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS WITH REFERENCE TO THE CHIEF EXECUTIVE OFFICER

Any other explanation / information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing the function of the chief executive officer.

Date: ………………

Signature of the Chairman of the Board of Directors
1. In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “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 “specialised leasing companies”), and shall come into operation from the date of this Direction.

2. Paragraph 5 of the Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 is amended hereby as follows:

By repeal of subparagraph (2) thereof and the substitution therefor, the following:

A director of a relevant establishment shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the relevant establishment.

3. Paragraph 10 of the Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 is amended hereby as follows:

(1) By repeal of subparagraph 2(b) thereof and the substitution therefor, the following:

A report by the Board on the relevant establishment’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

(2) By repeal of subparagraph 2(c) thereof and the substitution therefor, the following:

The external auditor’s certification on the effectiveness of the internal control mechanism referred to in subparagraph (2)(b) above, in respect of any statements prepared or published from the date of this Direction.

(3) By repeal of subparagraph 2(i) thereof and the substitution therefor, the following:

The external auditor’s certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (REPORTING REQUIREMENTS)
DIRECTION No. 2 OF 2010

Citation.

1. This Direction may be cited as the Finance Leasing (Reporting Requirements) Direction No.2 of 2010 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000, (hereinafter referred to as ‘specialised leasing company’) with immediate effect.

2. Every specialised leasing company shall submit information in the following periodical returns to the Director through the web-based data transmission system provided by the Central Bank Financial Information System by the due dates specified.

<table>
<thead>
<tr>
<th>Return</th>
<th>Periodicity</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBL-MF-01-SB (Statements of Borrowings)</td>
<td>Monthly</td>
<td>By 7&lt;sup&gt;th&lt;/sup&gt; of the following month</td>
</tr>
<tr>
<td>NBL-MF-02-PL (Profit &amp; Loss)</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>NBL- MF-03-BS (Balance Sheet)</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-04-MG (Maturity Gap Analysis)</td>
<td>Quarterly</td>
<td>By 15&lt;sup&gt;th&lt;/sup&gt; of the following month</td>
</tr>
<tr>
<td>NBL-QF-05-CA (Classification of Accommodations)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-06-AG (Accommodations Granted &amp; Outstanding)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-07-AD (Accommodations Granted to Directors, Holding/Subsidiary companies)</td>
<td>Monthly</td>
<td>Within 7 days from the date of granting</td>
</tr>
<tr>
<td>NBL-QF-08-AI (Repossessed Assets)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-09-SA (Sector wise Credit Exposure)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-10-AR [Accommodations (repaid in fixed ins. arrears 3 months or more]</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-11-AC [Accommodations (not repaid in fixed ins. arrears 3 months or more]</td>
<td>Quarterly</td>
<td>By 15&lt;sup&gt;th&lt;/sup&gt; of the following month</td>
</tr>
<tr>
<td>NBL-QF-12-OL (Operating Leases in arrears for 3 months or more)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-MF-14-AG (Accommodations granted &amp; outstanding in excess of 10% of capital funds)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>Audited Financial Statements (Balance Sheet /Profit &amp; Loss Account)</td>
<td>Annually</td>
<td>Within six months after the end of each financial year (by 30&lt;sup&gt;th&lt;/sup&gt; September)</td>
</tr>
<tr>
<td>A certified copy of the auditor’s confidential letter to the Board of Directors of the company</td>
<td>Annually</td>
<td></td>
</tr>
</tbody>
</table>
3. The time periods and the format numbers relating to submission of information stated in following Directions and instructions issued under the Act are hereby repealed.

   (a) Paragraph 8 and 9 of the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006.

   (b) Paragraph 5 and 7 of the Finance Leasing (Single Borrower Limit) Direction No. 3 of 2006.

   (c) Paragraph 5 of the Finance Leasing (Gearing Ratio) Direction No. 4 of 2006.

   (d) Paragraph 2 of Instructions given by the letter issued by the Director dated 07.06.2007 (reference No 24/07/0002/0004/002)

4. Finance Leasing (Financial Statements) Direction No. 6 of 2006 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
All SLCs

Dear Sir / Madam,

INFORMATION REQUIRED FROM REGISTERED FINANCE LEASING ESTABLISHMENTS

We shall be thankful if you could make necessary arrangements to furnish us information on finance leasing and hire purchase facilities provided by your company and the gap analysis of assets and liabilities, as per the formats (SNBFI/FLA/2007/01, SNBFI/FLA/2007/03 respectively) annexed hereto, on a quarterly basis, commencing the quarter ended 31.12.2006.

You are kindly requested to submit to us the returns for the quarters ended 31.12.2006 and 31.03.2007, on or before 22.06.2007. Thereafter, the quarterly statements should reach this department within one month from the end of each quarter.

We also wish to inform that you are no longer required to submit the Format No. SNBFI/FL/03/08 as required by our letter dated 29.05.2006.

Yours faithfully

Director
Quarterly Statement of Accommodations

(Name of the Registered Finance Leasing Establishment)

For the Quarter ended ........../........../ 20...... (Rs. 000)

<table>
<thead>
<tr>
<th>Description</th>
<th>Finance Leases</th>
<th>Hire Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Granted during the quarter</td>
<td>Total outstanding as at end of quarter</td>
</tr>
<tr>
<td></td>
<td>Motor vehicles</td>
<td>Others</td>
</tr>
<tr>
<td>1. Purposewise breakdown of accommodations granted &amp; outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td></td>
<td></td>
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<tr>
<td>Agriculture</td>
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<tr>
<td>Trade</td>
<td></td>
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<tr>
<td>Transport</td>
<td></td>
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<tr>
<td>Public transport</td>
<td></td>
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<tr>
<td>Private transport</td>
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<td>Goods transport</td>
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<td>Construction</td>
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<td>Services</td>
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<tr>
<td>Personal use</td>
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<tr>
<td>Others</td>
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<tr>
<td>Total</td>
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<tr>
<td>2. Equipmentwise breakdown of accommodations granted &amp; outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td></td>
<td></td>
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<tr>
<td>Machinery</td>
<td></td>
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<tr>
<td>Office equipment</td>
<td></td>
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<tr>
<td>Computers – software / hardware</td>
<td></td>
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<tr>
<td>Others</td>
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<tr>
<td>Total</td>
<td></td>
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<tr>
<td>3. Total Accommodations *</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted during the quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total outstanding as at end of quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Do you think that there is potential for further expansion in the leasing sector? Yes / No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the answer is ‘Yes’, please give details of the purpose / sectors / particular areas which have potential.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the answer is ‘No’, please give reasons.</td>
<td></td>
<td></td>
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<tr>
<td>5. Do you have credit lines which provide refinancing for any particular sector / purpose? Yes / No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the answer is ‘Yes’, please give details</td>
<td></td>
<td></td>
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</tbody>
</table>

* Total accommodations should include all types of financial facilities provided as loans, finance leases, hire purchase, operating lease, factoring, redeemable cumulative preference shares, bonds, debentures, securitisation, pro notes / commercial paper and inter co. credit.

Date: ......................

Name and Signature of CEO / Authorized Officer

( 243 )
Statement of Maturity Analysis of Assets and Liabilities as at …/…../2007

(Rs. '000)

<table>
<thead>
<tr>
<th>Assets / Liabilities</th>
<th>Maturity period</th>
<th>Less than 3 Months</th>
<th>3-12 Months</th>
<th>12-36 Months</th>
<th>36-60 Months</th>
<th>More than 60 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Interest earning assets</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Investments in Govt. securities</td>
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<tr>
<td>Fixed deposits and savings deposits with banks / finance companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>(b) Loans &amp; Advances net of provisions</td>
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<tr>
<td>Leasing</td>
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<td>Hire Purchase</td>
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<tr>
<td>Loans to real estate/housing</td>
<td></td>
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<tr>
<td>Other loans (pl. specify)</td>
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<td>(c) Non-interest earning assets</td>
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<td>Cash and bank balances</td>
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<td>(d) Investments in</td>
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<td>Subsidiary companies</td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Associate companies</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Dealing securities</td>
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<td></td>
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<td></td>
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<tr>
<td>Debentures/Commercial paper</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Stocks (vehicles/real estates/machneries etc.)</td>
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<td></td>
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<td></td>
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<tr>
<td>(e) Fixed Assets</td>
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<td></td>
</tr>
<tr>
<td>(f) Other Assets (pl. specify)</td>
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</tr>
</tbody>
</table>

Total Assets

(a) Interest bearing liabilities

Bank overdrafts

Bank loans(excluding overdrafts)

Redeemable preference shares

Debentures

Other borrowings (pl. specify)

(b) Non-interest bearing liabilities

Amount due to subsidiaries/associates

Other liabilities (pl. specify)

(e) Shareholders funds (excluding redeembale preference shares)

Total Liabilities

Please state briefly the arrangements such as credit lines, if any, to meet liquidity deficit in the event of negative gap in short term assets and liabilities.

Date : …………………

Name and Signature of CEO / Authorized Officer

(244)
Ref No. : 24/07/002/0006/002

To : All SLCs, RFCs, LCBs and LSBs

Dear Sir / Madam,

COLLECTION OF INFORMATION FOR THE FACTS BOOK AS AT …………

We shall be thankful if you will furnish us information for the Facts Book Sheet with the latest available information with financial data, as per the attached format on a quarterly basis, commencing the quarter ended 30.06.2007.

You are kindly requested to send the information for the quarter ended 30th June, 2007 on or before the 27th of July, 2007. Thereafter, the Facts Book Sheet should reach this department within one month from the end of each quarter. Any changes in respect of name of the company, composition of Board of Directors, Chief Executive Officer, Chairman and address of business place, should be communicated to us within seven days from the date of such change.

Yours faithfully,

Director
### Fact Sheet Revision as at …………….

<p>| | | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Name of Company</td>
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</tr>
<tr>
<td>2.</td>
<td>(a) Date of Incorporation</td>
<td>(b) Registration Number</td>
<td>(c) No. allocated under the new Companies Act</td>
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<tr>
<td>3.</td>
<td>Date of Commencement of Business</td>
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<tr>
<td>4.</td>
<td>Registered Address</td>
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<td></td>
</tr>
<tr>
<td>5.</td>
<td>Head Office Address</td>
<td>Telephone</td>
<td></td>
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<td></td>
<td></td>
<td>Fax</td>
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<td></td>
<td></td>
<td>E-Mail</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Web Site</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Secretary of Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Location of Branches</td>
<td></td>
<td></td>
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<tr>
<td>8.</td>
<td>Name of (If any) Parent Co.</td>
<td>% Shares Holding</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary Co(s).</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Associate Co(s).</td>
<td></td>
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</tr>
<tr>
<td>9.</td>
<td>Financial Year ends on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Name of Auditor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Name(s) of Banker(s)</td>
<td></td>
<td></td>
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<tr>
<td>12.</td>
<td>Date of Listing on CSE (if Listed)</td>
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<tr>
<td>13.</td>
<td>Credit Rating (if Rated)</td>
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<tr>
<td>14.</td>
<td>Date of Registration under Finance Leasing Act</td>
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<tr>
<td>15.</td>
<td>Stated Capital as at ……………. Rs.</td>
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<tr>
<td>16.</td>
<td>Issued Capital as at ……………. Rs.</td>
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<td></td>
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<tr>
<td>17.</td>
<td>Paid up Capital as at ……………. Class of Shares Number of Shareholders</td>
<td>Ordinary – Voting</td>
<td>Rs. :</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preference</td>
<td>Rs. :</td>
</tr>
<tr>
<td>18.</td>
<td>Reserve Funds as at ……………. Rs.</td>
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<td></td>
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<tr>
<td>19.</td>
<td>Retained Profits as at ……………. Rs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Ten Largest Shareholders (Voting Shares) Latest Name No. of Shares % of Issued Capital</td>
<td></td>
<td></td>
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<td>10</td>
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<tr>
<td></td>
<td>Total of the Ten Largest Shareholders</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>21.</td>
<td>Board of Directors (Full Name) Latest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Audit Committee – Names of members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23.</td>
<td>Loan / Credit Committee – Names</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24.</td>
<td>No. of Staff as at …………….</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial data (Rs,000') as at latest quarter ended …………….</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25.</td>
<td>Total Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26.</td>
<td>Total Accommodations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27.</td>
<td>Investments</td>
<td></td>
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<tr>
<td>28.</td>
<td>Total Borrowings</td>
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<td></td>
</tr>
<tr>
<td>29.</td>
<td>Core Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30.</td>
<td>Shareholders Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.</td>
<td>Key Ratios as at ……………. (a) Gearing (Times) (b) Total Advances to Total Assets (c) Return on Equity (d) Return on Assets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Contact Details of Key Persons

<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chairman</td>
<td>Name</td>
</tr>
<tr>
<td>2.</td>
<td>Deputy Chairman</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Managing Director</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Chief Executive Officer</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Compliance Officer</td>
<td></td>
</tr>
</tbody>
</table>
To : Panel of External Auditors

Dear Sir / Madam,

Panel of External Auditors for Non-Bank Financial Institutions
Licensed by the Central Bank of Sri Lanka

Further, to the letter sent on 23.10.2012 by the Department of Supervision of Non-Bank Financial Institutions, we submit herewith the guidelines approved by the Monetary Board of Central Bank of Sri Lanka for the Panel of External Auditors for Non-Bank Financial Institutions to be effective from 01.01.2013. These guidelines have been issued for the purpose of ensuring efficient standards and uniform conduct of audits.

i. Guidelines at Annex I – for audits of Licensed Finance Companies, and,


Yours faithfully,

Director

Encl.
Guidelines for the Panel of External Auditors of Specialised Leasing Companies

The Central Bank of Sri Lanka, as the supervisory authority of Specialised Leasing Companies (hereafter referred to as non-bank financial institutions in this guideline) in Sri Lanka, is vested with the responsibility of ensuring that the external audits are conducted satisfactorily to ensure efficient standards in the conduct of operations of non-bank financial institutions. Accordingly, external auditors of non-bank financial institutions in Sri Lanka are informed of the following guidelines which have been formulated in recognition of the fact that external auditors are responsible to express an opinion on the financial statements based on conclusions drawn from the audit evidence obtained. The Central Bank of Sri Lanka is of the view that these guidelines would require the external auditors to expand the scope of their audit work. Detailed operational guidelines to the external auditors are as follows and all aspects should be adequately covered in the audit.

1. Audit objective
   The overall audit objective should always ensure that the financial statements give a true and fair view of the state of the non-bank financial institution’s affairs at a given date and of the financial performance for the year ended, and comply with statutory and other relevant requirements in relation to presentation and disclosures of financial statements.

2. Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and guidelines issued by Securities and Exchange Commission of Sri Lanka
   These guidelines are supplementary to and should be read in conjunction with the currently applicable Sri Lanka Accounting Standards and guidelines for appointment of the external auditors of listed companies issued by Securities and Exchange Commission of Sri Lanka, in preparing their report on the financial statements.

3. Regular communication with the Central Bank
   External auditors shall meet the Central Bank of Sri Lanka to clarify their audit opinion if requested in an event where the regulator needs further clarifications on the audit opinion, audit findings or audit scope.

4. Audit partner duration and re-appointment
   As per the Finance Leasing (Corporate Governance) Direction No.4 of 2008, the engagement of an audit partner with a non-bank financial institution shall not exceed five years, and the particular audit partner is not re-engaged for the audit before expiry of three years from the date of the completion of the previous term.

5. Resources and proficiency of the external auditors
   It is paramount that the external auditors of non-bank financial institutions undertake an audit engagement only after considering their own competences and the adequacy of their resources (including relevant experience) to carry out their duties. In assessing their competences and resources, the external auditors should be aware of the type and range of the non-bank financial institutional activities and the nature of its systems.

6. Scope of audit
   The external auditors are required to ensure that the accounting and other records of non-bank financial institution meet the Sri Lanka Auditing Standards and the functions of the company are conducted in accordance with regulatory requirements issued by the Central Bank of Sri Lanka.

7. Planning the audit
   At the planning stage, the external auditors should establish an overall strategy for the audit, develop an audit plan and reduce audit risk to an acceptably low level. Accordingly, the external auditors are required to consider the following during the planning stage;
   
   a. Nature of the business and what it does
   b. Information system used in the business
   c. The legal framework in which the company operates
   d. The audit risk
   e. Identification of key audit areas, where there is a high risk
   f. The adequacy and scope of the internal audit function
   g. Timing and nature of the audit work
   h. The staff allocation and experience
   i. The Central Bank directions/guidelines/determinations/rules and there levels of compliance
   j. Any formal correspondence including letters, on-site examination reports and circulars between the Central Bank of Sri Lanka and the non-bank financial institutions.
8. Compliance/accuracy with all the regulatory requirements issued by the Central Bank of Sri Lanka

The external auditors, in performing their statutory duties under the Finance Leasing Act, No.56 of 2000, in recognizing the dependence of the Central Bank on prudential returns and other information submitted by the non-bank financial institutions, shall ensure that non-bank financial institutions conduct its functions in accordance with all the rules and directions issued by the Central Bank of Sri Lanka and accuracy of such information.

9. Internal control systems

A system of internal controls in a non-bank financial institution is defined as; ‘the whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.’

In evaluating the adequacy of internal control systems in a non-bank financial institution, the external auditors are required to assess the internal control systems only to the extent that they wish to place reliance on those systems in arriving at their opinion as to whether the financial statements give a true and fair view. A careful evaluation of the systems, which include computer based accounting systems, information systems and their relationship with the risk of material misstatement in the financial statements, will be essential.

10. Review of the financial statements

a. When reviewing the financial statements of the non-bank financial institution, the external auditors should carry out such a review of the financial statement in conjunction with the conclusions drawn from the audit evidences obtained, in order to express a reasonable basis for an opinion on the financial statements.

b. The external auditors should consider whether the financial statements comply with relevant statutory requirements in relation to presentation and disclosure of financial statements and whether the accounting policies adopted will enable them to express an unqualified opinion on the financial statements.

11. Branch audits

The external auditors approach to branch audits will principally be determined by the degree of Head Office control over the business and accounting functions at each branch and by the scope and effectiveness of the non-bank financial institution’s inspection and/or internal audit visits. The following need to be considered during branch audits;

a. The extent and impact of visits of the regulator

b. Materiality and risks associated with the branch operation

c. Obtain reasonable assurance that the systems of control over branches are operating satisfactorily when the branch accounting records are centralized.

12. Auditor Independence

The audit partners, senior management of the audit firm or their immediate family members and financial dependents should take all possible measures to ensure independency and should not have any conflict of interest with the non-bank financial institution, the parent of the non-bank financial institution, the subsidiaries, the associates of the non-bank financial institution and shareholders.

For the purpose of this section,

• “Senior management of the audit firm” means partners, managers and consultants in charge of audits

• “Immediate family” means parents, spouse and dependent children.

13. Non-audit services

External auditors shall not undertake any consultancy or other non-audit services with a non-bank financial institution during the same financial year in which the audit is carried out. The restricted non-audit services are:

a. Book keeping or other services related to the accounting records or financial statements of the audit client

b. Financial information systems design and implementation

c. Appraisal or valuation services, fairness opinion, or contribution in-kind reports

d. Actuarial services

e. Internal audit outsourcing services

f. Management functions, human resources and payroll services

g. Broker or dealer, investment adviser, or investment services: and

h. Legal Services and expert services related to the audit

This restriction also applies to non-audit services provided by audit firms where a partner of such audit firm is a director or has an equity stake in the non-bank financial institution during the same financial year in which the audit is carried out.
14. Management letter
The external auditors are requested to submit the finalized management letter agreed with the management of the non-bank financial institution to the Central Bank within six months of the end of the financial year. If the external auditors are unable to finalize the management letter, they should submit an interim report with their major findings/concerns within the said period.

15. Delisting of the audit firm from the panel of external auditors
   a. The Institute of Chartered Accountants of Sri Lanka should inform the Director of the Department of Supervision of Non-Bank Financial Institutions in the event an appointed external auditor breaches any of the following fundamental principles as defined in the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.
      i. Integrity
      ii. Objectivity
      iii. Professional competence and due care
      iv. Confidentiality
      v. Professional behaviour
   b. In an event where the external auditors are found to have failed to perform their duties to the satisfaction of the Director of Department of Supervision of Non-Bank Financial Institutions in terms of expressing their independent opinion on a timely manner and reflecting the true and fair view of the overall financial condition of non-bank financial institutions, the matter will be referred to the Institute of Chartered Accountants of Sri Lanka to assess the extent of non-compliance with the Sri Lanka Auditing Standards and a report will be issued by the Council of the Institute of Chartered Accountants of Sri Lanka by conducting a rigorous review on the matter. Based on the report, if non-compliances have been identified the practitioner may be removed from the panel of external auditors of the non-bank financial institutions, after obtaining approval of the Monetary Board.
Part III
Common Instructions and Guidelines
To: All Chief Executive Officers of Registered Finance Companies and Specialised Leasing Companies

Dear Sir/Madam,

Guidelines on the Operations of the Investment Fund Account

We enclose the Guidelines on the establishment and operations of the Investment Fund Account proposed in the Budget 2011, for compliance.

Yours faithfully,

Director

Encl;

Guidelines to Registered Finance Companies and Specialised Leasing Companies on the Operations of the Investment Fund Account proposed in the 2011 Budget

1. Establishment of an Investment Fund Account (IFA)
   As proposed in Budget 2011, every person or partnership who is in the business of banking or financial services, is required to establish and operate an IFA.

2. Initial Credits to IFA
   As and when taxes are paid after 1 January 2011, Registered Finance Companies (RFCs) and Specialised Leasing Companies (SLCs) shall transfer the following funds to the IFA and build a permanent fund in the RFC/SLC;
   (i) 8 per cent of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.
   (ii) 5 per cent of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payments of tax.

3. Utilization of Funds
   3.1 RFCs & SLCs shall commence utilization of funds in the IFA in the following manner within three months from the date of transfer to the IFA;
   (i) Invest in long-term Government securities and/or bonds with maturities not less than seven years.
   (ii) Lend on maturities not less than five years at interest rates not exceeding 5-year Treasury bond rates plus 2 per cent.
(iii) Facilities granted only for the following purposes:

(a) Long-term loans for cultivation of plantation crops/agriculture crops including, fruits, vegetables, cocoa and spices and for livestock and fisheries.

(b) Factory/mills modernization/establishment/expansion

(c) Small and medium enterprises:
   a. loans up to Rs. 30 mn or
   b. loans over Rs. 10 mn to enterprises with annual turnover less than Rs. 300 mn and employees less than 400.

(d) Information Technology related activities and Business Process Outsourcing

(e) Infrastructure development

(f) Education - vocational training and tertiary education

(g) Restructuring of loans extended for the above purposes.

3.2 Facilities should be only in Sri Lanka Rupees.

3.3 RFCs & SLCs shall invest funds in short-term Government securities until the commencement of utilization of funds as stated in 3.1 above.

3.4 Facilities should not be granted for subsidiary companies, associate companies, holding company or any director or any other related party of such RFCs and SLCs.

4. Conditions

4.1 Applicability of Prudential Requirements

(i) Transactions of the IFA shall be subject to all Regulations, Directions, Determinations and Circulars issued by the Central Bank of Sri Lanka as applicable.

4.2 Accounting for Transactions

(i) Transfers to the IFA shall be treated as appropriations of profit after tax.

(ii) The IFA shall be maintained as a separate item under general and other reserves and constitutes a part of shareholder funds.

(iii) Cost of operations of IFA and income from investments and lending operations shall be accounted for in the financial statements of the RFC/SLC.

(iv) RFCs & SLCs shall maintain separate accounts with necessary details on all operations of the IFA.

(v) IFA shall not be impaired or reduced without the approval of the Central Bank of Sri Lanka.

4.3 Disclosures and Reporting to Central Bank of Sri Lanka

(i) The following disclosures shall be made in the “Notes to the financial statements”:
   (a) Number of loans granted and total amount outstanding for each purpose stated in paragraph 3.1(iii), interest rates and tenure of loans.
   (b) Total investments in Government securities, interest rates and maturity.

(ii) Information on the operations of the IFA shall be made available as and when required by the Central Bank of Sri Lanka and Ministry of Finance.

4.4 Treatment of Taxation

The tax liability in relation to the operations of IFA shall be computed in accordance with applicable tax laws. However, the following shall be noted:

(i) Interest income on investments, stated in paragraphs 3.1(i) and 3.3 is liable to income tax.

(ii) Interest income on loans granted utilizing the IFA will be exempt from income tax.

(iii) Specific provisions on loan losses will be subject to normal adjustments applicable to bad debts.

(iv) Any over-funding or under-funding shall be in accordance with the relevant tax laws/regulations/guidelines.
Guideline No.01 of 2013 on adoption of
Sri Lanka Accounting Standards (LKAS) 32, 39 and
Sri Lanka Financial Reporting Standards (SLFRS) 7
by Licensed Finance Companies and Specialised Leasing Companies
hereinafter referred to as Non-Bank Financial Institutions (NBFIs)

1. Regulatory reporting

NBFIs shall continue to submit all periodical information including web based statutory returns to the Central Bank of Sri Lanka (CBSL) in accordance with the existing Determinations, Directions, Guidelines, Circulars, Rules and Instructions issued whilst NBFIs shall publish annual audited financial statements with application of LKAS 32, LKAS 39 and SLFRS 7, with effect from the annual periods beginning on or after 01.01.2012 until further notice.

2. Reconciliation

NBFIs are required to maintain adequate data/records to reconcile deviations between the account balances published under LKAS/SLFRS and the balances reported to the CBSL under the existing regulatory framework at any time.

3. Declaration of dividends or repatriation of profits

With effect from 15.05.2013, approval of the Director of Department of Supervision of Non-Bank Financial Institutions (D/SNBFI) shall be obtained prior to declaration of interim/final dividends or repatriation of profits, if any, as a measure of prudence to ensure NBFIs maintain sufficient capital. For the proposed dividend payments, NBFIs shall,

a. Send reconciliation to D/SNBFI on profit before dividends computed under the CBSL prudential directions and LKAS / SLFRS. This reconciliation should be approved by the Board of Directors and audit committee of the respective NBFI. This reconciliation should be prepared for the period, from the beginning of the financial year and preceding calendar month prior to announcement of the proposed dividend.

b. Send a computation on prudential ratios stated in the Finance Companies (Liquid Assets) and (Risk Weighted Capital Adequacy) Directions after adjusting for the proposed dividend based on the financial information submitted to the CBSL under existing prudential directions. Computation should be carried out for the preceding calendar month prior to announcement of the proposed dividend. This needs to be approved by the Board of Directors and audit committee of NBFI.
To: All Chief Executive Officers of Registered Finance Companies and Specialised Leasing Companies

Dear Sir/Madam,

Guidelines to Registered Finance Companies (RFCs) and Specialised Leasing Companies (SLCs) on the Operations of the Investment Fund Account proposed in the 2011 Budget

The following clarifications are issued with respect to the above guideline issued on 11/05/2011.

<table>
<thead>
<tr>
<th>Section</th>
<th>Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1(ii), (iii)</td>
<td>3.1 (ii) and 3.1(iii) should be considered together and not in isolation.</td>
</tr>
<tr>
<td>3.1.(iii) c</td>
<td>Loans up to Rs. 30 million should be considered per facility.</td>
</tr>
</tbody>
</table>

Yours faithfully,

Dirctor
To: All Chief Executive Officers of Licensed Finance Companies
   and Specialised Leasing Companies

Dear Sir/Madam,

AMENDMENTS TO THE GUIDELINES ON THE OPERATIONS OF
THE INVESTMENT FUND ACCOUNT

We wish to inform you that paragraph 3.1(iii) of the above guidelines has been amended in order to facilitate the implementation of proposals of Government Budget 2013.

The amended paragraph 3.1(iii) and the monthly reporting format are enclosed, for your information and necessary action.

Yours faithfully,

Director
Department of Supervision of
Non-Bank Financial Institutions

Encl.
Annex I

Amendment to Guidelines to Licensed Finance Companies and Specialised Leasing Companies on the Operations of the Investment Fund Account

The following Guidelines will replace 3.1(iii) of the above.

3.1 (iii) Lend only for the following purposes commencing 01 May 2013:

(a) Long-term loans for cultivation of plantation crops/agriculture crops including, fruits, vegetables, cocoa and spices and for livestock and fisheries

(b) Factory/mills modernization/establishment/expansion

(c) Small and medium enterprises: loans up to Rs. 200 mn to enterprises with annual turnover less than Rs. 600 mn

(d) Information Technology related activities and Business Process Outsourcing

(e) Infrastructure development

(f) Education: vocational training and tertiary education

(g) Housing: up to Rs. 2 mn per customer for construction of a house for residential purposes

(h) Housing development: construction of low cost houses for residential purposes

(i) Construction of hotels and for related purposes

(j) Investment in/purchase of sustainable energy sources including solar power up to Rs. 10 mn

(k) Women entrepreneurship venture capital projects up to Rs. 10 mn

(l) Restructuring of loans extended for the above purposes
### Utilization of Investment Fund Account (IFA)

#### Name of LFC/SLC

- : ………………………………………………………

#### As at month ended

- : ………………………………………………………

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total Transferred to IFA</td>
<td>XXXX</td>
</tr>
</tbody>
</table>

#### B. Total Loans Granted

<table>
<thead>
<tr>
<th>Sector</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Long-term loans for cultivation of plantation crops/agriculture crops including, fruits, vegetables, cocoa and spices and for livestock and fisheries</td>
<td>XX</td>
</tr>
<tr>
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<tr>
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</tr>
<tr>
<td>(e)</td>
<td>Infrastructure development</td>
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<td>(g)</td>
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</tr>
<tr>
<td>(l)</td>
<td>Restructuring of loans extended for above purposes</td>
<td>XX</td>
</tr>
</tbody>
</table>

#### C. Total investments in Government Securities – Long term

- : XXXX

#### C. Total investments in Government Securities – Short term

- : XXXX

#### D. Balance available for utilization (A-B-C)

- : XXXX

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Note: Email the above details to secdsnbficbsl.lk with copies to suhasini@cbsl.lk and manjulap@dfd.treasury.gov.lk by 10th of each month following the month of reporting
To: All Chief Executive Officers of Licensed Finance Companies and Specialised Leasing Companies

Dear Sir/Madam,

**Cap on Penal Interest Rates charged by Licensed Finance Companies and Specialised Leasing Companies on Loans and Advances**

The Central Bank of Sri Lanka (CBSL) has reviewed the penal interest rates charged by licensed finance companies and specialised leasing companies on overdue loans and advances and is of the view that such rates are excessively high and, result in an undue burden to overdue borrowers when repaying loans. The inability to sustainably service the loans as a result of such excessive rates being charged also has an adverse impact on the financial position of non-bank financial institutions (NBFIs) as well as on the financial system stability. In addition, high interest rates hinder the entrepreneurship development in the economy.

2. According to CBSL information, the current penal rates charged by the NBFIs are in the range of 36 per cent to 48 per cent per annum, over and above the original interest rates charged on the loan. In view of the foregoing, the Monetary Board has instructed the undersigned to request all NBFIs to reduce the penal interest rates charged on all loans and advances, including credit facilities already granted, to a level not exceeding 3 per cent per annum for the amount in arrears during the overdue period, with effect from 1 August 2013.

3. Accordingly, you are requested to take necessary measures to comply with the above.

Yours faithfully,

H M Ekanayake  
*Director*  
Department of Supervision of Non-Bank Financial Institutions
Directions, Rules, Determinations, Notices, and Guidelines Applicable to Licensed Finance Companies and Specialised Leasing Companies

Department of Supervision of Non-Bank Financial Institutions


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