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Press Release

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Sale of subsidiaries sub-subsidiaries and investment properties of ETI Finance Ltd

The Central Bank of Sri Lanka has taken number of measures on ETI Finance Ltd (ETIF) to address various irregularities taken place since 2011, including severe liquidity constraints faced by the company during the latter part of 2017.

Considering the extremely vulnerable liquidity position of ETIF and its inability to repay the depositors, the Monetary Board (MB) of the Central Bank of Sri Lanka (CBSL) issued directions on 02.01.2018, restricting the operations of the company. Further, based on a proposal submitted by the company, MB gave its concurrences on 21.02.2018 to dispose identified subsidiary, sub-subsidiary companies and investment properties of ETIF for a total consideration of USD 75 mn, with the view of repaying the depositors utilising the sale proceeds.

The said transaction had to be concluded excluding certain assets for a total consideration of USD 70 mn, which was received in 4 tranches and assets to the corresponding value were transferred to the buyers. Since the buyer did not remit the remaining USD 5 mn, ETIF has retained its subsidiary, Swarnamahar Financial Services PLC (SFSP), which was intended to be transferred for the corresponding value. ETIF and SFSP, along with CBSL, are currently considering alternative measures to revive SFSP. Since SFSP was retained by ETIF for the USD 5 mn not received, there has been no financial loss to ETIF despite the transaction being not completed in its entirety.

Based on the exchange rates at the time of receiving money through the above 4 tranches, ETIF has received over LKR 11 bn so far. These funds have been already utilised to repay 20% of the deposits

and accrued interest liabilities of ETIF. The company is currently processing a further 10% repayment to the depositors.

Accordingly, CBSL wishes to emphasise that ETIF would be paying to its depositors a total amount in excess of LKR 10 bn, without any financial contribution from the Government of Sri Lanka, Central Bank of Sri Lanka or the Sri Lanka Deposit Insurance and Liquidity Support Scheme.

A number of regulatory measures have been taken on the company from time to time which resulted in, *inter alia*, the directors of ETIF transferring their personal assets including EAP Broadcasting Co Ltd and Swarnamahal Jewellers Ltd, and the directors giving an undertaking to transfer additional personal assets to cover the negative net worth of the company.

CBSL would like to emphasise that as a result of the regulatory actions taken since the time of identifying the issues of ETIF, the company was able to realise this amount of cash to repay the depositors by disposing the assets transferred to ETIF. Further, CBSL has also initiated several legal actions against the directors of ETIF to seize personal assets of the directors and transfer those proceeds to ETIF.

CBSL wishes to inform the depositors of both ETIF and SFSP that proposals submitted by an investor to the companies to revive them are being extensively considered and further developments in this regard will be communicated if these proposals are implemented.