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Press Release

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Financial Sector Consolidation Update – October 2014

During the month of October 2014, further progress was made by banks and finance and leasing companies (NBFIs) on the financial sector consolidation process.

- The Bill to facilitate the proposed merger of the three banks, viz., DFCC Bank, National Development Bank PLC and the DFCC Vardhana Bank PLC, was passed in Parliament. The joint internal committees worked closely to ensure that the integration of operations is smooth to form a strong bank with development focus, as envisaged in the Budget 2014.
- The proposed amalgamation of the Merchant Bank of Sri Lanka PLC, MCSL Financial Services Ltd and MBSL Savings Bank Ltd has reached the final stage of completion. The necessary shareholder approvals were obtained and the merged entity will operate as a licensed finance company.
- The Central Bank with the concurrence of the Ministry of Finance and Planning issued Guidelines on the ascertainment of cost of

acquisition/merger as a qualifying payment and on the claimability of any unabsorbed input credit in terms of the Inland Revenue Act and the Value Added Tax Act, respectively. The Guidelines are applicable for licensed banks, licensed finance companies and specialised leasing companies and are effective from 01 April 2014. These Guidelines specify the items of costs in relation to the acquisition of a business as a going concern or the acquisition of shares or the merger with another bank/finance company/leasing company. This concession is expected to further promote the financial sector consolidation process and ensure the expeditious completion of the on-going mergers and acquisitions of banks, finance companies and leasing companies.

- During the month of October 2014, Central Finance Co. PLC & Isuru Leasing Co.Ltd. and Arpico Finance Co. PLC & Associated Motor Finance Co. PLC made public announcements of agreed consolidation arrangements. The Central Bank held discussions with selected NBFIs with a view to facilitating the implementation of the respective merger plans. Hitherto, 41 NBFIs and 9 banks have confirmed their consolidation plans. Out of this, 8 NBFIs and 2 banks have already completed their respective consolidation plans, whilst 33 NBFIs and 7 banks are still progressing and are in different stages in their plans. The progress of implementation of these consolidation plans are closely monitored by the Central Bank of Sri Lanka.