



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**30 November 2020**

**FINANCE BUSINESS ACT GUIDELINES**

**No. 01 of 2020**

**PROMPT CORRECTIVE ACTION FRAMEWORK  
FOR LICENSED FINANCE COMPANIES**

In terms of powers conferred by Section 13 of the Finance Business Act No. 42 of 2011 (FBA), the Monetary Board hereby issues the following Guidelines on the Prompt Corrective Action (PCA) Framework for Licensed Finance Companies (LFCs) with a view to ensuring financial soundness through better risk management policies and practices, improve governance structure in order to protect the interest of depositors and maintain public confidence in the financial system.

In terms of the Section 60 (2) of the FBA, the Monetary Board hereby delegates the authority to take actions mentioned below in terms of Section 12 (1) read with Section 12 (5) and Section 25 (1) to Director, Department of Supervision of Non-Bank Financial Institutions (Director, DSNBFI), where necessary. Regulatory actions mentioned below falling under Section 31 and 37 will be initiated in terms of the provisions of the FBA.

1. Applicability of the Guidelines
  - 1.1 PCA is applicable to all LFCs and outlines the minimum corrective actions applicable when certain capital-based triggers are met.
  - 1.2 This Guideline shall be applicable with effect from 01 July 2022.
2. PCA Capital Categories
  - 2.1 Five (5) PCA capital categories have been established based on the requirements of minimum capital adequacy ratios in terms of the Finance Business Act Direction No. 03 of 2018 on Capital Adequacy Requirements: (i) well capitalized; (ii) adequately capitalized; (iii) under-capitalized; (iv) significantly under-capitalized; or (v) critically under-capitalized.
  - 2.2 Capital thresholds for each PCA capital category applicable to LFCs with assets less than Rs.100 bn and LFCs with assets of Rs.100 bn or more are as below:

PCA capital category	LFCs with assets less than Rs. 100 bn	LFCs with assets of Rs. 100 bn or more
	Total Capital Adequacy Ratio (CAR)	
Well capitalized	CAR $\geq$ 14%	CAR $\geq$ 16%
Adequately capitalized (above the regulatory minimum)	12.5% $\leq$ CAR < 14%	14% $\leq$ CAR < 16%

Undercapitalized	$9.5\% \leq \text{CAR} < 12.5\%$	$10\% \leq \text{CAR} < 14\%$
Significantly undercapitalized	$6.5\% \leq \text{CAR} < 9.5\%$	$7\% \leq \text{CAR} < 10\%$
Critically undercapitalized	$\text{CAR} < 6.5\%$	$< 7\%$

2.3 LFC's Board of Directors (BOD) and senior management shall monitor the LFC's capital levels and be aware of the LFC's PCA capital category. Management of a LFC that operates with capital levels at or near the regulatory minimums should be attentive to the impact of the LFC's operations on capital ratios to avoid becoming subject to restrictions and requirements applicable to undercapitalized, significantly undercapitalized, or critically undercapitalized LFCs.

3. PCA Provisions 3.1 LFCs in each PCA capital category are subject to a defined set of corrective actions. The actions become increasingly severe as the LFC moves downward through each successive PCA capital category.

3.2 Applicable PCA provisions by PCA capital category are as below:

**(A) Well capitalized –**

- (i) Restrict distribution of dividends if the LFC would be undercapitalized or below after making such payment.

**(B) Adequately capitalized –**

- (i) Take action pursuant to well capitalized category, plus;
- (ii) Require participation in stress testing.

**(C) Under-capitalized –**

- (i) Require participation in stress testing;
- (ii) Restrict distribution of dividends or repatriation of profits;
- (iii) Suspend any activity that will further deteriorate the capital position / Restrict granting new loans excluding cash back loans / Restrict new loans to sensitive / high risk sectors, i.e., real estate, venture capital, etc., subject to asset growth restrictions as per Guideline 8;
- (iv) Restrict new lines of business and business expansion including branch opening without CBSL approval;

- (v) Limit deposit mobilization, i.e., caps, also subject to restrictions on interest rates payable on deposits as per Guideline 9;
- (vi) Restrict mobilizing new deposit more than insured deposit limit from individual depositors / take steps to pay deposits to respective depositors if he/she has more than the insured deposit limit;
- (vii) Require submission of an acceptable capital restoration plan, as per Guideline 7, to CBSL within 30 days of the date the LFC was notified of its under-capitalized status, unless the CBSL specifies a different time frame;
- (viii) Reduce the stake in financial subsidiaries;
- (ix) Collect the information on realizable assets and liabilities;
- (x) Conduct a forensic audit as directed by CBSL, if necessary, and take legal action against responsible parties.

**(D) Significantly under-capitalized –**

- (i) Take action pursuant to under-capitalized category, plus;
- (ii) Restrict / limit the payment of compensation, bonuses and benefits to directors and officers;
- (iii) Prohibit to open new deposit accounts and / or renewal of deposits;
- (iv) Require the LFC to alter, reduce, or terminate any other activities;
- (v) Require that the LFC to be acquired or merged with another institution;
- (vi) Require the LFC to strengthen management team / BOD by electing new directors, dismissing directors or senior executive officers, subject to approval by the CBSL;
- (vii) Restrict from entering into any material transaction (defined as, buying, investing or selling of its assets valued more than 10 per cent of core capital of respective LFCs), other than in the usual course of business, including any investment,

expansion, acquisition, sale of assets, or other similar action, without CBSL approval;

(viii) Prohibit granting new credit;

(ix) Appoint a management panel, if necessary;

(x) Business suspension under section 31 of the FBA, if necessary.

**(E) Critically under-capitalized –**

(i) Initiate actions pursuant to section 37 of the FBA, within thirty (30) days of determining that a LFC is critically under-capitalized.

**4. Notification of Change in PCA Category**

4.1 Capital levels of LFCs are assessed as part of the normal supervisory process. A LFC will be notified if capital levels deteriorate to warrant placement into a successive PCA category.

4.2 When the Director, DSNBFI determines, through an examination or otherwise, that a LFC's PCA capital category is changed, the Director DSNBFI shall notify the LFC accordingly.

4.3 An opportunity will be given to the LFC to appeal against the justification for change in PCA category, within ten (10) working days of receipt of the notification letter.

4.4 Further, if a material event occurs between reporting periods that causes a LFC to be placed in a lower PCA capital category, the LFC must notify the Director DSNBFI that the LFC's PCA capital ratios have changed (i.e. due to accounting adjustments resulting from an external audit). The LFC must provide details of the change in writing to the CBSL within ten (10) working days of the material event.

4.5 LFCs may appeal for review of their PCA category between reporting periods if there is sufficient evidence available that they meet the minimum requirements for a higher PCA category. An Appeal Committee within the Department of Supervision of Non-Bank Financial Institutions will review the request for appeal and will accept or reject the appeal within seven (7) working days.

5. Supervisory Discretion in Determining PCA Category
- 5.1 The Director DSNBFI maintains a robust supervisory framework for LFCs and regularly evaluates capital, asset quality, liquidity, operational soundness, etc., through a robust on-site and off-site review process. These efforts assist the Director DSNBFI to detect potential deterioration in the financial soundness of LFC, assess its risk profile and enact appropriate supervisory actions. If a LFC is determined to be in an unsafe or unsound condition or engaged in an unsafe practice, the Director DSNBFI may under certain circumstances, reclassify a LFC to the successive PCA category. Once reclassified, the LFC may be subject to one or more limitations, requirements, and restrictions applicable to that category under PCA.
- 5.2 The Director DSNBFI will recommend a change in PCA category to the MB citing evidence of determination that the LFC is operating in unsafe and unsound condition. If the Monetary Board concurs with the findings, a notice will be sent to the LFC informing of the proposed change in status and citing both the cause and the additional requirements associated with the revised PCA category.
- 5.3 The LFC will have ten (10) days to appeal the change in status. If upon review, the Monetary Board determines that the new PCA category remains warranted, the LFC will be so notified and the PCA category will be put into effect.
6. Disclosure of PCA status
- 6.1 When a LFC is less than adequately capitalized and for each successive PCA category, the Director DSNBFI will disclose the corrective action to the public together with proposed action to rectify the non-compliances. Once the institution is determined to be no longer under prompt corrective action status, the Director DSNBFI will update the public accordingly.
- 6.2 LFCs are prohibited from disclosing their PCA capital categories in advertisements or promotional materials, unless such disclosure is required by a direction or authorized by the Director DSNBFI.
7. Capital Restoration Plan
- 7.1 An under-capitalized LFC shall submit an acceptable capital restoration plan to the Director DSNBFI within thirty (30) days of notification that

it is under-capitalized.

- 7.2 The capital restoration plan shall specify:
- (a) a strategic plan for the LFC;
  - (b) current and pro-forma financial statements;
  - (c) current and long-term budgets;
  - (d) an analysis of prospective sources of capital;
  - (e) a list of supporting assumptions;
  - (f) the steps the LFC will take to become adequately capitalized;
  - (g) the levels of capital to be attained during each year in which the plan will be in effect;
  - (h) how the LFC will comply with the provisions in effect under PCA;
  - (i) the types and levels of activities in which the LFC will engage;
  - (j) provide any additional information/documents as required by the CBSL;
- 7.3 The Director DSNBFI will review the capital restoration plan for its viability and ensure that the plan is likely to succeed in restoring the LFC's capital, will not materially increase the risk to the LFC and includes affidavits that the LFC will comply with the plan until the LFC has been adequately capitalized on average during each of four (4) consecutive calendar quarters.
- 7.4 The Director DSNBFI will review the capital restoration plan within ten (10) working days after the plan is submitted and inform the LFC of acceptance/rejection of the aforementioned plan.
- 7.5 The Director DSNBFI will closely monitor the LFC's financial condition on a monthly basis and evaluate progress against the capital restoration plan and compliance with applicable provisions. If the capital restoration plan, restrictions or requirements are insufficient for supporting a return to health, the CBSL may downgrade the LFC's PCA category (notwithstanding the PCA provisions as per Guideline 3), enact more stringent regulatory actions or require a new capital restoration plan, as needed.
- 7.6 The Director DSNBFI may require a LFC to submit all relevant

documents or information, including documents or information relating to an individual / investing entity, investing entity's associate or related companies, and their ultimate beneficial owners (Annex I).

8. Asset Growth Restrictions of Under-capitalized LFCs
- 8.1 Average total assets of an under-capitalized LFC during any calendar quarter must not exceed its average total assets during the preceding quarter unless:
- (a) the CBSL has approved its capital restoration plan;
  - (b) the increase in total assets is consistent with the approved capital restoration plan; and
  - (c) the LFC's total risk-based capital ratio increases during the calendar quarter at a rate sufficient to enable it to become adequately capitalized within a reasonable time.
9. Restrictions on Interest Rates Payable on Deposits by Under-capitalized LFCs
- 9.1 LFCs which are under-capitalized shall be restricted from paying interest rates in excess of the prevailing rates on deposits of comparable amounts and maturities, if necessary, as per below;
- (a) 100 basis points lower than the maximum interest rate payable as per the direction
10. Time line to improve PCA Category
- 10.1 Non-compliant LFCs (under-capitalized or significantly under-capitalized LFCs) are granted a maximum period of one (1) year to improve the status of LFCs as adequately capitalized.
- 10.2 When such LFCs fail to comply with above, they shall consolidate/exit as per the CBSL approved plan.
11. Transitional Provisions
- 11.1 LFCs which are noncompliant with CAR currently, are subject to any PCA provisions recommended by the CBSL.
12. Reporting Requirements
- 12.1 Progress of the regulatory actions taken shall be reported to the Monetary Board on quarterly basis.



**Prof. W D Lakshman**  
*Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka*

**This policy document sets out the investor suitability requirements that must be complied by new investors who propose to acquire controlling stake (major shareholder)<sup>1</sup> of the Licensed Finance Companies (LFCs)**

**1. General requirements**

- 1.1. An investor must comply with the investor suitability requirement set out below on an ongoing basis and must not act in a manner that would be detrimental to the safety and soundness of the licensed entity.
- 1.2. In assessing an investing entity's suitability, the Monetary Board of Central Bank of Sri Lanka (CBSL) will consider the specific circumstances of the investor, the significance of such circumstances and the potential risks posed to the financial institution. Where it is uncertain as to whether an investor has complied with the requirements in this document, the Monetary Board of CBSL shall have the full discretion to make that determination.

**2. Legal requirements for Determining Investor Suitability**

- 2.1. As per the Section 15 of the Finance Business Act, No.42 of 2011, the CBSL requires LFC to submit all relevant documents or information relating to an individual / investing entity and / or investing entity's associate or related companies, and their ultimate beneficial owners (Annex I(a)).

**3. Requests for Additional Information**

- 3.1. If the CBSL determines that an application is incomplete or feels that additional information is warranted prior to rendering its determination, the CBSL may send a letter to the LFC requesting the additional information on investing party and providing a deadline for response. If the LFC fails to submit the information within the requested timeframe, the CBSL may reasonably cause the application to be considered incomplete and reject it without further consideration. Applicable time line for assessment of investing entity is given at Annex I (b).

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<sup>1</sup> Please refer page no.19 for Major Shareholder



## **4. Evaluation process**

### **4.1. *Assessment of fit & proper***

- (a) The CBSL shall be authorized to carry out background checks and may require any additional documents and information in relation to an application made. The declaration on Fit and Propriety shall be obtained for Directors/ Officers Performing Executive Functions of investing entity (foreign /local) and any changes to proposed Directors/ Officers Performing Executive Functions of the target finance company post-acquisition/investment.
- (b) The CBSL performs standard background checks through the following:
  - i. Credit bureaus;
  - ii. Reference checks;
  - iii. Publicly available online resources. The CBSL uses online services that compile legal, news, and business information. Inconsistencies between the submitted “Corporate Background and Financial Report” and the online resources available to the CBSL may require additional information, clarification, or an explanation and may delay the review and processing of the filing;
  - iv. Other methods, as required.
- (c) Qualifications of Directors / Proposed Directors and Officers Performing Executive Functions / Proposed Officers performing executive functions shall be made available to the CBSL for consideration of their compliance with Fit and Proper requirements outlined within the Finance Companies (Assessment of fitness and propriety of Directors and Officers Performing Executive Functions) Directions No.03 of 2011, as amended.

### **4.2. *Review of business proposal/plan***

- (a) The LFC shall submit a formal business proposal/plan of investing entity along with a detailed explanation of any planning changes to the business strategy, corporate structure and management of the financial institution. The business plan or proposal must adequately address strategic planning and growth strategies, minimum capital requirements, and financial and risk management techniques, including applicable risk

measurement, monitoring, and control processes. The business plan should also include any planned changes in geographic market or targeted customer base; expected changes to the institution's funding profile; and a detailed explanation of any changes or additions to the existing lines of business, where applicable. Where significant changes are anticipated, the investing entity should outline the risk associated with those activities and any systems, strategies or internal controls expected to be instituted to assist in managing the risk emanating from these changes.

- (b) Internal Evaluation Committee (IEC) has to be established in order to evaluate and select investor/s. IEC would comprise of two Deputy Directors (DD) (one DD who is in charge of respective LFC), 2 senior officers and officer in charge of respective LFC.

## **5. Approval and conditionality**

5.1. The Monetary Board of the CBSL shall have power to approve or reject any application made under this section. An approval may be subject to certain terms and conditions as the Monetary Board of CBSL may deem fit. This may include conditions to address weaknesses in safety and soundness, regulatory compliance or may relate more broadly to the future state of the Non-Bank Financial Institution. The CBSL may limit the ability of the acquiring individual/investor to materially change the business of the target institution, or may impose selectively higher capital ratios for that entity until such time that it has been returned to safe and sound condition.

5.2. The CBSL shall not grant an approval to any application made under the above section if it determines that one or more of the following circumstances apply:

- (a) the applicant, being an individual, is not a fit and proper person;
- (b) the applicant, being a body corporate, has one or more directors or chief executive who are not fit and proper persons;
- (c) the applicant, being a body corporate, has beneficial owners that cannot be established;
- (d) proposed Directors and or Officers Performing Executive Functions for the target entity do not meet fit and proper guidelines;
- (e) Black listed investors such as persons who have already submitted fraudulent information to CBSL;

- (f) the business restructuring proposal does not assure the safety and soundness concerns or does not result in an entity being fully compliant with regulatory standards;
- (g) the future prospects of the institution which might jeopardize the financial stability of the LFC or prejudice the interests of its depositors;
- (h) the CBSL cannot trace the financial sources for the investment/acquisition or they are found to be illegitimate;
- (i) the interested investor or corporate entity neglects, fails, or refuses to furnish the CBSL with all required information; and
- (j) any other concerns that the Monetary Board of the CBSL, believes that granting approval may diminish to the safety and soundness of LFC or the system as a whole.

## **6. Appeals**

If the decision informed by the Monetary Board of CBSL provides adverse information on the investing entity or related parties, investing entity is allowed to make an appeal to the Monetary Board of the CBSL with the timeframe prescribed by the CBSL, with supporting evidences to overcome the issue.

## Corporate Background and Financial Report Form

**I. Corporate Information of Investor/Acquirer**

(a) Name of individual/institution:

(b) Mailing Address:

(c) Telephone No, Fax No. and e-mail Address:

(d) If investing party is an individual,

(i) Nature of business:

(ii) Others:

(e) If investing party is an institution

(i) Date Established:

(ii) Place Incorporated or Operating city/state:

(iii) Nature of business:

(f) Trade names and / or other names used in place of given name, period of use, and reason why.

Name	Period of Use	Reason for Use

(g) List of subsidiaries and affiliates of the company. (An organization chart may be provided for names and relationships to the parent).

Name	Location (Address)	Relation to Company	Percentage Owned by Company	Nature of Operation

(h) List of other entities (excluding subsidiaries and affiliates of the company) where the company has the power to vote 10 percent or more of voting securities

Name	Location (Address)	Relation to Company if any	Percentage Owned by	Nature of Operation

			Company	

**II. Credentials**

Indicate each professional license or similar certificate of incorporation the company, its affiliates, and subsidiaries now holds or has ever held (for example, brokerage, fiduciary, real estate or insurance license, pawning, money changing, Securities and Exchange Commission (SEC) registration) and complete the following:

Name	Licence	Issuing Authority	Date Issued	Date Expired

**III. Business and Banking Affiliations**

For each investor, indicate any positions currently held (director, officer or employee) in any other depository institution or holding company. Also indicate if any investor/acquirer directly or indirectly (such as through personal trusts, corporations, or similar arrangements) owns, controls, or has the power to vote 10 percent or more of any class of voting securities or other voting equity interest of any other depository institution or holding company.

Full name of each Investor or Transferee	Name and Address of Each Depository Institution or Holding Company	Position and Date Appointed	Percentage Ownership of Institution

**IV. Details of Investment/Acquisition**

(a) Indicate the following

- a. The purchase price(s) per share of shares to be acquired: Rs. \_\_\_\_\_
- b. Total purchase price for the entire proposed transaction: Rs \_\_\_\_\_
- c. The current book value / purchase price per share: Rs. \_\_\_\_\_
- d. The current market value per share: Rs. \_\_\_\_\_

(b) Provide the following information:

Full name of each Investor or Transferee	Total Purchase Price	Source and Amount of Funds
<b>TOTAL:</b>		

**V. Proof of Funds**

- a. Provide bank confirmation / bank guarantee / foreign sources through Inward Investment Account.
- b. If any portion of the funds (or other consideration) for the investment/ acquisition will be borrowed, indicate the name of each borrower, name and address of each lender, amount financed, collateral to be pledged, and terms of the transaction, including interest rates, amortization requirements, guarantors, endorsers, co-makers, and any other arrangements, agreements and understanding between and among the parties. If applicable, submit a copy of any loan commitment letter.
- c. Indicate the means through which the borrowed funds will be repaid. Provide details if the investor/ acquirer will rely on salaries, dividends, fees, or other funds from the depository institution or holding company to be acquired.

**VI. Provide the following information if applicable (private placement):**

Name of each seller or transferor	Number of shares per class of securities, now owned, controlled or held	Number of shares per class of securities to be sold or transferred	Number of shares per class of securities after completion of acquisition
<b>TOTAL:</b>			

Total as % of shares outstanding per voting class of securities			
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**VII. Business Proposal/Plan**

- (a) Investing entity shall submit the business proposal/plan. Submitted proposal/plan adequately address strategic planning, growth strategies, minimum capital requirements, risk management techniques and control process.
- (b) Describe in detail any plans or proposals that any investor may have to: (a) liquidate the depository institution or holding company to be acquired, (b) sell its assets, (c) merge it with any company, or (d) make any other significant change in its business strategy or corporate structure.
- (c) A detailed explanation of actions the investing entity will undertake to support compliance with existing and future regulations for LFCs.
- (d) Attach a copy of the corporation’s last 3 years audited financial statements (if the audited financial statements are in foreign currency, reports need to be submitted in rupees)

(Further, if entity is incorporated for purpose of this investment (SPV), audited accounts of holding / subsidiary of that entity)

**VIII. Legal and Related Matters**

(If answer to any item (a) – (f) below is yes, describe the situation in detail, including the name and location of the institution, business, or parties involved, the date(s), nature of the charge/association/proceeding, name and address of court involved, and the disposition).

- (a) Has the individual, corporation, its affiliates, or subsidiaries ever been the subject of an application or notice that was filed in final form with regulatory or supervisory authority in Sri Lanka or abroad?

Yes / No

If “yes” was such application or notice subsequently denied, withdrawn, or otherwise failed to obtain favourable action?

Yes / No

- (b) Has the individual, corporation, its affiliates, or subsidiaries, in the last five years, been involved or is currently involved an investigation or inquiry for an act

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?

Yes / No

- (c) Has the individual, corporation, its affiliates, or subsidiaries or any of their senior executive officers, directors or principal shareholders (controlling stake) been subject to an investigation or inquiry for an act 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?

Yes / No

If “yes” complete the following

Name /Type of Business	Relationship/ Stock Owned	Nature of Charge/ Proceeding	Date of Charge	Jurisdiction Location	Disposition Date

- (d) Has individual or any senior executive officer, director, or major shareholder of the corporation, its affiliates, or subsidiaries, ever been involved an insured depository institution under Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010 that (1) failed; (2) received financial assistance from Sri Lanka Deposit Insurance and Liquidity Support Scheme or (3) was a merger partner with an institution that received financial assistance from Sri Lanka Deposit Insurance and Liquidity Support Scheme?

Yes / No

- (e) Has the individual, corporation, its affiliates or subsidiaries filed for bankruptcy or forfeited property?

Yes / No

- (f) Has the individual, corporation, its affiliates, or subsidiaries ever defaulted on a loan for which it was guarantor?

Yes / No

If yes provide the details, including direct and indirect debt terms, defaulted amount and lender



IX. The Board of Directors and Officers Performing Executive Functions shall submit an affidavit and declaration as per the format given by the CBSL under the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No. 3 of 2011 as amended. If changes are contemplated in the Board of Directors or Officers Performing Executive Functions of the depository institution or holding company to be acquired, submit affidavit under above for analysis.

X. ***Additional Information***

Present any other information believed important to evaluate the filing. If involved in the organization of a new institution, discuss the corporation's proposed role.

**Declaration**

I ..... understand that the CBSL may conduct checks into the background, experience, and related matters of ..... and its subsidiaries and affiliates in conjunction with our application. I certify that the information contained in the attached (biographical report, financial statement, and / or foreign certification) has been examined carefully by me on the company's behalf and is accurate, complete, and made in good faith. I acknowledge that submission of any misrepresentation or omission of a material fact, in any of these documents is a criminal offence.

Signed this ..... day of ....., 20..... .

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Signature

.....

Print or type

.....

Title (if applicable)

## Applicable time line for assessment of Expression of Interest

Activities	Time lines
Call for Expression of Interest (EOI)	2 weeks
Request for Proposal (RFP) from potential investors including documents/information specified in Annex I.	2 weeks
Preliminary evaluation	3 days
If the information requested is not adequate based on Annex I, request to submit pending information.	1 week
<p>Carried out detail evaluation based on the information obtained including</p> <ul style="list-style-type: none"> <li>(i) Corporate Background and Financial Information Report</li> <li>(ii) Fit and Proper Test</li> <li>(iii) Comprehensive Business Plan</li> <li>(iv) Detailed explanation of expected efforts to ensure compliance with regulatory requirements and standards</li> <li>(v) Proof of Funds</li> <li>(vi) Reference Checks (If required)</li> <li>(vii) Any additional materials requested.</li> </ul>	2 weeks
Report provided to Monetary Board on outcome of investigations and internal review of submitted documentation and Decision by Monetary Board	1 week
Inform to the decision to the investor	Immediately
Appeals Process	Within 3 days after receiving the final decision of the CBSL.

**‘Major shareholder’** shall mean an individual or corporate body or an unincorporated body, or acting in concert with any other individual, corporate body or unincorporated body or a group holds directly or indirectly 25% of the issued capital carrying voting rights in the LFC.

**‘Acting in concert’** shall mean acting pursuant to an understanding (whether formal or informal) to actively co-operate in acquiring shares carrying voting rights in a LFC.

**‘Directly and indirectly held by a shareholder’** shall mean holding of shares carrying voting rights by a company, an incorporated body, or an individual or held in aggregate by:

- a. a company and one or more of the following:
  - (i) its subsidiaries;
  - (ii) its holding company;
  - (iii) a subsidiary of its holding company; or
  - (iv) a company in which such company or its subsidiary, or its holding company, or a subsidiary of its holding company has a substantial interest; or
- b. an individual and one or more of the following:
  - (i) his relatives – “relative” shall have the same meaning as contained in the definition in section 74 of the Finance Business Act, No. 42 of 2011;
  - (ii) a company in which he has a substantial interest or in which his relative has a substantial interest; the subsidiary of such company; a holding company of such company; a subsidiary of such company’s holding company; a company in which such company, or its subsidiary or its holding company or a subsidiary of its holding company has a substantial interest; or
  - (iii) an incorporated body other than a company in which such individual; or his relative has a substantial interest; or
- c. companies in each of which an individual or company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.