

PAMPHLET SERIES
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INSTITUTIONS AUTHORISED TO ACCEPT DEPOSITS FROM THE PUBLIC



The purpose of this pamphlet is to inform the public of the various categories of institutions that are legally authorised to accept deposits from the public. The pamphlet also defines the meaning of “deposit” and warns the public of the attempts of certain unauthorised institutions to mobilise monies by calling them other names, such as “investments” or “borrowings”.



Central Bank of Sri Lanka
May 2006

INSTITUTIONS AUTHORISED TO ACCEPT DEPOSITS FROM THE PUBLIC

Only certain categories of institutions are legally authorized to accept deposits of money from the public. Licensed commercial banks, licensed specialized banks and registered finance companies have been given authority by the Central Bank of Sri Lanka to mobilize deposits from the public under the existing laws. However, co-operative societies registered under the Co-operative Societies Law No. 5 of 1972 and building societies incorporated under the National Housing Act have been exempted from the requirement to obtain a licence from or to register with, the Central Bank for the purpose of taking deposits. Furthermore, any legitimate non-profit oriented organization can accept deposits but only from its members, and that too, with the written permission of the Monetary Board of the Central Bank of Sri Lanka.

The Banking Act No. 30 of 1988 as amended by Banking (Amendment) Act No. 2 of 2005 has given the definition of “deposit” as given below:

“Deposit” includes a sum of money accepted from any person as a business on terms under which it will be repaid with or without interest or a premium, and either on demand or at a future time or in circumstances agreed to by or on behalf of the person making the payment and the person accepting it, provided that the persons accepting the money is a person who in the usual course of business, lends money or makes available the use or the benefit of the money so accepted to third parties and, also includes any sum of money accepted as provided in paragraph (y) of Schedule II and paragraph (nn) of Schedule IV;’

Paragraph (y) of Schedule II and paragraph (nn) of Schedule IV to the Banking Act referred to in the definition describe Islamic banking products in the nature of deposits.

It has been brought to the notice of the Central Bank that some institutions, which are not legally authorized to accept deposits from the public, are raising monies from the public in various forms by calling them “investments” or “credit” or “borrowings” or “placements”, and interest is paid thereon. If any scheme has the characteristics given in the above definition, mobilization of funds under such a scheme amounts to acceptance of deposits irrespective of any terminology used.

Most unauthorized organizations, which call themselves “banks” or “finance companies” or use similar titles often offer very high rates of interest to attract funds from the public. Some of these institutions have failed and become bankrupt, and the public who invested funds in such institutions have lost their monies. Also, the Central Bank has been informed that some companies which are not authorized to accept public deposits mislead the public by stating that obtaining registration under the Companies Act empowers them to mobilize deposits from the public. The public is informed not to be misled by such statements.

The Central Bank has introduced disclosure requirements for licensed banks and registered finance companies to improve the public’s ability to make well-informed investment decisions. Licensed commercial banks and licensed specialized banks are required to publish their audited accounts in newspapers. Registered finance companies are required to publish annual audited accounts within 6 months after the close of a financial year.

Moreover, finance companies are required to publish, in advertisements issued by them, the amounts of capital, deposits and borrowings of such companies as appearing in the audited balance sheets for the immediately preceding 3 years. Licensed banks and registered finance companies are also required to exhibit at their principal offices and other places of business the licences issued by the Central Bank. With regard to institutions which are not authorized to accept deposits, none of these requirements are applicable. The public could also request a registered finance company or a licensed commercial or a specialized bank to show the licence issued to it, if there is any doubt about its authority to accept deposits. Similarly, any other organization which invites the public to deposit funds with it could be requested to show documents of legal authority to accept deposits.

The Central Bank supervises licensed banks and registered finance companies. This supervision includes off-site surveillance under which information obtained from the relevant institutions are analysed, and on-site examination of books and accounts. The purpose of supervision is to ensure that these institutions conduct their affairs prudently and take due care in handling monies deposited with them by the public. However, the Central Bank does not manage the operations of the institutions nor does its supervision guarantee the safety of deposits.

The Central Bank publishes, from time to time, names of institutions that are authorised to accept deposits, for the information of the public. A list of banks licensed under the Banking Act and companies registered under the Finance Companies Act as at 31 May 2006, is given below:

LICENSED COMMERCIAL BANKS (IN ALPHABETICAL ORDER)

- | | |
|-----------------------------------|---|
| 1 Bank of Ceylon | 13 Nations Trust Bank Ltd. |
| 2 Citibank, N.A | 14 Pan Asia Banking Corporation Ltd. |
| 3 Commercial Bank of Ceylon Ltd. | 15 People's Bank |
| 4 Deutsche Bank AG | 16 Public Bank Berhad |
| 5 DFCC Vardhana Bank Ltd. | 17 Sampath Bank Ltd. |
| 6 Habib Bank Ltd. | 18 Seylan Bank Ltd. |
| 7 Hatton National Bank Ltd. | 19 Standard Chartered Bank |
| 8 ICICI Bank Ltd. | 20 State Bank of India |
| 9 Indian Bank | 21 The Hongkong & Shanghai Banking Corporation Ltd. |
| 10 Indian Overseas Bank | 22 Union Bank Ltd. (Incorporated in Pakistan) |
| 11 MCB Bank Ltd. | 23 Union Bank of Colombo Ltd. |
| 12 National Development Bank Ltd. | |

LICENSED SPECIALIZED BANKS (IN ALPHABETICAL ORDER)

1	Ceylinco Savings Bank Ltd.	8	Rajarata Development Bank
2	DFCC Bank	9	Ruhuna Development Bank
3	Housing Development Finance Corporation Bank of Sri Lanka	10	Sabaragamuwa Development Bank
4	Kandurata Development Bank	11	Sanasa Development Bank Ltd.
5	Lankaputhra Development Bank Ltd.*	12	S M E Bank Ltd.
6	National Savings Bank	13	State Mortgage and Investment Bank
7	NDB Housing Bank Ltd.	14	Uva Development Bank
		15	Wayamba Development Bank

REGISTERED FINANCE COMPANIES (IN ALPHABETICAL ORDER)

1	Alliance Finance Co. Ltd.	15	L B Finance Ltd.
2	Arpico Finance Co. Ltd.	16	Lanka ORIX Finance Co. Ltd.
3	Asian Finance Ltd.	17	Mercantile Investments Ltd.
4	Associated Motor Finance Co. Ltd.	18	Merchant Credit of Sri Lanka Ltd.
5	Bartleet Finance Ltd.	19	Nanda Investments Ltd.
6	Central Finance Co. Ltd.	20	Senkadagala Finance Co. Ltd.
7	Central Investments & Finance Ltd.	21	Silvereen Finance Co. Ltd.
8	Ceylinco Investments & Realty Ltd.	22	Singer Finance (Lanka) Ltd.
9	Chillaw Finance Ltd.	23	Sinhaputhra Finance Ltd.
10	Commercial Credit Ltd.	24	The Finance & Guarantee Co. Ltd.
11	Edirisinghe Trust Investments Ltd.	25	The Finance Co. Ltd.
12	Finance & Land Sales Ltd.	26	The Multi Finance Co. Ltd.
13	Industrial Finance Ltd.	27	Trade Finance & Investments Ltd.
14	Janashakthi Finance & Investments Ltd.	28	Vallibel Finance Ltd.

* Licence granted in May 2006, the bank has not commenced operations yet.

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