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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 – May 2014

The consolidation process has further progressed satisfactorily during the month of May 2014.

- The mergers between DFCC Bank and National Development Bank PLC, and subsidiaries of Bank of Ceylon, viz., the Merchant Bank of Sri Lanka PLC, MBSL Savings Bank Limited and MCSL Financial Services Limited are progressing as expected to be completed within the planned timelines. Finance and leasing companies (NBFIs) falling under the same group have also initiated the consolidation process. Interest has also been shown to infuse fresh capital to certain NBFIs to enable such companies to meet the enhanced capital requirements.
- In this regard, Information Memoranda (IM), Due Diligence Reports (DDs) and Valuation of Business Reports of NBFIs have been finalised by the Central Bank appointed Panel of Auditors. However, in certain instances this process took more time than expected due to the extended work involved.

- Banks and NBFIs have initiated negotiations with the shortlisted merger/acquisition counterparts based on the IM, DDs and valuation of business reports that were made available.
- The Central Bank has requested the Panel of Auditors to facilitate this negotiation process in an independent manner to ensure that the negotiation process is meaningful and successfully concluded. The auditors have agreed to operate a data room to facilitate the process.
- All banks and NBFIs were requested to submit their finalized plans for consolidation by 30 June 2014 in order to ensure the consolidation process is completed within the planned timeline.
- The Central Bank initiated action to implement the second phase of restructuring of The Finance Company PLC with a view of further strengthening the company so that it would now be in a position to attract a suitable strategic investor in accordance with the consolidation process.
- The Central Bank will be finalizing the Guidelines on taxation in terms of the Inland Revenue (Amendment) Act No 8 of 2014 and Value Added Tax (Amendment) Act No 7 of 2014 to provide clarity on tax concessions. These Guidelines will be issued in due course.
- During the month, senior officials of the Central Bank continued to participate in various forums on financial sector consolidation. The Central Bank continued to exchange views with all stakeholders of the consolidation process and closely monitor the progress being made.