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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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# Press Release

Issued By Department of Supervision of Non-Bank Financial Institutions

Date 15 February 2019

## Sale of Subsidiaries Sub-Subsidiaries and Investment Properties of ETI Finance Ltd

This refers to an article published on 13.02.2019 in an English daily newspaper relating to the above matter.

The Central Bank of Sri Lanka (CBSL) noted that there were several incorrect and misleading information in the contents of the abovementioned article and wish to state CBSL's observations as follows:

1. The approval granted by CBSL was to transfer investment properties and subsidiaries of ETI Finance Ltd (ETIF) considering the best interest of the depositors, based on a proposal submitted by ETIF, which did not include sale of shares of ETIF.
2. The only proposal submitted by ETIF was from Blue Summit Capital Management Pte Ltd (BSCM) which is a foreign entity. As such, possibility of "permitting a local investor" at the time of approving the said transaction does not arise. Investors who expressed their interest in this regard to CBSL were instructed to deal directly with ETIF, as ETIF was the owner of the assets.
3. As stated in CBSL's press release dated 11.02.2019, on the sale of subsidiaries, sub-subsidiaries and investment properties of ETIF, the involvement of CBSL in any transaction to dispose assets of a regulated entity is limited to granting necessary regulatory approvals, subject to compliance with applicable laws and regulations. As such, CBSL only granted the approval for this particular transaction, upon being satisfied that all possible steps to assess

the sources of funds were taken. CBSL at no point of time extended its assistance to an investor to buy the assets of ETIF.

4. All the transactions related to the sale of assets of ETIF were processed by the recipient banks, upon being satisfied that the funds were remitted through legitimate channels, in terms of applicable laws and regulations. No credible information was available to the CBSL as to an “internationally blacklisted” entity was involved in the transaction at the time of granting approval or at the times of receiving funds in tranches.
5. Further, CBSL does not become involved in assessing the ownership of entities which are not regulated by CBSL.
6. In the case of Swarnamahala Financial Services PLC (SFSP), separate regulatory approvals are required to change the ownership of the company. Accordingly, conditional approval was granted by the Monetary Board of CBSL for a separate proposal submitted by SFSP. As per the said proposal, the proposed owner will be a locally incorporated entity.
7. In the event the current buyer is not being able to infuse the balance USD 5 mn, ETIF would retain SFSP. In this regard, ETIF is already considering alternatives for reviving SFSP.
8. Further, the transaction to dispose the assets of ETIF was arranged by the Board of Directors of ETIF, in response to regulatory actions initiated by CBSL against the company and its directors. The relevant agreement to transfer assets was made between the company and the buyer. In the event there is a breach of the conditions in the said agreement, the company may take appropriate steps as provided for in the agreement.
9. As clearly mentioned in CBSL’s press release dated 11.02.2019, proceeds of the already concluded USD 54 mn part of the transaction was utilised to repay 20% of the depositors, amounting to LKR 6.4 bn. Further, all funds were directly received by ETIF. CBSL had at no time received any funds involved in this transaction, as mentioned in the above article.
10. The fact that ETIF was considering investors was public information. CBSL itself mentioned this in its press release dated 02.01.2018 on regulatory actions taken by CBSL on ETIF and SFSP. CBSL has made available the information in this regard to the public time to time, in compliance with the provisions of Section 45 of the Monetary Law Act, No. 58 of 1949 (as amended).
11. The article in question claims that the Government of Sri Lanka (GOSL) would lose USD 17 mn. However, CBSL emphasises that GOSL would not incur any cost, irrespective of whether the transaction to transfer assets of ETIF goes through or not, since ETIF is a privately owned limited liability company.
12. CBSL would like to reiterate that CBSL does not get directly involved in negotiations between regulated companies and potential investors. CBSL’s involvement is for protecting

the interests of the depositors. This is a transaction between ETIF and BSCM, and CBSL was involved to ensure that there was a reasonable valuation from the perspective of the depositors.

CBSL kindly requests all media outlets to verify the information disseminated to the public as inaccurate information could cause negative implications to the financial system stability of the country.