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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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Mobilization of Funds from the Public by Issuing Various Instruments

It has been observed that certain individuals and entities mobilize funds from the public by issuing various instruments. Promissory Notes, Commercial Papers and Debentures are few of them. It should be mentioned that certain categories of institutions raise funds by issuing the above mentioned instruments in order to meet their financial obligations. Though these products may be attractive in terms of return, individuals should ensure the appropriateness of such funds for their purposes.

The Central Bank of Sri Lanka (CBSL) has observed that some entities mobilize funds from the public without giving adequate information regarding the true nature of such instruments and without following the accepted procedure for such activities. In this background, the CBSL wishes to inform the public to be vigilant on the legal status of various financial products, the standard procedure for issuing such instruments and the risks involved in investing in such products.

Further, the CBSL wishes to inform the public that the issuing procedure, terms and conditions relating to investing of money, withdrawal procedures and other features relating to investments in Promissory Notes, Commercial Papers and Debentures are different from depositing money in Banks and Finance Companies. Accordingly, the investments in such instruments do not fall into the category of deposits in the normal circumstances. The deposits placed in licensed Banks and licensed Finance Companies are subject to the protection of the

Deposit Insurance and Liquidity Support Scheme operated by the CBSL. Investments in Promissory Notes, Commercial Papers and Debentures are not eligible under the Deposits Insurance Scheme. Therefore, in the event of any default by the issuer of such instruments, investors have no protection under the Deposit Insurance Scheme.

CBSL also wishes to inform the public that the present regulation of the Deposit Insurance Scheme covers the depositors up to a maximum of Rs. 600,000.00 per depositor, in the event of a failure of a CBSL regulated Bank or Finance Company.

In view of the above, the public is informed to exercise extreme care and be vigilant when investing their hard earned savings in instruments offered by various institutions.

If anybody wishes to invest in such instruments, he/she is advised to carefully read the offer documents, contents in the agreements, terms and conditions applicable for return, premature redemption and term to maturity etc.