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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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Financial Sector Consolidation Update - February 2014

The progress in the consolidation effort has been satisfactory during the month of February 2014.

- **Meetings with foreign bank representatives:** One-to-one meetings took place with regional representatives and senior management of foreign banks at which the foreign banks agreed to play an increasingly active role in the economic activities of the country.
- **Merger between National Development Bank PLC and DFCC Bank:** In line with the joint announcement made in January 2014, the work is in progress to finalize the merger of the two banks.
- **Due diligence:** A framework for the carrying out of due diligence activities has been established, and the audit firms that are eligible to audit banks, finance and leasing companies (NBFIs) have commenced due diligence on the respective companies.

- **Regulatory coordination:** The Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange have agreed to set up a fast track process to facilitate the expected consolidations.
- **Tax related matters:** The officials of the Ministry of Finance and Planning and the Department of Inland Revenue have agreed to deal with the tax issues that are expected to arise consequent to the consolidation process. They are also drafting the required laws to give effect to the proposals announced in the budget.
- **Awareness programmes:** CBSL officials participated at many knowledge sharing events on the subject of consolidation. These events have also provided opportunities to clarify certain matters raised by stakeholders.

In the meantime, the Central Bank notes the positive sentiments re. the consolidation process and the resultant expectations of raising systemic stability and boosting long-term economic development, as expressed by International Rating Agencies. Further, the Central Bank welcomes the reaction of certain International Agencies that have conveyed their desire to provide advice and funding in the process of consolidation.