PART III
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<td>12 Financial Accommodation to Finance Companies</td>
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<td>Appointment of Primary Dealers as Corporate Debt Dealers</td>
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<td>Resumption of Economic Activities in the Eastern Province Revolving Fund - Phase III (REAEP-RF-PH III)</td>
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<td>Guideline No.1 of 2013 on Adoption of Sri Lanka Accounting Standards (LKAS) 32/39 and Sri Lanka Financial Reporting Standards (SLFRS) 7 by Licensed Finance Companies and Specialized Leasing Companies</td>
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11 February 2013

To: CEOs of all Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

PUBLIC DISCLOSURE BY PUBLICATION OF QUARTERLY FINANCIAL STATEMENTS OF BANKS IN THE PRESS

We refer to our previous correspondence and discussions on the above and enclose the new format for the publication of quarterly financial statements of licensed commercial banks and licensed specialised banks in the press effective from the 1st quarter of 2013.

Accordingly, format referred to in the paragraph No. 4 of the Circular dated 30 September 2005 on the above is replaced with the format in Annex.

Yours faithfully,

(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Encl. Copy to: The Secretary – General, Sri Lanka Banks’ Association (Gurantee) Ltd.

---

Annex

..............BANK INCOME STATEMENT FOR THE PERIOD ENDED ..............

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- Interest income
- Interest expenses

- Net interest income
- Fee and commission income
- Fee and commission expenses

- Net fee and commission income
- Net gain/(loss) from trading
- Net gain/(loss) from financial instruments designated at fair value through profit or loss
- Net gain/(loss) from financial investments
- Other operating income (net)

- Total operating income
- Impairment for loans and other losses
- Individual impairment
- Collective impairment
- Others

- Net operating income
- Personnel expenses
- Depreciation and amortisation
- Other expenses

- Operating profit/(loss) before value added tax (VAT)
- Value added tax (VAT) on financial services

- Operating profit/(loss) after value added tax (VAT)
- Share of profits of associates and joint ventures

- Profit/(loss) before tax
- Tax expenses

- Profit/(loss) for the period
- Profit attributable to:
  - Owners of the parent
  - Non-controlling interests

- Earnings per share on profit
  - Basic earnings per ordinary share
  - Diluted earnings per ordinary share
............BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED .............

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<td>Investments in associates and joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment properties</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill and intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities held-for-trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Part III

Central Bank of Sri Lanka Annual Report - 2013

Major Administrative Measures Adopted by the Monetary Board in 2013

Other borrowings
Debt securities issued
Current tax liabilities
Deferred tax liabilities
Other provisions
Other liabilities
Due to subsidiaries
Subordinated term debts

<table>
<thead>
<tr>
<th>Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
</tr>
<tr>
<td>Stated capital/Assigned capital</td>
</tr>
<tr>
<td>Statutory reserve fund</td>
</tr>
<tr>
<td>Retained earnings</td>
</tr>
<tr>
<td>Other reserves</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
</tr>
<tr>
<td>Non-controlling interests</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity and liabilities</td>
</tr>
</tbody>
</table>

| Contingent liabilities and commitments |

Memorandum Information
Number of Employees
Number of Branches

Note : Amounts stated are in net of impairment and depreciation.

-------------BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED ..............

Bank/Group

<table>
<thead>
<tr>
<th>Bank/Group</th>
<th>Stated capital/Assigned capital</th>
<th>Reserves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ordinary voting shares</td>
<td>Ordinary non-voting shares</td>
<td>Assigned capital</td>
</tr>
<tr>
<td></td>
<td>In Rupees Thousand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at DD/MM/YY (Opening balance)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total comprehensive income for the year
Profit/(loss) for the year
Other comprehensive income (net of tax)

Total comprehensive income for the year

Transactions with equity holders, recognised directly in equity
Share issue/increase of assigned capital
Share options exercised
Bonus issue
Rights issue
Transfers to reserves during the period
Dividends to equity holders
Profit transferred to head office
Gain/(loss) on revaluation of Property, Plant and Equipment (if cost method is adopted)
Others (Please specify)

Total transactions with equity holders

Balance as at DD/MM/YY (Closing balance)
### STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED ..........

<table>
<thead>
<tr>
<th>Bank Group</th>
<th>Current Period</th>
<th>Previous Period</th>
<th>Current Period</th>
<th>Previous Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Rupees Thousand</td>
<td>DD/MM/YY</td>
<td>DD/MM/YY</td>
<td>DD/MM/YY</td>
<td>DD/MM/YY</td>
</tr>
</tbody>
</table>

#### Cash flows from operating activities
- Profit before tax
- Adjustment for:
  - Non-cash items included in profits before tax
  - Change in operating assets
  - Change in operating liabilities
  - Net gains from investing activities
  - Share of profits in associates and joint ventures
  - Interest expense on subordinated debt
  - Others (please specify)
  - Contribution paid to defined benefit plans
  - Tax paid

#### Net cash generated from operating activities

#### Cash flows from investing activities
- Purchase of property, plant and equipment
- Proceeds from the sale of property, plant and equipment
- Purchase of financial investments
- Proceeds from the sale and maturity of financial investments
- Net purchase of intangible assets
- Net cash flow from acquisition of investment in subsidiaries and associates
- Net cash flow from disposal of subsidiaries
- Proceeds from disposal of associates and joint ventures
- Dividends received from investment in subsidiaries and associates
- Others (please specify)

#### Net cash (used in)/from investing activities

#### Cash flows from financing activities
- Net proceeds from the issue of ordinary share capital
- Net proceeds from the issue of other equity instruments
- Net proceeds from the issue of subordinated debt
- Repayment of subordinated debt
- Interest paid on subordinated debt
- Dividend paid to non-controlling interest
- Dividend paid to shareholders of the parent company
- Dividend paid to holders of other equity instruments
- Others (please specify)

#### Net cash from financing activities

#### Net increase/(decrease) in cash & cash equivalents
- Cash and cash equivalents at the beginning of the period
- Exchange difference in respect of cash & cash equivalent
- Cash and cash equivalents at the end of the period

Note: Banks have the option to use one of the two methods specified in LKAS 7 for the preparation of the statement of cash flows.

### ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS
AS AT ..........

#### a. Bank - Current period

<table>
<thead>
<tr>
<th>In Rupees Thousand</th>
<th>HFT</th>
<th>Designated at fair value</th>
<th>HTM</th>
<th>Amortised cost</th>
<th>AFS</th>
<th>Hedging</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
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<tr>
<td>Balances with central banks</td>
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<tr>
<td>Placements with banks</td>
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<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Other financial assets at fair value through profit or loss</td>
<td></td>
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<tr>
<td>Loans and receivables to banks</td>
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<tr>
<td>Loans and receivables to other customers</td>
<td></td>
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<tr>
<td>Financial investments</td>
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<tr>
<td>Total financial assets</td>
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</tr>
</tbody>
</table>
### Part III - 5

#### Central Bank of Sri Lanka Annual Report - 2013

**Major Administrative Measures Adopted by the Monetary Board in 2013**

---

**In Rupees Thousand**

<table>
<thead>
<tr>
<th></th>
<th>HFT</th>
<th>Designated at fair value</th>
<th>Amortised cost</th>
<th>Hedging</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Due to banks</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other customers</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Other borrowings</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Held for trading - HFT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated at fair value through profit or loss - Designated at fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables/deposits at amortised cost - Amortised cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity - HTM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale – AFS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruments of fair value and cash flow hedging - Hedging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b. Bank – Previous period as above
c. Group – Current period as above
d. Group – Previous period as above

---

**SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)**

As at 01/12/2013

<table>
<thead>
<tr>
<th>Item</th>
<th>Bank</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory Capital Adequacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Capital (Tier 1 Capital), Rs. ‘000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital Base, Rs. ‘000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Capital Adequacy Ratio, as % of Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted Assets (Minimum Requirement, 5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital Adequacy Ratio, as % of Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted Assets (Minimum Requirement, 10%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets Quality (Quality of Loan Portfolio)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Non-Performing Advances Ratio, %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(net of interest in suspense)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net-Non Performing Advances,%(net of interest in suspense and provision)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Margin, %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Assets (before Tax), %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Equity, %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Liquidity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory Liquid Assets, Rs. ‘000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Banking Unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-Shore Banking Unit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CERTIFICATION**

We, the undersigned, being the Chief Executive officer and the Financial Controller / Compliance Officer of .......... Bank certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(b) the information contained in these statements have been extracted from the unaudited financial statements of the bank unless indicated as audited

(Name)                                                      (Name)
(Sgd.) Chief Executive Officer                                                (Sgd.) Financial Controller or Compliance Officer
Date: DD/MM/YY                                                          Date: DD/MM/YY
Directions issued by the Monetary Board under Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended.

Colombo 4 April 2013

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board
Central Bank of Sri Lanka

BANKING ACT DIRECTIONS NO. 1 OF 2013
EXPOSURE TO THE STOCK MARKET
BY LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

In the exercise of the powers conferred by Sections 46(1) and 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking (Amendment) Act, No. 46 of 2006, the Monetary Board hereby issues the following Directions on Exposure to Stock Market by Licensed Commercial Banks and Licensed Specialised Banks (hereinafter referred to as Licensed Banks), having reviewed the exposures of Licensed Banks to the stock market and decided to require Licensed Banks to adopt appropriate risk management standards to mitigate any potential risks at prudent levels with a view to promoting the safety and soundness of the banking system.

<table>
<thead>
<tr>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. These Directions may be cited as the Banking Act Directions No. 1 of 2013.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal limits on Margin trading on Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. A Licensed Bank may extend margin trading facilities on shares to customers/investors, provided that:</td>
</tr>
<tr>
<td>(i) the Licensed Bank shall have internal limits in respect of:</td>
</tr>
<tr>
<td>(a) individual customer/investor margin trading exposure based on the market value of such customer’s/investor’s share portfolio subject to any statutory limits in place; and</td>
</tr>
<tr>
<td>(b) aggregate margin trading exposures based on the total outstanding amount of loans and advances granted by a licensed bank.</td>
</tr>
<tr>
<td>(ii) all shares purchased from margin trading facility shall be under pledge to the Licensed Bank providing margin trading facility.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limit on issue of guarantees for purchase of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 A Licensed Bank may issue guarantees for the purpose of purchase of shares from Initial Public Offerings not exceeding fifty percent of the value of such Initial Public Offering.</td>
</tr>
<tr>
<td>3.2 The guarantees issued against cash deposits shall be exempted from the above limit, provided that:</td>
</tr>
<tr>
<td>(i) the cash deposit is not less than the value of the guarantee;</td>
</tr>
<tr>
<td>(ii) the cash deposit is not financed from any loans from the bank; and</td>
</tr>
<tr>
<td>(iii) the Licensed Bank has the right to take possession of such cash deposits in the event of default of commitments by the customer.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Role of Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. The Board of Directors of Licensed Banks incorporated in Sri Lanka and the Head Office/Regional Office of the branches of banks incorporated outside Sri Lanka shall formulate a Board/Head Office/Regional Office approved risk management policy, guidelines and internal controls on their exposures to stock market activities including prudential limits for margin trading as per 2(i) above and assess risk exposures, such as credit, liquidity and concentration with appropriate risk management information on an on-going basis.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control on Concentrations Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Every Licensed Bank shall spread margin trading facilities among a reasonable number of customers with diversified portfolios of shares to mitigate risky concentrations.</td>
</tr>
<tr>
<td>6. Every Licensed Bank shall report to the Director of Bank Supervision details of exposure to the stock market in accordance with the reporting format at Annex A on or before the 15th day of the month following each quarter.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revocation of Directions</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. The following Banking Act Directions are hereby revoked:</td>
</tr>
<tr>
<td>(i) Banking Act Direction No. 5 of 2011, dated 26 August 2011 on Exposure to Stock Market and Banking Act Direction No. 11 of 2011, dated 16 December 2011 on Amendments to Direction on Exposure to Stock Market issued to Licensed Commercial Banks;</td>
</tr>
</tbody>
</table>
Annex A

Quarterly Statement of Exposure to the Stock Market

A. Exposure to the Stock Market

<table>
<thead>
<tr>
<th>Item</th>
<th>On Balance Sheet Exposure</th>
<th>Off Balance Sheet Exposure</th>
<th>Total Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Margin Trading Facilities</td>
<td>(a)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other loans granted for purchase of listed shares (b)</td>
<td>Others (c)</td>
<td>Sub Total (d)=a+b+c</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount outstanding (Rs. mn)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a % of outstanding amount of total loans and advances</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Guarantees issued for purchase of shares at IPOs

<table>
<thead>
<tr>
<th>Name of IPO (i)</th>
<th>Size of IPO (J)</th>
<th>Fully cash backed guarantees (Rs. Mn) (k)</th>
<th>Guarantees issued without cash deposits (Rs. mn) (l)</th>
<th>Total value of guarantees issued (Rs. mn) (m)= k+l</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Total</td>
<td></td>
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</tr>
</tbody>
</table>

Notes: (i) if any, please provide details separately
This statement should be submitted to the Bank Supervision Department by the 15th day of the month following end of each quarter. Please e-mail to banksup@cbosl.lk or fax to 2477711

Directions issued by the Monetary Board under Section 76J(1) of the Banking Act, No. 30 of 1988, as amended.

Colombo
4 April 2013

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board
Central Bank of Sri Lanka

BANKING ACT DIRECTIONS NO. 2 OF 2013
RESTRICTION ON SALE, TRANSFER, ASSIGN OR DISPOSAL
OF IMMOVABLE ASSETS OF LICENSED SPECIALISED BANKS

In the exercise of the powers conferred by Section 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board hereby issues the following Directions on Restriction on Sale, Transfer, Assign or Disposal of Immovable Assets of Licensed Specialised Banks:

1. Without the prior written approval of the Director of Bank Supervision, no Licensed Specialised Bank shall sell, transfer, assign or dispose of any of its immovable assets below the market value of the assets or increase the valuation of the assets as recorded in the books of the bank above the market value of the assets, excluding immovable property acquired in default of a debt.

2. The Directions on Restriction in the Sale, Transfer of Immovable Assets, dated 21 November 1997 are hereby revoked.

Ref : 02/17/500/0540/001
05 April 2013

To : CEOs of All Licensed Commercial Banks

Dear Sir/Madam,

DEFINITION OF LIQUID ASSETS UNDER SECTION 86 OF THE BANKING ACT NO. 30 OF 1988, AS AMENDED

The Monetary Board has determined that investments in Gilt Unit Trusts (GUTs) by Licensed Commercial Banks shall be treated as liquid assets in terms of item (g) of the definition of “liquid assets” under Section 86 of the Banking Act, No. 30 of 1988, subject to the following conditions.
(a) GUTs should be open ended mutual funds.
(b) Underlying investment portfolio of GUTs should always be Sri Lanka Government Securities.
(c) Only 90% of investments in GUTs should be treated as liquid assets.

Licensed Commercial Banks are further informed that, the eligible value of the investments in GUTs be reported under code number 4.1.2.4.0.0 of the monthly web based return on Statutory Liquid Assets Ratio for Domestic Banking Unit (BSD-MF-04-LD).

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref : 02/17/500/0540/001

To : CEOs of All Licensed Specialised Banks

Dear Sir/Madam,

DEFINITION OF LIQUID ASSETS UNDER SECTION 76J (1) OF THE BANKING ACT NO. 30 OF 1988, AS AMENDED

The Monetary Board has determined that investments in Gilt Unit Trusts (GUTs) by Licensed Specialised Banks shall be treated as liquid assets in terms of item 3.11 of the Liquid Assets Direction of licensed specialized banks issued under Section 76J (1) of the Banking Act, No. 30 of 1988, subject to the following conditions.

(a) GUTs should be open ended mutual funds.
(b) Underlying investment portfolio of GUTs should always be Sri Lanka Government Securities.
(c) Only 90% of investments in GUTs should be treated as liquid assets.

Licensed Specialised Banks are further informed that, the eligible value of the investments in GUTs be reported under code number 4.1.2.4.0.0 of the monthly web based return on Statutory Liquid Assets Ratio for Domestic Banking Unit (BSD-MF-04-LD).

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Directions issued by the Monetary Board under Section 46(1) of the Banking Act No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board
Central Bank of Sri Lanka

Colombo
12 April 2013

BANKING ACT DIRECTIONS NO. 3 OF 2013 AMENDMENTS TO DIRECTIONS ON CORPORATE GOVERNANCE ISSUED TO LICENSED COMMERCIAL BANKS IN SRI LANKA

In the exercise of the powers conferred by Section 46(1) of the Banking Act, No. 30 of 1988, last amended by the Banking (Amendment) Act, No. 46 of 2006, the Monetary Board hereby issues the following Directions amending Direction 3(3)(ii) of the Banking Act, Direction No. 11 of 2007, dated 26 December 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka.

1. This Direction may be cited as the Banking Act, Directions No. 3 of 2013.
2. The following new Direction shall replace Direction 3(3)(ii) of the Banking Act, Direction No. 11 of 2007, dated 26 December 2007.

3(3)(ii) A person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.

Directions issued by the Monetary Board under Section 76J(1) of the Banking Act No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board
Central Bank of Sri Lanka

Colombo
12 April 2013
BANKING ACT DIRECTIONS NO. 4 OF 2013
AMENDMENTS TO DIRECTIONS ON CORPORATE GOVERNANCE ISSUED TO LICENSED SPECIALISED BANKS IN SRI LANKA

In the exercise of the powers conferred by Section 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking (Amendment) Act, No. 46 of 2006, the Monetary Board hereby issues the following Directions amending Direction 3(3)(ii) of the Banking Act, Direction No. 12 of 2007, dated 26 December 2007 on Corporate Governance for Licensed Specialised Banks in Sri Lanka.

1. This Direction may be cited as the Banking Act, Directions No. 4 of 2013.

3(3)(ii) A person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.

Ref: 02/19/150/0104/001
17 April 2013

To: CEOs of Licensed Commercial Banks

Dear Sir/Madam,

EXEMPTING FOREIGN BORROWINGS OF LICENSED COMMERCIAL BANKS FROM REGULATORY LIMITS

In order to facilitate the implementation of proposals of Budget 2013 on foreign borrowings by licensed banks, the Monetary Board has granted approval for the following exemptions:

(a) Foreign borrowings of licensed commercial banks of USD 50 mn each during the period 2013 to 2015 and further borrowing of USD 250 mn by the National Development Bank PLC, from the limit of 15 per cent of capital funds of respective banks, in terms of Circular BD/FX/196 dated 13 January 1997 issued by the Central Bank of Sri Lanka.

(b) Non-agricultural credit facilities granted through the utilisation of the above funds from total loans when computing the respective bank’s mandatory lending to the Agriculture Sector.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref: 02/17/800/0014/01
24 April 2013

The CEOs of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

AMENDMENTS TO GUIDELINES ON THE OPERATIONS OF THE INVESTMENT FUND ACCOUNT

“An amendment to paragraph 3.1(iii) of the above Guidelines and the amended format to submit information on the utilisation of the investment fund account on a monthly basis are enclosed for compliance.”

The letter dated 1st October 2011 sent on the above subject is hereby withdrawn.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Annex

Amendments to Guidelines to Licensed Commercial Banks and Licensed Specialised Banks on the Operations of the Investment Fund Account

The following Guidelines will replace 3.1(iii) of the above.

3.1(iii) Lend only for the following purposes commencing 01 May 2013:

(a) Long term loans for cultivation of plantation crops/ agriculture crops including, fruits, vegetables, cocoa and spices and for livestock and fisheries
(b) Factory/mills modernization/establishment/expansion
(c) Small and medium enterprises: loans up to Rs.200 mn to enterprises with annual turnover less than Rs.600 mn
(d) Information Technology related activities and Business Process Outsourcing
(e) Infrastructure development
(f) Education: vocational training and tertiary education
(g) Housing: up to Rs.2 mn per customer for construction of a house for residential purposes
(h) Housing development: construction of low cost houses for residential purposes
(i) Construction of hotels and for related purposes
(j) Investment in/purchases of sustainable energy sources including solar power up to Rs.10 mn
(k) Women entrepreneurship venture capital projects up to Rs.10 mn
(l) Restructuring of loans extended for the above purposes

**Utilization of Investment Fund Account (IFA)**

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Month ended:</th>
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<tbody>
<tr>
<td></td>
<td>(Rs. 000')</td>
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<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>A. Total Transferred to IFA</td>
<td>XXXX</td>
</tr>
<tr>
<td>B. Total Loans Granted</td>
<td>XXXX</td>
</tr>
<tr>
<td>Sector</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>(a) Long term loans for cultivation of plantation crops/agriculture crops including, fruits, vegetables, cocoa and spices and for livestock and fisheries</td>
<td>XX</td>
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<tr>
<td>(b) Factory/mills modernization/establishment/expansion</td>
<td>XX</td>
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<tr>
<td>(c) Small and medium enterprises: loans up to Rs. 200 mn to enterprises with annual turnover less than Rs. 600 mn</td>
<td>XX</td>
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<tr>
<td>(d) Information Technology related activities and Business Process Outsourcing</td>
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<td>(k) Women entrepreneurship venture capital projects up to Rs. 10 mn</td>
<td>XX</td>
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<tr>
<td>(l) Restructuring of loans extended for above purposes</td>
<td>XX</td>
</tr>
<tr>
<td>Sub Total</td>
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<td>C. Total investments in Government Securities - Long term</td>
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<td>- short term</td>
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<tr>
<td>Sub Total</td>
<td></td>
</tr>
<tr>
<td>D. Balance available for utilization (A-B-C)</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: E-mail the above details to dbsd@cbsl.lk with copies to mihiri@cbsl.lk and manjulap@dfd.treasury.gov.lk by 10th of each month following the month of reporting.

Ref: 02/04/008/0002/003 30 April 2013

To: Chief Executive Officers of all Licensed Commercial Banks and Licensed Specialised Banks

**Mandatory Lending to the Agriculture Sector**

We refer to the requests and discussions on compliance with the mandatory lending to the agriculture sector and write to inform you that the Monetary Board has decided to:

(a) permit licensed banks to include loans and advances granted for growing, processing and trading of domestic agriculture products in the definition of agriculture for the purpose of compliance with the above.

(b) exclude the following from the total loans and advances in computing the ratio of mandatory lending to agriculture sector:
   
i. Total loans and advances granted outside Sri Lanka by Off-shore Banking Units and by overseas branches on a staggered basis, as 50 per cent of such advances in 2013 and 100 per cent in 2014 onwards; and
   
ii. Direct financing to large Government and other infrastructure projects promoted by the Government.

(c) permit LCBs and LSBs to include their loans granted to other banks and finance companies for on-lending to agriculture sector in the mandatory lending, provided that a suitable monitoring mechanism to identify such lending is maintained by the respective banks.
2. Loans and advances granted for processing and trading of domestic agriculture products include advances to:
   (a) manufacturing companies for value addition using domestic agricultural produce; and
   (b) companies that act as intermediaries to provide advances to meet working capital and other capital requirements of agricultural producers and to facilitate the sale of agricultural products.

3. The monitoring mechanism under loans granted to other licensed banks for on-lending to agriculture sector should ensure that the borrowing banks will not consider such loan facilities as lending to agriculture sector in complying with the above.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref: 02/17/600/002/001
07 June 2013

To: CEOs of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

INTEREST RATES ON CREDIT CARDS AND OTHER LOANS AND ADVANCES

The Central Bank of Sri Lanka in the recent past has eased its monetary policy stance resulting in a reduction of policy rates leading to a reduction in short term interest rates. In view of these developments, the Central Bank on many occasions requested banks to reduce interest rates on lending. Although a marginal reduction in interest rates of a few products has been observed in certain banks, a wider reduction is required across the banking sector.

2. In view of the foregoing, the Monetary Board has instructed the undersigned to request you to reduce interest rates on:
   (i) credit card advances from its present level of 28 per annum to 24 per annum, and
   (ii) all other loans and advances in an appropriate manner from their current level, so as to not exceed 24 per cent per annum.

3. Accordingly, you are requested to take necessary measures to comply with the above.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref: 02/17/600/0026/001
12 June 2013

To: Chief Executive Officers of Licensed Commercial Banks

Dear Sir/Madam,

FINANCIAL ACCOMMODATION TO FINANCE COMPANIES

We write to inform you that the applicability of the Circular issued under Ref. No. BS/13/89 dated 20 March 1989 on the above subject is hereby revoked.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref: 02/17/600/002/001
26 July 2013

To: CEOs of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

CAP ON PENAL INTEREST RATES CHARGED BY LICENSED BANKS ON LOANS AND ADVANCES

The Central Bank of Sri Lanka (CBSL) has reviewed the penal interest rates charged by licensed banks on overdue loans and advances, and is of the view that such rates are excessively high, and result in an undue burden to overdue borrowers when repaying loans. The inability to sustainability service the loans as a result of such excessive rates being charged also has an
adverse impact on financial position of banks, as well as on the financial system stability. In addition high interest rates hinder entrepreneurship development in the economy.

2. The recent surveys conducted by CBSL has revealed that the penal rates charged by the banks are in the range of 2 per cent to 20 per cent per annum on the amount in arrears and sometimes on the total amount outstanding, over and above the original interest rates charged on the loan. In the case of leasing facilities, penal rates are in the range of 36 per cent to 48 per cent per annum, on overdue rentals over and above the original rate.

3. In view of the foregoing, the Monetary Board has instructed the undersigned to request all licensed banks to reduce the penal interest rates charged on all loans and advances granted including on credit facilities already granted to a level not exceeding 2 per cent per annum on amounts in arrears with effect from 1 August 2013.

4. Accordingly, you are requested to take necessary measures to comply with the above.

Yours faithfully,

(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Directions issued by the Monetary Board of the Central Bank of Sri Lanka under Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board
Central Bank of Sri Lanka
Colombo
31 July 2013

BANKING ACT DIRECTIONS NO. 5 OF 2013 SUPERVISORY REVIEW PROCESS (PILLAR 2 OF BASEL II) FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

In the exercise of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board hereby issues Directions No. 5 of 2013 on the implementation of Supervisory Review Process (SRP) for Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs), respectively, in accordance with the Basel II Capital Accord “International Convergence of Capital Measurement and Capital Standards - A Revised Framework” issued by the Basel Committee on Banking Supervision of the Bank for International Settlements in June 2006.

Empowerment under the Banking Act

1.1 In terms of Sections 19(7) and 76G(7) of the Banking Act, the Monetary Board is empowered to determine the capital adequacy ratio to be maintained by every LCB and LSB, respectively, as far as practicable by adopting the guidelines for capital adequacy set out by the Bank for International Settlements in Basel.

1.2 In terms of Sections 46(1) and 76(J)(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such banks is to be conducted.

Maintain Adequate Capital above the Minimum Capital Requirement

2.1 Commencing from 1 January 2014, every LCB and LSB shall, at all times, maintain adequate capital to cover its exposure to all risks, notwithstanding that it has complied with the requirements of the Banking Act Directions No. 9 and 10 of 2007 dated 26 December 2007 issued to LCBs and LSBs, respectively.

2.2 In determining the adequate capital referred to in Direction 2.1 above, every LCB and LSB shall consider the requirements specified in the Regulatory Framework on SRP attached hereto.

Implement Sound Internal Capital Adequacy Assessment Process

3.1 Every LCB and LSB shall develop and implement a sound Internal Capital Adequacy Assessment Process (ICAAP) in accordance with the requirements specified in Part II of the Regulatory Framework on SRP attached hereto.

Supervisory Review and Evaluation Process (SREP)

4.1 The Director of Bank Supervision or examiners of the Bank Supervision Department shall review and evaluate the following, in accordance with Part III of the Regulatory Framework on SRP attached hereto.
(a) ICAAP;
(b) compliance with the requirements set out in these Directions and the Regulatory Framework on SRP attached hereto; and
(c) adequacy of capital maintained by each bank.

Supervisory Intervention

5.1 The Central Bank of Sri Lanka shall intervene at an early stage to prevent capital of a bank falling below the minimum requirement, in accordance with Part IV of the Regulatory Framework on SRP attached hereto.

Regulatory Reporting

6.1 Every LCB and LSB shall submit a Board approved ICAAP Document to the Director of Bank Supervision within six months from the end of its financial year. For the purposes of these Directions and the Regulatory Framework on SRP attached thereto, in the case of banks incorporated outside Sri Lanka, the “Board” shall mean the Head Office or the Regional Office that supervises the respective bank.

6.2 ICAAP Document shall be prepared in accordance with the format given in Appendix I of the Regulatory Framework on SRP attached hereto. However, this format shall be considered as the minimum requirement and ICAAP Document of every LCB and LSB shall be comprehensive and relative to its size, nature of the business and complexity of business activities.

REGULATORY FRAMEWORK ON SUPERVISORY REVIEW PROCESS (PILLAR 2 OF BASEL II)
ATTACHMENT TO THE BANKING ACT DIRECTIONS NO. 5 OF 2013

PART I - OVERVIEW

1. Introduction

1.1 The Basel II capital adequacy framework, seeks to harness best practices in risk management into the regulatory process, by providing a spectrum of approaches to measure capital adequacy of banks. The Basel II framework also seeks to provide regulatory capital requirements that are both more comprehensive and more sensitive to risk, and as such, more closely aligned to the risk appetite of banks.

The Basel II framework is based on three mutually reinforcing pillars:

(a) Pillar 1: Minimum capital requirements for three major components of risks that banks face: credit, market and operational risks;
(b) Pillar 2: Supervisory Review Process (SRP): Banks’ own assessments of their capital adequacy and encourage banks to develop and use better risk management techniques in monitoring and managing their risks; and
(c) Pillar 3: Market Discipline: materially increased disclosure requirements.

1.2 The SRP of licensed commercial banks (LCBs) and licensed specialised banks (LSBs) (hereinafter referred to as “banks”) is conducted to assess their capital adequacy and to determine whether banks should hold additional capital to cover risks that are not covered or adequately covered by the minimum capital requirements under Pillar 1 of Basel II.

2. Objectives of SRP

SRP is intended to:

2.1 encourage banks to utilise better risk management techniques – the level of risks a bank is exposed to, and the control environment that will determine the level of capital required to be maintained by banks;
2.2 enhance the risk-based supervision of banks in order to assess the capital adequacy relative to risks;
2.3 evaluate the bank’s Internal Capital Adequacy Assessment Process (ICAAP) that determines the level of capital to be maintained against all risks and ensure that banks have adequate capital to support all risks; and
2.4 ensure that banks use ICAAP in more general business decisions and budgets, in more specific decisions such as allocating capital to business units and when evaluating individual credit decision process.

3. Principles Governing SRP

SRP is conducted based on the following four key principles provided in the Pillar 2 of Basel II capital framework:

a. Banks shall have a process for assessing their overall capital adequacy in relation to their risk profiles and a strategy for maintaining their capital levels (Principle 1 of Pillar 2-SRP).
b. The Central Bank of Sri Lanka (CBSL) as the regulator will review and evaluate bank’s ICAAP and strategies, as well as its ability to monitor and ensure compliance with regulatory capital ratios (Principle 2 of Pillar 2-SRP).

c. CBSL expects banks to operate above the minimum regulatory capital ratios and requires banks to hold capital in excess of the minimum (Principle 3 of Pillar 2-SRP).

d. CBSL will intervene at an early stage to prevent capital from falling below the minimum levels required to support the risk characteristics of a particular bank (Principle 4 of Pillar 2-SRP).

4. Scope and Applicability

This Regulatory Framework shall be applicable to banks on both standalone (“Solo”) level, as well as on the consolidated (“Group”) level.

PART II - INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

5. Developing and Maintaining ICAAP

5.1 Every bank shall develop and maintain a rigorous and well-documented ICAAP proportional to its operations and risk profile and consistent with prudential requirements.

5.2 ICAAP of a bank shall include the following five main features.
   (a) Board and senior management oversight
   (b) Comprehensive assessment of risks
   (c) Sound capital assessment
   (d) Monitoring and reporting
   (e) Internal controls and independent review

5.3 A bank shall design its ICAAP according to the size, complexity and business strategies of the respective bank.

6. The Board of Directors and Senior Management Oversight

6.1 Board responsibilities for ICAAP
   (a) The Board shall ensure that the bank has in place a strategic plan which clearly outlines its current and future capital needs, anticipated capital expenditure, desirable capital level, and external capital sources.
   (b) The Board shall review and approve the target level and composition of capital, and the process for setting and monitoring such targets at least, annually.
   (c) The Board shall ensure that the senior management:
      (i) performs an analysis of the current and future capital requirements of the bank in relation to its strategic objectives;
      (ii) establishes frameworks for assessing the categories of risks faced by the bank and develops systems related to these risks to the capital level of the bank;
      (iii) establishes a method for monitoring compliance with internal policies on risk assessment and the processes related to risks to capital levels; and
      (iv) establishes a strong internal control culture throughout the bank.
   (d) The Board shall approve and exercise effective oversight over the bank’s stress testing processes.
   (e) The Board shall review ICAAP of the bank periodically, at least annually, to:
      (i) assess the level and trend of material risks and their effects on capital levels;
      (ii) evaluate the sensitivity and reasonableness of key assumptions used in the capital assessment measurement system;
      (iii) determine that the bank holds adequate capital against the various risks and is in compliance with established capital adequacy goals; and
      (iv) assess the bank’s future capital requirements based on its reported risk profile and make necessary adjustments to the strategic plan, accordingly.
   (f) The Board shall ensure that public disclosures are made in the bank’s audited annual report/audited financial statements, both qualitative and quantitative information, to assist in assessing the adequacy of bank’s capital commensurate with all material risks the bank is exposed to in relation to its current and future activities.
   (g) The Board shall approve the annual ICAAP document.
6.2 Senior Management’s Responsibilities for ICAAP

The senior management shall:

(a) ensure the appropriateness of ICAAP on an ongoing basis;
(b) have a good understanding of the design and operation of ICAAP;
(c) be responsible for developing a risk management framework that is appropriate in light of the risk profile and business strategy of a bank and integrating ICAAP with the capital planning and management processes of the bank. In this regard, senior management shall, at a minimum:

(i) establish robust policies and procedures to be approved by the Board to identify, measure and report all material risks;
(ii) evaluate the level and trend of material risks and their effects on capital levels;
(iii) evaluate the sensitivity and reasonableness of key assumptions used in the capital assessment and measurement system;
(iv) determine if the bank holds adequate capital against the risks faced by the bank;
(v) assess future capital needs based on the risk profile of the bank and propose necessary adjustments to its strategic plan; and
(vi) ensure that ICAAP is subject to annual independent review for robustness and integrity.

(d) establish comprehensive and adequate written policies and procedures, to be approved by the Board, on its stress testing processes taking an active interest in the development and operation of stress-testing and, allocating sufficient skilled and competent resources to the modeling function.
(e) ensure regular reporting of bank’s ICAAP to the Board.
(f) prepare the annual ICAAP document in accordance with the specified format given in Appendix I; and
(g) submit the Board approved annual document of ICAAP to the Director of Bank Supervision within six months from the end of the financial year of the respective bank.

7. Comprehensive Assessment of Risks

7.1 Bank’s ICAAP shall identify all material risks, which are arising from both on balance sheet and off-balance sheet exposures, faced by the bank and measure these risks that can be reliably quantified under both normal and stressed conditions. ICAAP shall, therefore, address the following risks.

(a) Risks captured under Pillar 1: credit, market and operational risks;
(b) Risks not fully captured under Pillar 1: concentration risk (credit risk), interest rate/rate of return risk in the banking book (market risk) and
(c) Risk types not covered by Pillar 1: risks which are not specifically addressed under Pillar 1, which includes liquidity risk, concentration risk, reputational risk, compliance risk, strategic and business risk, residual risk.

7.2 A bank shall be able to identify other external risk factors that may arise from the regulatory, economic or business environment. In addition, adequate corporate governance and proper risk management including internal control arrangements constitute the foundation of an effective ICAAP.

7.3 The risk measurement systems shall be sufficiently comprehensive and rigorous to capture the nature and magnitude of the risks faced by the bank.

7.4 The risks that are not easily quantifiable shall be evaluated using qualitative assessment and management judgment.

7.5 When measuring risks, comprehensive and rigorous stress tests shall be performed to identify possible events or market changes that could have serious adverse effects or significant impact on the bank’s capital and operations.

7.6 In assessing risks, banks shall also consider the applicable Directions issued under the Banking Act.

8. Sound Capital Assessment

Internal capital allocation and assessment process shall meet the following requirements.

8.1 Banks shall have an explicit Board approved capital plan which states the objectives and the time period for achieving those objectives, and in broad terms the capital planning process and the responsibilities for that process.

8.2 The plan shall also lay out how the bank will comply with capital requirements in the future related to the level of risk, and a general contingency plan for dealing with divergences and unexpected events such as raising additional capital, restricting business activities or using risk mitigation techniques.
8.3 The bank shall set capital targets which are consistent with their risk profile, stage of the business cycle in which the bank is operating, and business plans.

8.4 An internal strategy for maintaining capital levels which should not only reflect the desired level of risk coverage but also incorporate factors such as loan growth expectations, future sources and uses of funds, and dividend policy.

8.5 The amount of capital held shall reflect not only the measured amount of risks but also an additional amount to account for potential uncertainties in risk measurement.

8.6 In assessing capital, a bank shall also evaluate the quality and capacity of its capital to absorb losses.

8.7 The bank shall demonstrate to CBSL that its capital assessment approach is conceptually sound and that outputs and results are reasonable.

9. Monitoring and Reporting

9.1 The bank shall establish an adequate system for monitoring and reporting risk exposures and, assessing how the bank’s changing risk profile affects the capital requirements.

9.2 The bank’s Board and the senior management shall:

(a) receive reports on the bank’s risk profile and capital needs in a manner appropriate to facilitate the conduct of their responsibilities;

(b) evaluate the level and trend of material risks and their effects on capital levels;

(c) evaluate the sensitivity and reasonableness of key assumptions used in the capital assessment measurement system;

(d) determine that the bank holds adequate capital against the risks and is in compliance with established capital adequacy goals; and

(e) assess its future capital requirements based on the bank’s reported risk profile and make necessary adjustments to the bank’s strategic plan, accordingly.

10. Internal Controls and Independent Review

10.1 The bank’s internal control structure is essential to the capital assessment process. Effective control of the capital assessment process includes an independent review, and where appropriate, with the involvement of internal or external audits.

10.2 The person(s) responsible for the development or implementation of ICAAP shall not be involved in the independent review.

10.3 The bank shall conduct periodic independent reviews of its risk management processes to ensure their integrity, accuracy, and reasonableness. Areas that shall be reviewed include:

(a) appropriateness of the bank’s capital assessment process given the nature, scope and complexity of its activities;

(b) identification of large exposures and risk concentrations;

(c) accuracy and completeness of data inputs into the bank’s assessment process;

(d) reasonableness and validity of scenarios used in the assessment process; and

(e) stress testing and analysis of assumptions and inputs.

PART III - SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)

11. Key Components

SREP, which consists of the following key components, shall be carried out by the Director of Bank Supervision or examiners of the Bank Supervision Department.

(a) Review of the bank’s ICAAP;

(b) Review of the bank’s risk profile;

(c) Review of the levels and quality of capital held; and

(d) Communication of SREP results to the bank.

12. Review Methodologies

SREP shall involve a combination of:

(a) periodic examinations or inspections;

(b) continuous supervision;

(c) discussions with the bank management;

(d) review of work of internal and external auditors; and

(e) periodic reporting.

13. Objectives

The objective of the review is to:

(a) evaluate the adequacy of bank’s internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure compliance with regulatory capital ratios;
(b) ensure that the bank operates above the minimum regulatory capital ratios and composition of capital is appropriate for the nature and scale of the bank’s business;
(c) identify existing or potential problems and key risks faced by the bank, deficiencies in their internal control and risk management frameworks, and the degree of reliance that can be placed on the outputs of ICAAP;
(d) intervene at an early stage to prevent capital from falling below the minimum levels required to support the risk characteristics of the bank;
(e) take appropriate supervisory action and regulatory measures if results of this process are not satisfactory.

14. Coverage

SREP will cover a quantitative review of bank’s Pillar 1 inherent risk exposures and Pillar 2 inherent risk exposures.

15. Qualitative Assessment

If Pillar 2 risks are not readily quantifiable, the supervisory judgment is to be used with respect to qualitative assessments of the bank’s ability to contain actual risk exposures within prudent, planned levels through effective risk governance, oversight, management and control practices.

16. Dialogue with the Bank

16.1 SREP involves an active dialogue with the bank regarding ICAAP, through which CBSL seeks to:
(a) gain deeper insights into the bank’s overall control and risk management framework;
(b) establish a closer understanding of how the bank approaches the risks that are not covered under the minimum capital requirements and the amount of internal capital allocated to them;
(c) understand the mechanisms the bank has maintained for identifying, measuring, monitoring, controlling, mitigating and reporting its risks; and
(d) understand whether additional capital on top of that assessed is necessary to cover the banks’ existing risk exposures, as well as future planned sources of capital.

16.2 The dialogue will provide an opportunity for the bank to make appropriate changes to its ICAAP.

16.3 Communication of SREP results:
(a) After completion of the SREP, the Director of Bank Supervision may conduct discussions with the bank based on the results of the assessment, including any areas of concern which may lead to an increase in bank’s minimum CAR.
(b) The Director of Bank Supervision will explain the outcome of the assessment and recommend the prompt corrective actions to address the concerns of the bank, if any. If there is a proposed increase in the capital, the bank will be notified (with the opportunity to make representations) before the decision is finalised.

PART IV – SUPERVISORY INTERVENTION

17. Based on the outcome of SREP, CBSL shall intervene at an early stage to:
(a) prevent capital from falling below the minimum requirement of the respective bank; and
(b) prevent potential impact to the stability of the financial system.

18. Depending on the capital level, a range of supervisory actions including the following shall be initiated.
(a) moral suasion to encourage the bank to improve their capital positions and levels;
(b) improve the bank’s ICAAP including risk management systems and controls;
(c) require the bank to submit a capital restoration plan;
(d) impose restrictions on the payment of dividends, business activities, acquisitions, investments etc.; and
(e) require the replacement of the Board and/or the senior management.

Appendix I

SPECIFIED FORMAT FOR THE PREPARATION OF ICAAP DOCUMENT

1. General

1.1 The purpose of ICAAP document is to inform the Board/senior management and the CBSL of the ongoing assessment of the bank’s risks, how the bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.
1.2 Annual document of ICAAP of a bank shall be prepared in accordance with the contents given in paragraph 2 below.
1.3 However, CBSL expects there to be a fair degree of variation in the length and format of submissions since banks’ business and risk profiles differ from each other and ICAAP document should be proportional to the size, nature and complexity of a bank’s business.
1.4 Use of this format may, therefore, make the review process more efficient for both the bank and CBSL.
1.5 Base period and financial data of ICAAP document shall be in accordance with the audited financial data as at the end of the preceding financial year.
1.6 The projected financial data of ICAAP document should be at least for three financial years.

2. Contents

2.1 Executive Summary
2.2 Background
2.3 Board and Senior Management Oversight
2.4 Risk Governance
2.5 Sound stress testing processes
2.6 Capital Planning
2.7 Projected financial data and assessment of capital

3. Executive Summary

This section will present an overview of ICAAP methodology and results. This overview will include:

(a) The purpose of the report and the group entities which are covered by ICAAP;
(b) Financial forecasts, including the strategic position of the bank, its balance sheet strength, and future profitability;
(c) Regulatory capital management;
(d) Regulatory capital assessment - Pillar 1;
(e) Internal capital assessment - Pillar 2;
(f) Ratio management: How much and what composition of internal capital the bank considers it should hold as compared with the capital adequacy requirement under Pillar 1;
(g) Risk management processes and assessment;
(h) Descriptions of the capital and dividend plan; the manner in which the bank intends to manage capital going forward and for what purposes;
(i) Stress testing approach; and
(j) Details of the approval.

4. Background

This section will include the relevant organization structure and business lines, group structure (legal and operations) and financial data of the bank largely including the profit, dividends, equity, capital resources held and as compared with regulatory requirements, total assets, total loan and advances, total deposits, and any conclusions that can be drawn from trends in the data which may have implications for the bank’s future.

5. Board and Senior Management Oversight

This section would provide the following information:

(a) Corporate governance structure;
(b) Board and senior management oversight;
(c) ICAAP governance structure;
(d) Monitoring and controls; and
(e) Internal controls and independent review.

6. Risk Governance

This section will provide the following;

(a) Risk appetite;
(b) Risk management framework;
(c) Regulatory risk assessment (Pillar 1);
   i. Credit risk
   ii. Market risk
iii. Operational risk
   (d) Internal risk assessment (Pillar 2);
   i. Concentration risk
   ii. Interest rate risk in the banking book
   iii. Settlement risk
   iv. Liquidity risk
   v. Compliance risk
   vi. Strategic/business risk, and
   vii. Reputation risk
   viii. Residual Risk

7. Sound Stress Testing Processes

   This section will provide the following details of bank’s stress testing practices:
   (a) Overview of the stress testing process
   (b) Stress scenario/types
   (c) discuss the results of stress tests and its impact to the bank capital
   (d) risk mitigation or contingency plans across a range of stressed conditions

8. Capital Planning

   This section will provide details of bank’s capital planning and management processes, which, at a minimum, includes:
   (a) the bank’s short term and Long term capital adequacy goals in relation to its risk profile, taking into account its strategic
       focus and business plan;
   (b) the approved capital targets that are consistent with the bank’s overall risk profile and financial position;
   (c) the approach for determining the bank’s overall capital adequacy in relation to its risk profile; and
   (d) Conclusions.

9. Projected Financial Position and Assessment of Capital

   This section will explain Pillar 1 and 2 capital requirements, in respect to:
   (a) the expected changes to the business profile of the bank, the environment in which it expects to operate, its projected
       business plans (by appropriate lines of business), and projected financial position for the next, three to five years; and
   (b) given these business plans, this section would also discuss the bank’s assessment as to whether additional capital is
       necessary on top of that assessed to cover their existing risk exposures, as well as future planned sources of capital.

Ref : 02/17/800/0014/01

To : Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

INVESTMENT FUND ACCOUNT

As you are aware, in terms of Section 113(6) of the Inland Revenue Act, any bank that has not utilized the investment fund account
in accordance with the guidelines issued by the Central Bank of Sri Lanka, is required to transfer such funds lying to the credit of
the Investment Fund as at 1 July 2013 to the Consolidated Fund. In this regard, the Department of Inland Revenue has requested
the Central Bank to report the unutilized balances in the Investment Fund Account of banks as at 1 July 2013.

We, therefore, request you to report the unutilized amounts to the attention of Mrs. Kalyani Dahanayake, Deputy Commissioner,
Department of Inland Revenue by 23 August 2013, with a copy to the undersigned.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision
To: Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

**PUBLICATION OF FINANCIAL STATEMENTS AND OTHER DISCLOSURES ON THE WEBSITES**

As intimated at the Chief Executive Officers meeting held on 28 August 2013, uniform and adequate disclosure practices are important for improving market efficiency and promoting healthy competition. In view of same and to further enhance transparency of banking operations and market discipline, every bank shall ensure the following publication requirements on their respective websites.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Disclosure requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually</td>
<td>(i) Annual Audited Report/Financial Statements and/or reports based on the requirements specified in,</td>
</tr>
<tr>
<td></td>
<td>(a) Circulars dated 02 June 1998 and 11 February 2013 issued on preparation of annual audited accounts.</td>
</tr>
<tr>
<td></td>
<td>(b) Direction No 3(8): “Disclosures” of the Banking Act Directions No 11 and 12 of 2007 on Corporate Governance.</td>
</tr>
<tr>
<td></td>
<td>(ii) In respect of branches of foreign banks, item (i) (b) above shall be in accordance with the requirements specified in the Circular dated 03 January 2011.</td>
</tr>
<tr>
<td>Bi-annually</td>
<td>(i) Qualitative disclosures of the bank’s risk management as required under Direction 1.5 of Item H on Disclosure Requirements of the Guidelines issued under the Banking Act Directions No. 7 of 2011 on the Integrated Risk Management Framework. Such publication in the website will be considered as compliance with the respective requirements under the Banking Act Directions No. 7 of 2011.</td>
</tr>
<tr>
<td></td>
<td>(ii) Banks may effect appropriate changes to the above requirements in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).</td>
</tr>
</tbody>
</table>

Accordingly, you are required to take necessary measures to comply with the above.

Yours faithfully,

(Mrs.) T M J Y P Fernando
Director of Bank Supervision

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To: Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

**ADDITIONAL QUARTERLY DISCLOSURE IN THE PRESS AND ON THE WEBSITES**

Reference our Circulars dated 11 February 2013 and 17 September 2013 on Public Disclosure by Publication of Quarterly Financial Statements of Banks in the Press and Publication of Financial Statements and Other Disclosures on the Websites, respectively.

Every bank shall ensure additional disclosures on the following items in their quarterly publications in the press and on their respective websites, from 3rd quarter of 2013 as given in Annex.

1. Loans and receivables to other customers
2. Loans and receivables to other customers – By product
3. Movements in individual and collective impairment during the period for loans and receivables to other customers
4. Dues to other customers – By product

Accordingly, you are requested to take necessary measures to comply with the above.

Yours faithfully,

(Mrs.) T M J Y P Fernando
Director of Bank Supervision
### ADDITIONAL QUARTERLY DISCLOSURES IN THE PRESS AND ON THE WEBSITES

#### Annex

1. **Loans and Receivables to Other Customers**

   **In Rupees Thousand**

<table>
<thead>
<tr>
<th>Gross loans and receivables</th>
<th>Current Period</th>
<th>Previous Period</th>
<th>Current Period</th>
<th>Previous Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Less): Individual impairment</td>
<td>As at DD/MM/YY</td>
<td>As at DD/MM/YY</td>
<td>As at DD/MM/YY</td>
<td>As at DD/MM/YY</td>
</tr>
<tr>
<td>Collective impairment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   **Net loans and receivables including those designated at fair value through profit or loss**

<table>
<thead>
<tr>
<th>Net loans and receivables</th>
<th>Current Period</th>
<th>Previous Period</th>
<th>Current Period</th>
<th>Previous Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Less): Loans and receivables designated at fair value through profit or loss</td>
<td>As at DD/MM/YY</td>
<td>As at DD/MM/YY</td>
<td>As at DD/MM/YY</td>
<td>As at DD/MM/YY</td>
</tr>
</tbody>
</table>

2. **Loans and Receivables to Other Customers - By product**

   **In Rupees Thousand**

   **By product-Domestic Currency**
   - Overdrafts
   - Term loans
   - Lease rentals receivable
   - Credit cards
   - Pawning
   - Other loans (Please specify)

   **Sub total**

   **By product-Foreign Currency**
   - Overdrafts
   - Term loans
   - Other loans (Please specify)

   **Sub total**

   **Total**

3. **Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers**

   **In Rupees Thousand**

   **Individual impairment**
   - Opening balance at DD/MM/YY
   - Charge/(Write back) to income statement
   - Write-off during the year
   - Other movements

   **Closing balance at DD/MM/YY**

   **Collective impairment**
   - Opening balance at DD/MM/YY
   - Charge/(Write back) to income statement
   - Other movements

   **Closing balance at DD/MM/YY**

   **Total impairment**

4. **Due to Other Customers - By product**

   **In Rupees Thousand**

   **By product-Domestic Currency**
   - Demand deposits (current accounts)
   - Savings deposits
   - Fixed deposits
   - Other deposits (Please specify)

   **Sub total**

   **By product-Foreign Currency**
   - Demand deposits (current accounts)
   - Savings deposits
   - Fixed deposits
   - Other deposits (Please specify)

   **Sub total**

   **Total**
MISLEADING AND UNETHICAL ADVERTISEMENTS

We refer to our Circular 02/17/800/0007/001 dated 6 November 2008 requiring all banks to refrain from publishing misleading and unethical advertisements, and to ensure that all important information is highlighted in a visible manner to enable the general public to understand clearly the nature of the products and the effective interest rates applicable.

As informed at the meeting of the Chief Executive Officers of licensed commercial banks and licensed specialised banks held on 24 October 2013, banks publish advertisements in a misleading and unethical manner, e.g., publication of annual effective rate of interest (AER) of deposits in small font size which is much smaller or less than that of other important information, promoting deposits without divulging a rate of return, i.e., an interest rate or an annual percentage yield.

We, therefore, request you to comply with the Circular 02/17/800/0007/001 dated 6 November 2008 at all times, ensuring that all key information including nominal interest rate, AER and credit rating of the bank is published with the same prominence in all advertisements, articles, etc., to enable the general public to make informed decisions.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

INTRODUCTION OF NEW RETURNS UNDER THE WEB BASED OFF-SITE SURVEILLANCE SYSTEM

The existing off-site surveillance reporting system of banks is being reviewed with the view of rationalizing and consolidating the financial data in accordance with the new accounting standards. As an initial step the following Returns have been developed and included in the Web Based Off-Site Surveillance System.

(a) BSD-AF-01-FP – Statement of Financial Position
(b) BSD-AF-02-CI – Statement of Comprehensive Income

We request you to make necessary arrangements to complete and submit the above returns for years 2011 and 2012 based on the audited financial statements for 2012 on or before 20.12.2013, to facilitate the migration process.

Any clarifications on this matter may be sought from Ms. Sureka Ketawala, Senior Assistant Director on Tel: 2398602 or email: sureka@cbsl.lk and Mr. Mahendra Ariyaratne, Senior Assistant Director on Tel: 2477109 or email: mahendra@cbsl.lk

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

PERMITTING LICENSED COMMERCIAL BANKS TO INVEST IN INTERNATIONAL SOVEREIGN BONDS ISSUED BY THE GOVERNMENT OF SRI LANKA

In terms of section 25 of the Banking Act, No. 30 of 1988, as amended, the Monetary Board with the concurrence of the Minister of Finance and Planning has authorised off-shore banking units of licensed commercial banks to invest in International Sovereign Bonds issued by the Government of Sri Lanka, in the secondary market.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision
DEFINITION OF LIQUID ASSETS UNDER SECTION 86 OF THE BANKING ACT, NO. 30 OF 1988

In terms of Item (g) of the definition of “liquid assets” under section 86 of the Banking Act, No. 30 of 1988, as amended, the Monetary Board has determined that investments in International Sovereign Bonds issued by the Government of Sri Lanka shall be treated as liquid assets.

2. Licensed commercial banks shall:

   (i) take into account the daily market value of their investment in the International Sovereign Bonds in computing their liquid assets ratio for the purpose of complying with the provisions of section 21 of the Banking Act; and

   (ii) report the eligible value of the investments in International Sovereign Bonds under:

         (a) code number 4.1.2.4.0.0 of the monthly web based return on Statutory Liquid Assets Ratio for Domestic Banking Unit (BSD-MF-04-LD); and

         (b) code number 4.2.2.4.0.0 of the monthly web based return on Statutory Liquid Assets Ratio for Off-shore Banking Unit (BSD-MF-04-LF),

as the case may be.

Yours faithfully,

(Mrs.) T M J Y P Fernando
Director of Bank Supervision
2.5 In regulation 10.5 thereof, by the substitution for the words “Sri Lanka Deposit Insurance Scheme”, and wherever those words occur in these regulations, of the words “Sri Lanka Deposit Insurance and Liquidity Support Scheme”.

Effective date 3.1 These amendments shall come into effect from 22nd November, 2013.

15 January 2013
To : CEO’s of All Licensed Commercial Banks

Dear Sir /Madam,

STATEMENT OF BRANCH WISE MONTH END IN HAND BALANCES

This refers to the circular number: 2007-1 on Guidelines on cash transactions with the Central Bank of Sri Lanka.

In terms of section 2.7 of the guidelines, all commercial banks are required to report the denomination wise cash in hand balances of each branch, at the end of the each month to the Central Bank on the format marked Annex I, within first week of the following month.

It has been noticed that banks used to report total cash in hand balances for the bank without reporting the branch wise balances. We request you to comply with this requirement and submit the branch wise cash balances of your bank as per the format attached.

Yours faithfully,

Superintendent of Currency

Copy to : Cash Managers

Cash in Hand Balance* as at ..........................................

Bank Name : ......................................................

<table>
<thead>
<tr>
<th>Branch</th>
<th>Rs. 5,000/-</th>
<th>Rs. 2,000/-</th>
<th>Rs. 1,000/-</th>
<th>Rs. 500/-</th>
<th>Rs. 200/-</th>
<th>Rs. 100/-</th>
<th>Rs. 50/-</th>
<th>Rs. 20/-</th>
<th>Rs. 10/-</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Branch</th>
<th>Rs. 10/-</th>
<th>Rs. 5/-</th>
<th>Rs. 2/-</th>
<th>Rs. 1/-</th>
<th>Cts. -/50</th>
<th>Cts. -/25</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*End of the month balance

Ref : 12/01/008/0002/002

Circular No : 2013-1

To: CEOs of All Licensed Commercial Banks

Dear Sir/ Madam,

PARAMETERS FOR SORTING OF CURRENCY NOTES


All commercial banks are hereby instructed to adhere to the instructions given in Annex I with respect to sorting standards of currency notes with effect from 01.03.2013

Yours faithfully,

Superintendent of Currency

Copy to : Cash Managers
Parameters for Sorting of Currency Notes

General Instructions

1. All LCBs should sort and verify currency notes deposited by their customers to ensure the genuineness and good quality of the notes (serviceable/fit) before reissuing them over counters and through ATM machines.

2. In order to separate currency notes into fit (serviceable) or unfit (unserviceable) notes, parameters given in table at Annex II shall be used. Visual images of unfit currency notes which the CBSL has considered as unfit for circulation are given in Annex III. Both sides of the note shall be checked for determination of fitness.

3. For any clarification on the instruction or guidelines in this circular, please contact the following officers of the Currency Department.

   Superintendent 011 - 2477355
   Additional Superintendent 011 - 2477603
   Additional Superintendent 011 - 2477014
   Deputy Superintendent 011 - 2477362
   Senior Asst. Superintendent (CMD) 011 - 2398648

Parameters for Separation of Serviceable and Unserviceable (Including Damaged and Mutilated) Currency Notes

<table>
<thead>
<tr>
<th>No.</th>
<th>Parameter</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Soiling</td>
<td>Spread of dirt or liquid on the currency note, discoloration and other wearing.</td>
</tr>
<tr>
<td>2</td>
<td>Limpness</td>
<td>Rag like appearance due to excessive folding and the currency note is no longer firm or crisp.</td>
</tr>
<tr>
<td>3</td>
<td>Creases/folds</td>
<td>Several folds across the whole currency note affecting the visual appearance.</td>
</tr>
<tr>
<td>4</td>
<td>Ink wear (Faded)</td>
<td>The appearance of a part or the whole currency note is worn off/faded or discoloured due to being washed or being exposed to chemicals.</td>
</tr>
<tr>
<td>5</td>
<td>Stains</td>
<td>Clearly visible marks with an area more than 225 mm² that has changed the appearance of the note due to contact with water, oil, paint, ink or similar substance.</td>
</tr>
<tr>
<td>6</td>
<td>Tears</td>
<td>Currency notes with tear/s which is more than 5 mm on any edge of the note.</td>
</tr>
<tr>
<td>7</td>
<td>Holes</td>
<td>Currency notes with visible hole covering an area exceeding 20 mm² or with more than one visible hole which the total affected area is more than 50 mm².</td>
</tr>
<tr>
<td>8</td>
<td>Missing corner or area</td>
<td>Currency notes with missing corners or any area of the edges which exceeds 30 mm².</td>
</tr>
<tr>
<td>9</td>
<td>Willfully defaced / altered</td>
<td>Currency notes defaced with drawings, words, numbers, signs, symbols or where the serial number, date, signature, value, or any feature of the note has been altered in any significant way.</td>
</tr>
<tr>
<td>10</td>
<td>Absence of security thread</td>
<td>Currency note which the security thread is missing.</td>
</tr>
<tr>
<td>11</td>
<td>Accidentally Damaged</td>
<td>Currency notes in which the appearance has been changed or damaged due to natural disasters, accidents, floods, fire, extreme heat, etc..</td>
</tr>
<tr>
<td>12</td>
<td>Mutilated/portions of a currency note</td>
<td>A portion of a currency note which is clearly more than a half note or a note that has been broken into many pieces and are joined together.</td>
</tr>
</tbody>
</table>

Identificaiton of Counterfeit Notes

Despite several awareness programmes on identification of counterfeit notes conducted by the Central Bank of Sri Lanka (CBSL) to educate the staff and customers of Commercial Banks, in many instances CBSL detects counterfeit notes in currency bundles deposited by Commercial Banks.

CBSL wishes to express deep concern on the failure by staff of some Commercial Banks to detect counterfeit notes which is a
reflection of significant operational risk on the part of the banks’ concerned.

Therefore, we are of the view that staff of Commercial Banks especially those who are involved in cash operations need to be adequately trained and develop skills required to detect counterfeit notes at source. Further, bank staff in turn need to educate their customers on detection of counterfeit notes.

We encourage banks to arrange such programmes to educate the bank staff and customers and the Currency Department could provide resource persons and necessary equipment to conduct such programmes on request.

You may contact Mr. G K K Gamage, Deputy Superintendent of Currency (T.P. N. 0112477362) or Mr. D N Weerasinghe, Senior Assistant Superintendent (T.P.N. 0112398736) in this regard.

Yours faithfully,
Superintendent of Currency

Ref : 12/01/008/0002/002
Circular No: 2013-2
To : CEOs of All Licensed Commercial Banks

Dear Sir/Madam,

ISSUING OF HIGH QUALITY CURRENCY NOTES THROUGH CASH EXCHANGE CENTERS AT THE AIRPORT

It has been brought to the notice of the Central Bank of Sri Lanka that the cash exchange centers of some commercial banks housed at the Bandaranaike International Airport (BIA) tend to issue unfit Sri Lanka currency notes to customers in exchange for foreign currencies or otherwise. This practice is against clean note policy of the Central Bank of Sri Lanka which also badly affect the image of the country especially among foreigners.

All commercial banks maintaining cash counters at the BIA are hereby requested to ensure issue of high quality currency notes at all times.

Yours faithfully,
Superintendent of Currency

Ref : 12/02/008/0002/002
Circular No : 2013 – 3
To : CEOs of All Licensed Commercial Banks

Dear Sir/Madam,

GUIDELINES FOR SETTLEMENT OF DISCREPANCIES IN CURRENCY DEPOSITS WITH CENTRAL BANK OF SRI LANKA

The CBSL has decided to discontinue the present practice adopted by Currency Department to fulfill the discrepancies detected in cash bundles deposited by Commercial Banks to streamline the currency note counting process to mitigate the operational risk.

In order to rectify the shortages and counterfeits detected in cash bundles of Commercial Banks, CBSL has arranged to debit the current account of relevant Commercial Bank and CBSL will provide all necessary information to all Commercial Banks regarding such shortages and counterfeits. Therefore Commercial Bank representatives need not carry any cash to Currency Department to settle the shortages or/and counterfeits detected when counting.

All Commercial Banks should ensure that all bank representatives who are involved in supervising cash verification are well informed about the contents of this circular and are requested to adhere to the above new practice by 01st October, 2013.

For any clarification on the instructions or guidelines in this circular, please contact the following officers of the Currency Department.

Superintendent 011-2477355
Additional Superintendent 011-2477603
Deputy Superintendent 011-2488028
Senior Assistant Superintendent (Accounts) 011-2477365
Assistant Superintendent (Accounts) 011-2477369

Yours faithfully,
Superintendent of Currency

Copy to : Cash Managers
The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
No.1796/21 – FRIDAY, FEBRUARY 08, 2013
(Published by Authority)

PART I: SECTION (I) - GENERAL
CENTRAL BANK OF SRI LANKA NOTICES

NOTICE OF THE CENTRAL BANK OF SRI LANKA

REGULATIONS made by the Monetary Board of the Central Bank of Sri Lanka under section 10(c) of the Monetary Law Act, No. 58 of 1949 (Chapter 422).

Colombo.
07 February, 2013.

Nivard Ajith Leslie Cabraal
Chairman Monetary Board
of the Central Bank of Sri Lanka

Money Broking Regulations

1. These regulations shall be cited as the Money Broking Regulations No.1 of 2013. These Regulations shall be effective from 15 February 2013, onwards.

2. No person shall engage in or cause another person to be engaged in the business of money broking except under the authority of a “Certificate of Authorisation” issued by the Monetary Board (hereinafter referred to as “Board”) of the Central Bank of Sri Lanka (hereinafter referred to as “Central Bank”).

3. Only a limited liability company registered under the Companies Act No. 07 of 2007, having a minimum stated capital equivalent to Rs. Ten million (Rs. 10,000,000/-) or such other capital as may be determined by the Board from time to time, shall be eligible to apply for a Certificate of Authorisation referred to in Regulation (2) above.

4. In order to be considered for the issue of a Certificate of Authorisation, the applicant company shall:

   (a) Make an application for a “Certificate of Authorisation” in the form as prescribed in these Regulations, and submit to the Director, Domestic Operations of the Central Bank of Sri Lanka together with such other documents as prescribed in Regulations (6) ; and
   (b) Certify through a board resolution of the applicant company that the information provided in the application referred to in Regulation 4(a) above is accurate.

5. (a) Any person who is already in the business of money broking with the “No Objection Letter” issued by the Central Bank and is desirous of carrying on business of money broking on or after the date these regulations come into effect, shall make an application as provided in Regulation (4) above, to the Director, Domestic Operations within a period of three (3) months from the date of these regulations coming into effect, seeking a “Certificate of Authorisation” from the Board.

   (b) A person referred to in Regulation 5(a) above, shall be granted a period of one (1) year from the date of this regulation to fulfill the requirements as prescribed in this Regulation.

   (c) The “No Objection Letter” already issued by the Central Bank shall expire after three (3) months from the date of these regulations coming into effect, provided however that, such “No Objection Letter” shall only expire after one (1) year from the date of these regulations coming into effect, if the holder of such letter has complied with Regulation 5(a) above.

6. The following documents/information, unless otherwise stated, shall be submitted by the applicant company including those who are currently operating on a “No Objection Letter”, together with the application for the “Certificate of Authorisation” in the form as prescribed by the Director, Domestic Operations :

   (a) Copy of the Articles of Association and Certificate of Incorporation and Form 20 certified by the Registrar of Companies ;
   (b) Copy of the feasibility report, in the event the application is being made by an eligible person, other than a person who is already in the business of money broking with a “No Objection Letter” issued by the Central Bank ;
   (c) Names, national identity card numbers and passport numbers, titles, addresses and details relating to the qualifications and experience of all the Directors and persons appointed as key management personnel, including chief executive officer ;
(d) Affidavits of the chief executive officer and the directors as in Form : DOD/MB/002 ;
(e) Names, national identity card numbers and passport numbers of all major shareholders ;
(f) Board resolution stating that the applicant company is empowered to engage in money broking activities as a business of the company, in the event it is not so stated in the Articles of Association;
(g) Documentary evidence to prove that the company has met the minimum capital requirement ;
(h) Copy of the business continuity plan ; and
(i) Any other information as may be specified by the Director, Domestic Operations.

7. Any information in the application for a Certificate of Authorisation or in any other document submitted in connection therewith or in the course of any inquiry or investigation conducted to ascertain the suitability of the applicant to be issued with a Certificate of Authorisation under these regulations, which is found to be false, incomplete or incorrect, may result in the application being rejected, Certificate of Authorisation being cancelled, or subject the applicant/Authorised Money Broking Company to such other measures that the Board may deem appropriate.

8. (a) Every Authorised Money Broking Company shall pay an annual certificate fee and any other fees as may be determined by the Board from time to time, to the Central Bank.
(b) The fees payable and any other instructions applicable to Authorised Money Broking Companies shall be communicated to them by way of circulars issued by the Director, Domestic Operations, from time to time.

9. (a) If an Authorised Money Broking Company decides to discontinue its business, such Authorised Money Broking Company shall inform the Director, Domestic Operations of the decision to so discontinue, not less than three (3) months prior to the date of termination of the business.
(b) Such Authorised Money Broking Company shall surrender the Certificate of Authorisation issued by the Central Bank, not later than three (3) working days after the termination of the business.

10. The permissible activities for an Authorised Money Broking Company shall include the following :
(a) Engage in the business of money broking, foreign exchange broking, inter-bank money broking, as an agent, facilitator or mediator, in respect of transactions of financial products with clients in the money & foreign exchange markets in Sri Lanka and other recognised international markets ;
(b) Engage in any other money broking related activities which the Board may authorise the Authorised Money Broking Company to engage in, from time to time.

11. An Authorised Money Broking Company carrying out money broking transactions shall be entitled to receive brokerage, commission or fees for the services rendered.

12. An Authorised Money Broking Company shall :
(a) act only as a broker, agent, facilitator or mediator, for the transactions being brokered and not as a principal ;
(b) adopt the Code of Conduct approved by the Director, Domestic Operations, as the guiding Code of Conduct, or adopt the ACI Model Code in the absence of such code of conduct approved by the Director, Domestic Operations ;
(c) act as a focal point for incoming orders, monitor relevant financial product terms and conditions and keep records of pending and unfulfilled transactions ;
(d) clearly state the qualifying conditions on which the transaction will be based (e.g. finding counterparty for matching deals), during the preliminary negotiations of the transaction and prior to its execution ;
(e) act professionally at all times and use clear and unambiguous terminology ;
(f) maintain full and updated records of segregated accounts ;
(g) divulge the names of the principals only when satisfied that both parties display a serious intention to transact ;
(h) report to the Director, Domestic Operations, any signs/evidence of malpractices and misdemeanor by any other Authorised Money Broking Company and/or any other parties involved in a transaction, if such signs/evidence comes to it’s notice ;
(i) acquire the required level of knowledge of the relevant financial products and be fully conversant and aware of the sources of supply and demand, terms and conditions related to such financial products and relevant market information ;
(j) comply with the related aspect of the regulations on foreign exchange and money market transactions issued by the Central Bank when sharing information with other counterparties ;
(k) provide adequate training to operational staff on skill and care required for identification and treatment of sensitive information.

13. Persons appointed to key positions in Authorised Money Broking Companies, including but not limited to that of chief executive officer, director or key management personnel, shall be fit and proper persons to conduct the activities he/she is responsible for, and shall have the requisite experience, qualifications and competence.

14. A person shall be disqualified from being elected and/or appointed as a director, chief executive officer or key management personnel of an Authorised Money Broking Company or from holding such position, if such person:

(a) does not possess academic or professional qualifications or effective experience in money broking, finance, law, business or administration or other relevant discipline;
(b) has been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;
(c) has been convicted by any court for an offence involving moral turpitude;
(d) has failed to satisfy any judgement or order of any court to repay a debt;
(e) is being subjected to any investigation or inquiry in respect of a fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law in Sri Lanka or abroad;
(f) has been found guilty in respect of an act of fraud, deceit, dishonesty or other similar criminal activity, by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law in Sri Lanka or abroad, at any time during the period of fifteen years immediately prior to being so appointed or elected;
(g) has been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive or other officer in any corporate body in Sri Lanka or abroad;
(h) is being subjected to court proceedings for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
(i) has been declared by a court of competent jurisdiction to be of unsound mind;
(j) is a chief executive officer, director or holding any other position of authority in any licensed commercial bank and/or in any primary dealer.

15. A licensed commercial bank and/or primary dealer shall not have equity participation or have control over the directors or principal officers of the Authorised Money Broking Company.

16. When communicating quotes (prices/rates) in the foreign exchange market, Authorised Money Broking Company shall:

(a) not communicate quotes with the intention of distorting the exchange rate;
(b) not communicate quotes where the principal or authorised persons have no intention of honoring, and which are quoted merely to mislead other market participants;
(c) communicate the relevant rates in a Foreign Exchange Swap transaction based on the prevailing market rates and inter-bank term transactions.

17. Every Authorised Money Broking Company shall have a sound internal control system within the organisation, in order to ensure:

(a) efficiency and effectiveness of operations (operational objective);
(b) reliability and completeness of financial and management information (information objective) and;
(c) compliance with applicable laws and regulations (compliance objective).

18. The internal control system referred to in Regulation (17), above shall include:

(a) the regular review and/or update of the internal control system, and an assurance that the operational staff possess a sound awareness of the need to comply with the system;
(b) the maintenance of proper records of all transactions with clear documentary evidence, electronically or otherwise for a minimum period of three (3) years for purposes of these regulations;
(c) the exclusive use of tie lines to carry out activities referred to in Regulation (10);
(d) the maintenance of telephone conversation records (voice records) referred to in Regulation 18(c) above and retain such records for a period not less than two (2) months from the date of the telephone conversation;
(e) the maintenance of stringent physical access controls system to the telephone conversation records;
(f) the prohibition of the use of private mobile phones inside the operational floors, by all employees.

19. (a) The Authorised Money Broking Company shall confirm all transactions in writing within twenty (20) minutes of the transaction, and such confirmation shall include the following minimum information:
(i) the transaction time, date and the value date;
(ii) the names of the counterparties;
(iii) settlement instructions; and
(iv) details of any related transactions, including, where appropriate, the commission charged by
the Authorised Money Broking Company.

(b) The broker confirmations shall be sent out by the back office, after it is scrutinized for its accuracy,
independently of those who initiated the respective transaction.

20. The Authorised Money Broking Company shall submit a performance report on a monthly basis, to the
Director, Domestic Operations, not later than five (5) working days of the following month in the form
prescribed in the “Schedule A” attached hereto, via e-mail.

21. The Director, Domestic Operations may, at any time, examine or authorise any officer of his Department
to examine the books of accounts and other records/activities of any Authorised Money Broking
Company. An Authorised Money Broking Company shall provide any information as may be requested
by the Director, Domestic Operations or such officer authorised by the Director, Domestic Operations
at all times in order to facilitate such examination.

22. Failure to comply with the provisions of these regulations and/or the furnishing of false or incorrect
information or the omission of any material information, may result in the Board taking punitive action
after an investigation, which may include:

(a) a warning being issued to the errant Authorised Money Broking Company;
(b) the disqualification of the errant Authorised Money Broking company from carrying out certain
money broking activities referred to in regulation in (10);
(c) the revocation of the Certificate of Authorisation issued by the Board.

23. In these regulations unless the context otherwise requires -

(a) “ACI Model Code” shall mean the self-governing model code adopted by the Association Cambiste
Internationale (ACI) or the Financial Market Association;
(b) “Authorised Money Broking Company” shall mean a company holding a Certificate of Authorisation
issued by the Monetary Board of the Central Bank of Sri Lanka, under these regulations;
(c) “Board” shall mean the Monetary Board of the Central Bank of Sri Lanka established under the
Monetary Law Act (Chapter 422);
(d) “Certificate of Authorisation” shall mean the authorisation granted by the Monetary Board for a
company to engage in money broking business under these regulations;
(e) “Clients” shall mean licensed commercial banks and any other institution permitted to trade in
foreign currency in future, licensed specialised banks, primary dealers, fund management compa-
nies, pension funds, unit trust companies, insurance companies, corporate treasuries, government
institutions and other financial institutions accredited by the Central Bank of Sri Lanka;
(f) “Company” shall mean a company formed and registered as a private or public limited company
under the Companies Act, No. 07 of 2007;
(g) “Director, Domestic Operations” shall mean the Head of the Department of Domestic Operations
of the Central Bank of Sri Lanka established under the Monetary Law Act (Chapter 422);
(h) “Financial Products” shall mean wholesale local and foreign currency bank deposits, spot and
forward foreign exchange (any currency against Sri Lanka rupees and cross currencies, outright or
otherwise), currency swaps, interest rate swaps, currency options and futures, fixed income securities
including government and corporate bonds, repurchase and reverse repurchase agreements, call
money and term money, debentures, commercial papers, promissory notes, securitizations, any
combinations of such instruments or any other financial product approved by the Board;
(i) “Internal Control System” shall mean the entire system of controls financial and otherwise,
established by the management in order to carry on the business of the company in an orderly and
efficient manner, ensure adherence to management policies, safeguard the assets and secure as
far as possible the completeness and accuracy of the records;
(j) “Key Management Personnel” shall mean those persons having authority and responsibility for
planning, directing and controlling the activities of the entity, directly or indirectly, including any
director (whether executive or otherwise) of that entity;
(k) “Money Broking” shall mean the business of arranging transactions between buyers and sellers in the money and foreign exchange markets with brokers acting as an intermediary in consideration of brokerage or commission fees paid or to be paid;

(l) “No Objection Letter” shall mean the letter issued to an existing firm which is already in the business of money broking at the date on which these regulations comes into effect by the Director, Domestic Operations (or by the Chief Accountant if the letter was issued prior to 01 January 2002), stating that the Central Bank has no objection to such firm carrying on broking activities in the money and foreign exchange markets in Sri Lanka;

(m) “Operational Staff” shall mean employees of the Authorised Money Broking Company who are directly engaged in those activities referred to in Regulation (10);

(n) “Primary Dealer” shall have the same meaning as given in the Registered Stock and Securities Ordinance No. 7 of 1937;

(o) “Principal” shall mean a party to a transaction, acting as a buyer or a seller, who buys and sells for its own account and risk;

(p) “Securities” shall mean a negotiable financial instrument representing financial value, including debt securities and derivative contracts;

(q) “Stated Capital” shall have the same meaning as set out in The Companies Act, No. 07 of 2007;

(r) “Tie Line” shall mean a dedicated communications link between an Authorised Money Broking Company and the respective principal.

SCHEDULE A

Name of Authorised Money Broking Company: ...........................

For the period ended: .........................................................

<table>
<thead>
<tr>
<th>Transaction Volume * (Face Value)</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD Equivalent</td>
<td>LKR</td>
</tr>
<tr>
<td>Foreign Exchange Transactions</td>
<td></td>
</tr>
<tr>
<td>USD/LKR Outright</td>
<td></td>
</tr>
<tr>
<td>SWAPS</td>
<td></td>
</tr>
<tr>
<td>Cross Currency</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
</tr>
<tr>
<td>Inter-bank Transactions</td>
<td></td>
</tr>
<tr>
<td>Call money</td>
<td></td>
</tr>
<tr>
<td>Term money</td>
<td></td>
</tr>
<tr>
<td>Government Securities</td>
<td></td>
</tr>
<tr>
<td>Outright</td>
<td></td>
</tr>
<tr>
<td>Repo/Reverse Repo</td>
<td></td>
</tr>
<tr>
<td>Services (Commercial Papers)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

*Please take only one side of the transaction - buy or sell.

Other information:

(a) Capital and Reserves:
(b) Profit after Tax:
(c) Number of Employees:
(d) Principal Officers:
(e) Board of Directors:

Circular No: 35/05/004/005/002

To: All Authorised Money Brokers

14 February 2013
And On or before 31 January each year for subsequent renewal of such certificate.
Payment shall be made by way of a cheque drawn in favour of “Central Bank of Sri Lanka”.

Sgd. R A A Jayalath
Director of Domestic Operations

Operating Instructions No. 35/01/005/0007/06
To: All Licensed Commercial Banks

RESERVE REQUIREMENTS

1. (i) Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10 (c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended by Monetary Law (Amendment) Act No. 32 of 2002 and the Regulation “D” published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No.1805/39 of 12 April, 2013.
   (ii) In terms of the provisions of Section 93 of the Monetary Law Act, commercial banks operating in Sri Lanka shall maintain reserves against all deposit liabilities denominated in Sri Lanka rupees.

2. (i) In terms of the provisions of Section 94 of the Monetary Law Act, the reserves required to be held by commercial banks against their deposit liabilities specified in Regulation 1 above shall be an amount equal to 8 per centum of the total of such deposit liabilities.
   (ii) The reserves required to be held by a commercial bank against the deposit liabilities specified in Regulation 1 above shall take the form of Rupee deposits in the Central Bank.

3. For the purposes of reserve computation and maintenance by commercial banks, each calendar month shall be divided into two periods (viz. Period A and Period B):
   (i) Period A from the 1st to the 15th (both inclusive); and
   (ii) Period B from the 16th to the last day (both inclusive) of each month.

4. (i) The reserves required to be maintained by commercial banks for the reserve maintenance Period A of any month, shall be based on the average daily deposit liabilities of Period A of the preceding month while for the reserve maintenance Period B of any month, such reserves shall be based on the average daily deposit liabilities of Period B of the preceding month.
   (ii) When computing the average daily amount of deposit liabilities over a computation period, the debit balances of deposit liabilities shall be considered zero without netting off against credit balances.

5. Commercial banks may maintain an amount over and above two per centum of the average deposit liabilities specified in Regulation 4 above but not exceeding four per centum thereof as a part of its required reserves in the form of Sri Lanka currency notes and coins. Such amount of currency notes and coins shall be the average holding of Sri Lanka currency notes and coins calculated for the respective computation period.

6. Director, Domestic Operations Department of the Central Bank shall, by way of a circular, instruct commercial banks from time to time the minimum daily deposits required to be held by a commercial bank in the Central Bank.

7. Interest at the rate of one tenth of one per centum (0.1%) per day shall be paid by a commercial bank to the Central Bank on any deficiency in reserves. Such interest shall be paid not later than five (5) working days after the respective reserve maintenance period on which such required reserves were computed under Section 96 of the Act.

8. A notice issued under the hand of the Director, Domestic Operations Department or any officer authorized by him in that behalf, stating –
   (a) That the reserves of such commercial banks are below the amount of the required reserves;
   (b) The period in respect of which there was a deficiency of such reserve;
   (c) The amount of such deficiency; and
   (d) The amount of interest payable on the amount of the deficiency
   shall be deemed to be sufficient notice to such bank of the interest due from such bank.

9. Every commercial bank shall furnish to the Director, Domestic Operations Department, Central Bank of Sri Lanka, a return substantially in the form prescribed in the Schedule A hereto in the following manner;
   Period A computations: Before end of day on the 22nd day of the same month.
   Period B computations: Before end of day on the 7th day of the immediately following month.
Return shall be furnished on the immediately following working day if such submission deadline falls on a holiday.

10. These Regulations shall come into force on 01 May 2013, upon which the Regulation “D” published in the Sri Lanka Government Gazette Extraordinary, No. 1280/7 of 20th March 2003, as amended from time to time shall cease to have any force or effect without prejudice to anything duly done thereunder.

In this regulation unless the context otherwise requires –

“Deposit Liabilities” shall mean all those liabilities of a commercial bank being – demand deposits, special deposits, savings deposits, time deposits, placements made by any institution other than a commercial bank in the inter-bank call money market, margins against letter of credit and special deposit schemes if any, such as pension funds, children’s deposit schemes and other schemes of a similar nature, and assets held in trust or on behalf of its constituents consequent to deposits made by the denominated in Sri Lanka currency, but does not include inter-commercial bank deposits.

“Demand Deposits” shall mean all those deposit liabilities of a commercial bank which are denominated in Sri Lanka Rupees, subject to payment in legal tender upon demand by cheque, draft or order; but does not include any such liability if it is subject to payment upon conditions.

“Special Deposits” shall mean all those deposit liabilities of a commercial bank arising out of monies deposited in any special account under Section 10 of the Inland Revenue Act, No. 28 of 1979.

“Savings Deposits” shall mean all deposit liabilities denominated in Sri Lanka currency other than demand deposits, time deposits and special deposits as defined above.

“Time Deposits” shall mean all deposit liabilities denominated in Sri Lanka currency accepted for a period of maturity and not withdrawable on demand and repaid with interest.

Sgd. R A A Jayalath
Director of Domestic Operations

SCHEDULE A
FORM OF REPORT
REPORT OF DAILY AVERAGE DEPOSIT LIABILITIES
(RUPEE DEPOSIT LIABILITIES)

Name of Bank : ...................................................................................................................................................

For the period from (..................................................) to (..............................................)

(date)  (date)

To : Director,
    Domestic Operations Department,
    Central Bank of Sri Lanka,
    Colombo 01.

The average amounts of deposit liabilities reported below are based on the deposit balances shown by the books of the Bank at the close of business of each day of the period specified above.

<table>
<thead>
<tr>
<th>(i) Demand Deposits</th>
<th>(ii) Time Deposits and Savings Deposits</th>
<th>(iii) All other deposit liabilities including special deposits, margins against letters of credit, etc*1</th>
<th>(iv) Total</th>
</tr>
</thead>
</table>

*1 In the case of certificates of deposit the amount declared should be the paid up value.

REQUIRED RESERVES

For the period commencing, .......................................................... ..........................................................

1. ..............% of Rs. .......................................................... ..........................................................

   (Average Daily total Rupee Deposit Liabilities)

   Rs. ..........................................................

2. Average of Sri Lanka Currency Notes and Coins held over and above 2% of average deposit liabilities, but not exceeding 4%  

   Rs. ..........................................................

3. Total reserves required to be maintained over the reserve maintenance period (1-2)  

   Rs. ..........................................................
We / I hereby certify that the above statement is correct and is in accordance with the books of this bank and that the figures shown above are in accordance with the regulations prescribed by the Monetary Board of the Central Bank of Sri Lanka for the purpose.

Date: .............................................. .................................................................

Official Signature

Note –

(a) Deposits and placements made by any institution other than licensed commercial banks, shall be accounted for maintenance of required reserves at prescribed ratios.

(b) All amounts should be shown to the nearest rupee.

Operating Instructions No. 35/01/005/0007/07 22 April 2013

To: All Licenced Commercial Banks

RESERVE REQUIREMENTS – MINIMUM DAILY DEPOSIT

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments), as amended and the Regulation “D” published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1805/39 of 12 April 2013 in terms of which all commercial banks are required to hold minimum daily deposit in the Central Bank.

For the purpose of Regulation 6 of Regulation “D”, the Monetary Board of the Central Bank of Sri Lanka has determined that the minimum daily deposit required to be held by a commercial bank to be ninety (90) per centum of the required reserves on any given day.

Sgd. R A A Jayalath

Director of Domestic Operations

Operating Instructions No. 35/01/005/0006/31 21 May 2013

To: All Licensed Commercial Banks and Primary Dealers

USE OF REPO STANDING FACILITY WHEN THE CENTRAL BANK OFFERS REVERSE REPO AUCTION

We refer to the Operating Instructions Circular No. 35/01/005/0006/30 dated 14 March 2012 on the above subject. All Licensed Commercial Banks and Primary Dealers are hereby informed that the Rs 100 million limit on repo standing facility on days when the CBSL offers reverse repo auction will be withdrawn with effect from 01 June 2013.

Sgd. R A A Jayalath

Director of Domestic Operations

Operating Instructions No. 35/01/005/0007/08 26 June 2013

To: All Licensed Commercial Banks

RESERVE REQUIREMENTS

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended and published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1816/13 of 26 June, 2013 on the above subject.

The Licensed Commercial Banks are hereby informed that in accordance with the said notification, they should maintain reserves against deposit liabilities denominated in Sri Lankan Rupees at an amount equal to six per centum (6.00%) of total of such deposit liabilities.

The above amendment takes effect from 01 July, 2013. All other instructions contained in our Operating Instructions No. 35/01/005/0007/06 and 35/01/005/0007/07 of 22 April, 2013 will continue to apply.

Sgd. R A A Jayalath

Director of Domestic Operations
REGULATIONS made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10 (c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended.

Colombo
26 June 2013

Nivard Ajith Leslie Cabraal
Governor
Central Bank of Sri Lanka

REGULATION ‘D’
RESERVE REQUIREMENTS

Regulation ‘D’ made by the Monetary Board and published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1805/39 of 12 April 2013 is hereby amended as follows with effect from 1 July 2013.

In Regulation 2(i), by the deletion of the figure and the words ‘8 per centum’ and the substitution thereof of the figure and the words ‘6 per centum’.

Operating Instructions No. 35/01/005/0006/32
24 July 2013

To: All Licensed Commercial Banks and Primary Dealers

OPERATING INSTRUCTIONS ON OPEN MARKET OPERATIONS
OF THE CENTRAL BANK OF SRI LANKA IN SCRIPLESS GOVERNMENT SECURITIES

This has reference to our Circular No. 35/01/005/0006/04 dated 27 January 2004 on the above Subject Clauses 1 and 2 of item A titled “Repurchase Transactions (RP) under the Auction System” and Clause 1 and 2 of item B titled “Reverse Repurchase Transactions (RRP)” of the said Operating Instructions are hereby amended with immediate effect to read as follows:

A. Repurchase Transactions (RP) under the Auction System

1. The tenure of Repurchase Transactions will be overnight to one week. The exact tenure will be decided by the Market Operations Committee (MOC) after assessing the market needs and the policy environment.

2. The MOC after assessing periodic liquidity positions in the money market will call for quotations (bids) from Participating Institutions (Pls) by 1030 hours by way of an announcement on the Online Electronic Bidding System and/or on the Money Market Screen. The announcement will include the amount offered and the maturity date / tenure.

B. Reverse Repurchase Transactions (RRP)

1. The tenure of Reverse Repurchase Transactions will be overnight to one week. The exact tenure will be decided by the MOC after assessing the market needs and the policy environment.

2. The MOC after assessing periodic liquidity position in the money market will call for quotations (bids) from Pls by 0930 hours by way of an announcement on the Online Electronic Bidding System and/or on the Money Market Screen. The announcement will include the amount offered and the maturity date / tenure.

Sgd. R A A Jayalath
Director of Domestic Operations

Circular No. 35/01/005/0010/15
30 August 2013

To : All Licensed Commercial Banks

MARGIN REQUIREMENTS AGAINST LETTERS OF CREDIT FOR IMPORTATION OF MOTOR VEHICLES

Commercial Banks are hereby informed that with effect from 30 August 2013, Letters of Credit (LCs) should not be opened by commercial banks for the importation of the items specified in Schedule A (attached), unless such LCs are covered by a minimum cash margin of 100 per cent of import value deposited with the LC opening banks at the time of such LCs are opened.
In the case of existing LCs covering the importation of the items mentioned in Schedule A, no increase in the value of such LCs should be permitted by banks except on the terms prescribed in the above paragraph.

The banks should not grant any advances to their import customers for the purpose of enabling such customers to meet the minimum margin requirements imposed by this circular. However, interest may be paid on margin deposits.

Banks should endorse the relevant invoice to the effect that the margin deposit as per this circular, has been obtained.

Banks are required to comply with this direction until further notice.

![Signature](Sgd. R A A Jayalath)

**Director of Domestic Operations**

**For and on behalf of the Monetary Board of the Central Bank of Sri Lanka**

### SCHEDULE A

**30-AUG-2013**

**List of Items Requiring 100 per cent Margin Deposit Against Letter of Credit**

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8702.10</td>
<td>Motor vehicles for the transport of ten or more persons, including the driver.</td>
</tr>
<tr>
<td>8702.11</td>
<td>With compression-ignition internal combustion piston engine (diesel or semi-diesel)</td>
</tr>
<tr>
<td>8702.12</td>
<td>Motor vehicles for the transport of ten or more persons, including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.13</td>
<td>Motor vehicles for the transport of ten or more persons (adults) including the driver, not more than three and a half years old</td>
</tr>
<tr>
<td>8702.14</td>
<td>Hybrid electric vehicles</td>
</tr>
<tr>
<td>8702.15</td>
<td>Modified vehicles of heading 87.03, not more than two years old</td>
</tr>
<tr>
<td>8702.16</td>
<td>Modified vehicles of heading 87.03, more than two years old</td>
</tr>
<tr>
<td>8702.17</td>
<td>Other</td>
</tr>
<tr>
<td>8702.18</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.19</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.20</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.21</td>
<td>Other</td>
</tr>
<tr>
<td>8702.22</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.23</td>
<td>Other</td>
</tr>
<tr>
<td>8702.24</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.25</td>
<td>Hybrid electric vehicles</td>
</tr>
<tr>
<td>8702.26</td>
<td>Modified vehicles of heading 87.03, not more than two years old</td>
</tr>
<tr>
<td>8702.27</td>
<td>Modified vehicles of heading 87.03, more than two years old</td>
</tr>
<tr>
<td>8702.28</td>
<td>Other</td>
</tr>
<tr>
<td>8702.29</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.30</td>
<td>Other</td>
</tr>
<tr>
<td>8702.31</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.32</td>
<td>Other</td>
</tr>
<tr>
<td>8702.33</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
</tr>
<tr>
<td>8702.34</td>
<td>Other</td>
</tr>
<tr>
<td>8702.35</td>
<td>Motor vehicles for the transport of less than 13 persons (adults) including the driver, more than three and a half years old</td>
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<td>Modified vehicles of heading 87.03, more than two years old</td>
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<td>8702.110</td>
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<td>Description</td>
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<td>-------------</td>
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<td>8702.90.41</td>
<td>Motor vehicles for the transport of 13 or more persons (adults) but less than 20 persons (adults) including the driver, more than five years old</td>
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<td>Other</td>
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<td>Modified vehicles of heading 87.03, more than two years old</td>
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<td>Modified vehicles of heading 87.03</td>
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<tr>
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</table>

**87.03**

Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), (other than those of heading 87.02), including station wagons and racing cars.

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<tr>
<th>Tariff Number</th>
<th>Description</th>
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<tbody>
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<td>8703.10</td>
<td>Vehicles specially designed for travelling on snow; golf cars and similar vehicles :</td>
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<tr>
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<tr>
<td>8703.21</td>
<td>Of cylinder capacity not exceeding 1,000 cc :</td>
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<tr>
<td>8703.21.51</td>
<td>Auto-trishaws :</td>
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<tr>
<td>8703.21.52</td>
<td>Other, driven by liquefied petroleum (LP) gas, not more than two years old</td>
</tr>
<tr>
<td>8703.21.53</td>
<td>Other, driven by liquefied petroleum (LP) gas, more than two years old</td>
</tr>
<tr>
<td>8703.21.54</td>
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</tr>
<tr>
<td>8703.21.55</td>
<td>Other, more than two years old</td>
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<tr>
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<td>Motor cars including station wagons and racing cars, not more than two years old</td>
</tr>
<tr>
<td>8703.21.62</td>
<td>Gocart</td>
</tr>
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<td>8703.21.79</td>
<td>Other</td>
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<td>Hybrid electric vehicles, not more than two years old</td>
</tr>
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<td>8703.21.92</td>
<td>Other, not more than two years old</td>
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<td>Of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc :</td>
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<tr>
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<td>Hybrid electric vehicles</td>
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<tr>
<td>8703.22.59</td>
<td>Other</td>
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<tr>
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<tr>
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<td>Other</td>
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<td>Hybrid electric vehicles</td>
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<td>Other</td>
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<td>Hybrid electric vehicles</td>
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<td>8703.23</td>
<td>Of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc :</td>
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<td>Other, of a cylinder capacity not exceeding 1,600 cc</td>
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<td>8703.23.59</td>
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<td>Other, of a cylinder capacity not exceeding 1,600 cc</td>
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<td>Other, hybrid electric vehicles</td>
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<td>8703.23.69</td>
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<td>Hybrid electric vehicles</td>
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<td>Other</td>
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<td>8703.23.91</td>
<td>Hybrid electric vehicles of a cylinder capacity not exceeding 2,000 cc, not more than two years old</td>
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<td>8703.23.92</td>
<td>Other, of a cylinder capacity not exceeding 2,000 cc, not more than two years old</td>
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<td>Of a cylinder capacity not exceeding 2,000 cc, more than two years old</td>
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<td>Other of a cylinder capacity not exceeding 2,000 cc, more than two years old</td>
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<td>Of a cylinder capacity exceeding 3,000 cc :</td>
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<td>Other vehicles, with compression-ignition internal combustion piston engine (diesel or semi-diesel) :</td>
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<td>Motor - homes, specially equipped for habitation (with sleeping, cooking, toilet facilities etc) of a cylinder capacity exceeding 2000cc, not more than two years old</td>
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<td>Other, of a cylinder capacity exceeding 2,000 cc, not more than two years old</td>
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<td>Of a cylinder capacity exceeding 2000 cc., more than two years old</td>
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<td>Of a cylinder capacity exceeding 2,500 cc :</td>
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Other, not more than two years old

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<td>8703.33.79</td>
<td>Other</td>
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<td>Motor vehicles for the transport of goods.</td>
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</tr>
<tr>
<td>8704.21.62</td>
<td>More than four years old</td>
</tr>
<tr>
<td>8704.21.71</td>
<td>Not more than four years old</td>
</tr>
<tr>
<td>8704.21.72</td>
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<tr>
<td>8704.21.81</td>
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<tr>
<td>8704.21.82</td>
<td>More than four years old</td>
</tr>
<tr>
<td>8704.21.91</td>
<td>Vehicle with separate bodies for cabin and cargo area, not more that four years old</td>
</tr>
<tr>
<td>8704.21.92</td>
<td>Vehicle with separate bodies for cabin and cargo area, more than four years old</td>
</tr>
<tr>
<td>8704.31</td>
<td>g.v.w. not exceeding 5 tonnes :</td>
</tr>
<tr>
<td>8704.31.11</td>
<td>Auto-trishaws :</td>
</tr>
<tr>
<td>8704.31.12</td>
<td>With two-stroke petrol engine</td>
</tr>
<tr>
<td>8704.31.13</td>
<td>Other, not more than four years old</td>
</tr>
<tr>
<td>8704.31.20</td>
<td>Other, more than four years old</td>
</tr>
<tr>
<td>8704.31.30</td>
<td>Chassis fitted with engines and cabs for vehicles of national subdivision 8704.31.41, more than four years old</td>
</tr>
<tr>
<td>8704.31.41</td>
<td>Not more than four years old</td>
</tr>
<tr>
<td>8704.31.42</td>
<td>More than four years old</td>
</tr>
<tr>
<td>8704.31.51</td>
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<tr>
<td>8704.31.52</td>
<td>More than four years old</td>
</tr>
<tr>
<td>8704.31.61</td>
<td>Not more than four years old</td>
</tr>
<tr>
<td>8704.31.62</td>
<td>More than four years old</td>
</tr>
<tr>
<td>8704.31.71</td>
<td>Other vehicles of g.v.w. less than 1,500 kg :</td>
</tr>
<tr>
<td>8704.31.72</td>
<td>More than four years old</td>
</tr>
</tbody>
</table>

Other :
### 87.04.31.91
Vehicle with separate bodies for cabin and cargo area, not more that four years old

### 87.04.31.92
Vehicle with separate bodies for cabin and cargo area, more that four years old

### 87.04.31.93
Other, not more than four years old

### 87.04.31.99
Other, more than four years old

### 87.04.90
Other:

#### 87.04.90.10
Electric auto-trishaws not more than five years old

#### 87.04.90.20
Electric auto-trishaws more than five years old

#### 87.04.90.30
Other electric, not more than five years old

#### 87.04.90.40
Other electric, more than five years old

#### 87.04.90.50
Other, not more than five years old

#### 87.04.90.60
Other, more than five years old

### 87.06
Chassis fitted with engines, for the motor vehicles of heading 87.01 to 87.05.

#### 87.06.00.10
New chassis fitted with engines for motor vehicles of heading 87.02, for the transport of twenty eight or more passengers including the driver

#### 87.06.00.20
New chassis fitted with engines for other motor vehicles of heading 87.02

#### 87.06.00.30
New chassis fitted with engines for motor vehicles of heading 8704.21, 8704.22, 8704.23, 8704.31 and 8704.32 with a g.v.w. of 3,000 kg or more

#### 87.06.00.40
Other new chassis fitted with engines for other motor vehicles

#### 87.06.00.50
Used chassis fitted with engines

### 87.07
Bodies (including cabs), for the motor vehicles of headings 87.01 to 87.05.

#### 87.07.10
For the vehicles of heading 87.03

#### 87.07.90
Other:

##### 87.07.90.10
Bodies and cabs incorporating attachments left over in the process of separating same from the main vehicle by cutting, but not meriting classification elsewhere by virtue of those left over attachments

##### 87.07.90.20
Other, for the motor vehicles of heading 87.02, for the transport of twenty eight or more persons including the driver

##### 87.07.90.30
Other, for the manufacture of lorries and trucks of heading 87.04, of a g.v.w. exceeding 3,000kg

##### 87.07.90.90
Other

### 87.08
Parts and accessories of the motor vehicles of headings 87.01 to 87.05.

#### 87.08.10
Bumpers and parts thereof

##### 87.08.29
Other:

##### 87.08.29.10
"Cut-portions" of bodies and cabs

##### 87.08.29.90
Other

#### 87.08.40
Gear boxes and parts thereof

#### 87.08.50
Drive-axles with differential, whether or not provided with other transmission components, and non-driving axles; parts thereof

#### 87.08.70
Road wheels and parts and accessories thereof:

##### 87.08.70.10
Rims fitted with tyres, showing signs of wear

##### 87.08.70.20
Other, rims fitted with tyres

##### 87.08.70.90
Other

#### 87.08.80
Suspension systems and parts thereof (including shock-absorbers)

##### 87.08.91
Radiators and parts thereof

##### 87.08.92
Silencers (mufflers) and exhaust pipes; parts thereof

##### 87.08.93
Clutches and parts thereof

##### 87.08.94
Steering wheels, steering columns and steering boxes; parts thereof

##### 87.08.95
Safety airbags with inflater system; parts thereof

##### 87.08.99
Other:

##### 87.08.99.10
New chassis not fitted with engines, but with or without fittings for motor vehicles of heading 87.02 and 87.04 with a g.v.w. of 3,000 kg or more

##### 87.08.99.20
Other new chassis not fitted with engines, but with or without fittings

##### 87.08.99.30
Other used chassis not fitted with engines, but with or without fittings

##### 87.08.99.40
"Cut-portions" of motor vehicles

##### 87.08.99.90
Other

### 87.11
Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars.

#### 87.11.10
With reciprocating internal combustion piston engine of a cylinder capacity not exceeding 50 cc:

##### 87.11.10.10
Not more than three years old

##### 87.11.10.20
More than three years old

#### 87.11.20
With reciprocating internal combustion piston engine of a cylinder capacity exceeding 50 cc but not exceeding 250 cc:

##### 87.11.20.10
Exceeding 50 cc but not exceeding 200 cc, not more than three years old

##### 87.11.20.20
Exceeding 200 cc, more than three years old

##### 87.11.20.30
Other, not more than three years old

##### 87.11.20.40
Other, more than three years old

#### 87.11.30
With reciprocating internal combustion piston engine of a cylinder capacity exceeding 250 cc but not exceeding 500 cc:

##### 87.11.30.10
Exceeding 250 cc but not exceeding 350 cc, not more than three years old
Circular No. 35/01/005/0010/16
24 September 2013
To: All Licensed Commercial Banks

MARGIN REQUIREMENTS AGAINST LETTERS OF CREDIT FOR IMPORTATION OF MOTOR VEHICLES

This refers to our Circular No. 35/01/005/0010/15 dated 30th August 2013 on the above subject.

Licensed commercial banks are hereby informed that the requirement to maintain a minimum cash margin of 100 per cent in terms of the above circular may be waived off in respect of consolidated foreign letters of credit established by reputed motor vehicle agents on behalf of the persons who hold permits issued by the government to import vehicles with duty concessions (permit holders), subject to the fulfilment of the following conditions;

1. Commercial banks shall ensure that the said margin requirement is fulfilled by the individual permit holders by way of locally established letters of credit on individual basis in favor of the local vehicle agent and maintain sufficient documentary evidence for the purpose.

2. The value of the consolidated foreign letter of credit shall not exceed the aggregated value of such identified local letters of credit referred in item 1 above.

Sgd. R A A Jayalath
Director of Domestic Operations
For and on behalf of the Monetary Board
of the Central Bank of Sri Lanka

Circular No. 35/01/005/0010/17
21 October 2013
To: All Licensed Commercial Banks

MARGIN REQUIREMENTS AGAINST LETTERS OF CREDIT FOR IMPORTATION OF MOTOR VEHICLES

This refers to the Circular No. 35/01/005/0010/15 dated 30th August 2013 on the above subject.

Licensed commercial banks are hereby informed that the minimum cash margin requirement stipulated in the above circular, may be satisfied by way of holding a lien over the monies lying in a fixed deposit, provided that;

1. such FDs are placed with the bank that opens the respective Letters of Credit (LC); and
2. such FDs are lying in the accounts of the person on whose name the respective LC is opened (importer)

Sgd. R A A Jayalath
Director of Domestic Operations
For and on behalf of the Monetary Board
of the Central Bank of Sri Lanka

Ref: 06/04/03/2013
01 January 2013

Directions to Authorized Dealers

Dear Sirs,

FOREIGN EXCHANGE EARNERS’ ACCOUNT (FEEA)

Paragraph 3 of the Direction on Foreign Exchange Earners’ Account bearing Reference No. 06/04/05/2012 dated 11th July 2012 is repealed and replaced by the following:

“3. FEEA may be opened in the form of current, savings or term deposits in any foreign currency. However, cheque books shall not be issued against current accounts.”

Yours faithfully,
P H O Chandrawansa
Controller of Exchange
PERMISSION is hereby granted in terms of Sections 5 and 7 of the Exchange Control Act read with Sections 3 and 48 of the said Act for a company incorporated under the Companies Act, No. 07 of 2007 to borrow from a person resident outside Sri Lanka, under the External Commercial Borrowing Scheme (ECBS) subject to the following conditions:

1. This permission shall not apply to a company limited by guarantee or an off-shore company, within the meaning of the Companies Act, No. 07 of 2007.

2. The ECBS shall commence on 01.01.2013 and shall end on 31.12.2015.

3. The maximum borrowing under the ECBS, per company, shall be United States Dollars 30 million or its equivalent value in any other foreign currency, provided however that the maximum amount of borrowing, per company, per each calendar year, shall be United States Dollars 10 million or its equivalent value in any other foreign currency.

4. Any company that requires to borrow exceeding the limitations stated herein shall obtain prior permission of the Controller of Exchange.

Colombo                                                                                                                                         P H O Chandrawansa
01 January 2013

1. PERMISSION is hereby granted under Sections 5, 6, 6A and 7 of the Exchange Control Act read with Sections 3 and 48 of the said Act for a person resident in Sri Lanka to accept payments in foreign currency in respect of goods and services supplied by such person to a person resident outside Sri Lanka provided that such currency shall be disposed of from such person’s possession within 7 days in the following manner by the person who accepted such currency;

   (a) deposit in a Foreign Exchange Earners’ Account (FEEA) opened and maintained in the name of the person who accepted such currency; or

   (b) sell to a licensed commercial bank.

2. Provisions of this Gazette shall also apply to a person resident in Sri Lanka carrying on a permitted business to supply goods and services under duty free concessions to passengers arriving in or departing from Sri Lanka at ports in Sri Lanka irrespective of the residential status of the passenger to whom such goods and services are provided.

Colombo                                                                                                                                         P H O Chandrawansa
01 January 2013

Ref: 06/04/04/2013
02 January 2013

Directions to Authorized Dealers

Dear Sirs,

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE

Authorized dealers are hereby informed that they may enter into forward contracts (hereinafter referred to as the ‘contract’) with their customers to hedge exposure to exchange risk of such customers subject to the following terms and conditions.

(i) Any contract, including a contract based on an estimated transaction value, which shall be in respect of a current account transaction or a capital account transaction (hereinafter referred to as an underlying transaction) permitted under the Exchange Control Act.
(ii) The estimated transaction value referred to above shall be determined based on the past performance by averaging preceding three contracts value or immediately preceding contract value, whichever value is higher, subject to confirmation by an authorized dealer.

(iii) The authorized dealer shall be satisfied with the bona-fide of the underlying transaction.

(iv) The date of performance of the forward contract shall not extend beyond the date of payment or receipt in foreign exchange, as the case may be, in terms of the relevant underlying transaction. If the date of the performance of the forward contract falls before the date of payment of the underlying transaction such contract shall be rolled over to match the maturity of the underlying transaction.

(v) Contract may be entered into with customers whose underlying transactions are established with another authorized dealer provided documentary evidence is furnished by the said authorized dealer on such transactions.

2. Direction bearing Reference No.06/04/01/2012 dated 01.03.2012 is hereby rescinded.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

Ref: 06/04/05/2013
02 January 2013

Directions to Authorized Dealers
Dear Sirs,

NON-RESIDENT FOREIGN CURRENCY (NRFC) ACCOUNTS

The following shall be permitted as a credit into an NRFC account, further to the credits specified under paragraph 2.2 of the Operating Instructions bearing Ref. No. EC/08/88(D) as amended from time to time.

“(e) Transfer of funds from a Securities Investment Account (SIA) of the same account holder.”

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

Ref: 06/04/06/2013
02 January 2013

Directions to Authorized Dealers
Dear Sirs,

SPECIAL FOREIGN INVESTMENT DEPOSIT ACCOUNT (SFIDA)

Further to the permitted credits into an SFIDA, transfer of funds from a Securities Investment Account (SIA) into a SFIDA of the same account holder is hereby permitted.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

Ref: 06/04/07/2013
02 January 2013

Directions to Authorized Dealers
Dear Sirs,

RESIDENT NON NATIONAL FOREIGN CURRENCY (RNNFC) ACCOUNTS

Further to the permitted credits into an RNNFC account, transfer of funds from a Securities Investment Account (SIA) into an RNNFC account of the same account holder is hereby permitted.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange
NON RESIDENT NON NATIONAL FOREIGN CURRENCY ACCOUNT (NRNNFA)

Further to the permitted credits into an NRNNFA account, transfer of funds from a Securities Investment Account (SIA) into an NRNNFA account of the same account holder is hereby permitted.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
No. 1791/43 – FRIDAY, JANUARY 04, 2013
(Published by Authority)
PART I: SECTION (1) – GENERAL
CENTRAL BANK OF SRI LANKA NOTICES
NOTICE UNDER THE EXCHANGE CONTROL ACT (chapter 423 of the CLE)

1. PERMISSION is hereby granted for the purposes of Sections 7, 10, 11, 15 and 30(5) as applicable of the Exchange Control Act, No. 24 of 1953 as amended (Chapter 423 of the CLE) for the issue and transfer of Sri Lankan Rupee Denominated redeemable preference shares in a company classified as a specified business enterprise in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 to approved country funds, approved regional funds, corporate bodies incorporated outside Sri Lanka and individuals resident outside Sri Lanka (inclusive of Sri Lankans resident outside Sri Lanka) subject to the conditions set out hereinafter.

(i) The tenor of a preference share should not be less than three years from the date of issue.
(ii) Redemption of the shares shall not commence earlier than one year from the date of issue and shall be phased out proportionately throughout the balance period.
(iii) If the shares so issued are convertible into ordinary shares, such conversion may be effected at any time and shall comply with the exclusions and limitations specified in the Government Gazette extraordinary No. 1232/14 of 19.04.2002 as amended.
(iv) A person resident outside Sri Lanka who is a party to a transaction permitted hereunder shall make a declaration to the effect that such person is a resident outside Sri Lanka on the share transfer form or share application form as applicable.
(v) The payment for shares in any issue or transaction permitted hereunder shall be made only out of or into a Securities Investment Account (SIA) opened in a licensed commercial bank in Sri Lanka in accordance with the directions issued by the Controller of Exchange in that behalf to such banks.
(vi) A licensed commercial bank, a licensed share broker or any other person entrusted with the payment such as sale proceeds of shares, dividends and commissions in respect of any transaction permitted hereunder shall make such payments only into or out of a SIA referred to in paragraph (v) above.

2. Permission is also hereby granted –

(a) under Section 11 of the Exchange Control Act for the transfer by approved country funds, approved regional funds, corporate bodies incorporated outside Sri Lanka and individuals resident outside Sri Lanka of shares acquired in terms of paragraph 1. Subject to the conditions stipulated in (iv), (v) and (vi) of paragraph 1.
(b) under Section 7 of the Exchange Control Act for making any payment to or for the credit of a person resident outside Sri Lanka in respect of a transaction permitted hereunder in accordance with the conditions (vi) stipulated in paragraph 1.

3. Nothing contained herein shall be construed as affecting or having a bearing on –

(a) A company with which an agreement has been entered into by the Board of Investment of Sri Lanka under Section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978 in respect of which exemptions have been granted from the Exchange Control Act, to the extent of such exemption;
(b) The provisions of any other written law.

Colombo
04 January 2013

P H O Chandrawansa
Controller of Exchange
THE Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
No. 1792/28 – THURSDAY, JANUARY 10, 2013
(Published by Authority)
PART I: SECTION (1) – GENERAL
CENTRAL BANK OF SRI LANKA NOTICES
NOTICE UNDER THE EXCHANGE CONTROL ACT (Chapter 423 of the CLE)

THE notice under the Exchange Control Act published in the Government Gazette (Extraordinary) No. 1681/10 of 22nd November 2010 is hereby amended as follows:

1. By the substitution in item (a) of sub-paragraph 2.1 “Inward Investment Account (IIA)” of the words “Securities Investment Account (hereinafter referred to as SIA)”;
2. By the substitution in sub-paragraph 2.2 in paragraph 2 and sub-paragraph 3.1 in paragraph 3 for the words IIA of the words SIA.

Colombo,
10 January 2013

P H O Chandrawansa,
Controller of Exchange

Ref: 06/04/09/2013
23 January 2013

Directions to Authorized Dealers
Dear Sirs,

INWARD INVESTMENT ACCOUNT (IIA)

This is to inform you that the direction bearing Reference No. 06/04/10/2010 dated 22nd November 2010 titled Inward Investment Account (IIA) is hereby rescinded.

Accordingly, the accounts opened under the said direction shall continue to be operated as Sri Lankan Rupee Accounts.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange

Ref: 06/04/10/2013
24 January 2013

Directions to Authorized Dealers
Dear Sirs,

FOREIGN EXCHANGE EARNERS’ ACCOUNT (FEEA)

Paragraph 2 of the Direction on Foreign Exchange Earners’ Account bearing Reference No. 06/04/05/2012 dated 11th July 2012 is repealed and replaced by the following:

“2. Eligible Persons
(i) The following residents who earn foreign exchange:
  a. Individuals;
  b. Companies incorporated in Sri Lanka;
  c. Sole proprietorships and partnerships registered in Sri Lanka;
  d. Companies incorporated outside Sri Lanka which are registered as overseas companies under the Companies Act No. 07 of 2007.
(ii) Eligible borrowers who have borrowed under the External Commercial Borrowing Scheme (ECBS) implemented in terms of the Notice published in the Gazette (Extraordinary) No. 1791/15 dated 01.01.2013.”

Yours faithfully,

P H O Chandrawansa
Controller of Exchange

Ref: 06/04/11/2013
24 January 2013

Directions to Authorized Dealers
Dear Sirs,

EXTERNAL COMMERCIAL BORROWING ACCOUNT (ECBA)

As a further measure of facilitating corporate entities to borrow from abroad, the specific account to be opened for this purpose is not required. Therefore, the Direction bearing Reference No. 06/04/02/2013 issued on 01/01/2013 on External Commercial Borrowing Account (ECBA) is hereby rescinded.
The authorized dealers are permitted to credit the proceeds of loans obtained by an eligible borrower under the External Commercial Borrowing Scheme (ECBS) implemented in terms of the Notice published in the Gazette (Extraordinary) No. 1791/15 dated 01.01.2013, into any bank account opened and maintained in the name of the said borrower, including a Foreign Exchange Earners’ Account (FEEA) that may be opened for the purpose. Further, the authorized dealers are permitted to make outward remittances relating to repayment of the loans obtained under the ECBS and other related charges and fees.

Yours faithfully,

P H O Chandrawansa

Controller of Exchange

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 1795/32 – WEDNESDAY, JANUARY 30, 2013

(Published by Authority)

PART I: SECTION (1) – GENERAL

CENTRAL BANK OF SRI LANKA NOTICES

NOTICE UNDER THE EXCHANGE CONTROL ACT (chapter 423 of the CLE)

Permission in terms of Sections 7 and 31 of the Exchange Control Act

THE notice under the Exchange Control Act published in the Government Gazette Notification (Extraordinary) No. 1719/24 of 18th August 2011 is amended by inserting a paragraph (iii) thereof:

“(iii) The permission given herein with regard to non resident Sri Lankan shall extend to non resident persons with Sri Lankan origin”

Colombo                                                                   P H O Chandrawansa

30 January 2013                                      Controller of Exchange

Ref: 06/04/12/2013                                           31 January 2013

Directions to Authorized Dealers

Dear Sirs,

INVESTMENT IN UNIT TRUSTS BY INVESTORS RESIDENT OUTSIDE SRI LANKA

A General permission has been granted to foreign institutional investors, corporate bodies incorporated outside Sri Lanka and investors resident outside Sri Lanka (inclusive of Sri Lankans resident outside Sri Lanka) to invest in units in unit trusts in terms of the notice published in the Gazette (Extraordinary) No.1795/39 dated 31.01.2013.

2. Authorized dealers are hereby required to facilitate transactions as per the said Gazette Notification.

3. Authorized dealers shall keep records pertaining to transactions of accounts maintained by Unit Trusts and submit to the Controller of Exchange the total investments received from and total re-payments made to investors who are resident outside Sri Lanka, per Unit Trust, on a quarterly basis.

Yours faithfully,

P H O Chandrawansa

Controller of Exchange

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 1795/39 – THURSDAY, JANUARY 31, 2013

(Published by Authority)

PART I: SECTION (1) – GENERAL

CENTRAL BANK OF SRI LANKA NOTICES

NOTICE UNDER THE EXCHANGE CONTROL ACT (chapter 423 of the CLE)

1. Permission in terms of Sections 7, 10, 11 and 15 of the Exchange Control Act

(a) Permission is hereby granted for the purposes of Sections 10, 11 and 15 of the Exchange Control Act as applicable, for the issue and transfer of units in a Unit Trust operated on a licence issued under the Securities & Exchange Commission of Sri Lanka Act, No. 36 of 1987, as amended, to foreign institutional investors, corporate bodies incorporated outside Sri Lanka and individuals resident outside Sri Lanka (inclusive of Sri Lankans resident outside Sri Lanka), subject to the conditions contained in paragraph 2.
(b) Permission is hereby granted for the purposes of Section 7 of the Exchange Control Act, for making any payment to or for
the credit of an account of a person resident outside Sri Lanka in respect of a transaction permitted under sub-paragraph
(a) above and such payment or credit shall only be made in accordance with paragraph 2(c).

2. Conditions:
   (a) A person resident outside Sri Lanka who is a party to a transaction permitted hereunder shall make a declaration that such
   person is resident outside Sri Lanka on the application form for the purchase of units.
   (b) The payment for the purchase of units in an issue or transfer shall be made only out of;
   (i) A Securities Investment Account (SIA) or an account maintained in foreign currency opened in a licensed commercial
   bank in Sri Lanka in the name of the person who invests as per paragraph 1(a) above; or
   (ii) Proceeds of an inward remittance by the person who invests as per paragraph 1(a) above.
   (c) A managing company, trustee, licensed commercial bank, licensed broker or any other person entrusted with the payment
   of monies such as redemption proceeds, sale proceeds, income and such other benefits in respect of any transaction
   permitted hereunder shall make such payments either into a SIA, any account opened in a licensed commercial bank in
   Sri Lanka or by an outward remittance, as may be specified by the investor.
   (d) A managing company or any other person who is entrusted with maintaining a register of unit holders in respect of an issue or
   transfer of units by any Unit Trust shall not register the names of foreign institutional investors, corporate bodies incorporated
   outside Sri Lanka or individuals resident outside Sri Lanka (inclusive of Sri Lankans resident outside Sri Lanka) or their nominee as
   a holder of units of such Unit Trust unless evidence to the satisfaction of such person is furnished that the terms and conditions
   applicable to such issue or transfer in terms of this notice have been complied with.

3. Interpretation:
   (a) “Unit Trust”, “Managing Company”, “Trustee” and “Unit Holder” shall have the same meaning as in the Securities &
   (b) “Person Resident in Sri Lanka” and “Person Resident outside Sri Lanka” shall have the same meaning as in the order

4. The notice published in Gazette (Extraordinary) No.1719/22 of 18.08.2011 is hereby rescinded.

Colombo
31 January 2013
Ref: 06/04/13/2013

Directions to Authorized Dealers

Dear Sirs,

FOREIGN EXCHANGE EARNERS’ ACCOUNT (FEEA)

This refers to paragraph 7 of direction on Foreign Exchange Earners’ Account bearing reference No. 06/04/05/2012 dated 11th
July 2012.

2. A revised format of the reporting requirement is attached hereto.
3. The format attached to the direction No. 06/04/05/2012 is hereby rescinded with effect from 31.03.2013.
4. All authorized dealers are required to comply with the new reporting requirement with effect from 01.04.2013.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange

Controller of Exchange,
Exchange Control Department,
Central Bank of Sri Lanka,
No.30, Janadhipathi Mawatha,
Colombo 01.

Monthly statement of Foreign Exchange Earners’ Accounts (FEEA)

<table>
<thead>
<tr>
<th>Category of the Account</th>
<th>Currency</th>
<th>Balance as at beginning of the month</th>
<th>Inward Remittances</th>
<th>Total Interest Credited</th>
<th>Other Credits</th>
<th>Outward Remittances</th>
<th>Other Debits</th>
<th>Balance as at end of the month</th>
<th>Total Number of A/C as at end of the month</th>
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<tbody>
<tr>
<td>Exporters</td>
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<td>Indirect Exporters</td>
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<td>Professional Service Providers</td>
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</table>

Central Bank of Sri Lanka Annual Report - 2013

Part III - 47
### Major Administrative Measures Adopted by the Monetary Board in 2013

#### Travel Agents

#### Suppliers of Material Inputs

#### Gem & Jewellery Dealers

#### Insurers

#### Foreign Employment Agencies

Account holders under the general permission in Gazette No. 1791/16 dated 01.01.2013

#### Special/Temporary foreign Currency Accounts

Borrowers under the External Commercial Borrowing Scheme in terms of Gazette No: 1791/15 dated 01.01.2013

#### Other (Please specify the category)

Note: Please provide information on different types of currencies in all accounts. (EUR, USD, GBP, Other (please specify))

I have examined the relevant documents and confirm that the above mentioned information is true and correct.

Date: ..................................................  

(DD/MM/YY)  

Signature & seal of the Authorized Dealer

---

**Ref: 06/04/14/2013**  

29 April 2013

**Directions to Authorized Dealers**

**ENTREPO T TRADE**

Dear Sirs,

Authorized dealers are hereby informed that they may facilitate requests for import and export of goods for entrepot trade subject to following conditions.

1. Entrepot trade shall be carried out in one of the following methods;
   
   (a) Goods imported be stored in a customs bonded warehouse until they are re-exported to a third country.
   (b) Re-packing/re-labelling/simple processing of goods imported be carried out in a customs bonded warehouse/bonded area before exporting to a third country.
   (c) Exportation of goods directly from a second country to a third country without the goods physically arriving in Sri Lanka.
   (d) Transfer from a ship/air-craft to another within a port in Sri Lanka without the cargo being taken into a bonded warehouse.

2. Importation of the following items under entrepot trade is strictly prohibited.
   
   (a) Narcotics
   (b) Arms and Ammunitions

3. Payments made for importation of goods for re-export purposes under entrepot trade are allowed under the following payment terms, subject to conditions (a), (b) and (c) below;
   
   (i) Letters of Credit (LC)
   (ii) Documents against Payment (DP)
   (iii) Documents against Acceptance (DA)
   (iv) Advance Payment (cash-in-advance)
   (v) Open Account

   (a) Payments for importation of goods under entrepot trade shall be less than the corresponding payment that would be received, ensuring a sufficient margin to the local trader to cover the value added costs, other local charges including bank charges, and profits.
   (b) Payments under Advance Payment (cash-in-advance) term are allowed only out of proceeds of the corresponding re-export credited to the Foreign Exchange Earners’ Account (FEEA).
   (c) Payments under Open Account term shall be made within 365 days from the date of the Bill of Lading (BL)/Air Way Bill (AWB).

4. Re-export under entrepot trade is allowed on the following payment terms;
   
   (i) Advance Payment (cash-in-advance)
   (ii) Letters of Credit (LC)
   (iii) Documents against Payment (DP)
   (iv) Documents against Acceptance (DA) up to 120 days.
5. Operating Instructions bearing Reference Nos. EC/26/93(H) and 06/05/06/2001 dated 25.02.1993 and 30.07.2001, respectively are hereby rescinded.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

Ref: 06/04/15/2013
12 June 2013

Directions to Authorized Dealers

Dear Sirs,

SALE OF FOREIGN EXCHANGE TO EMIGRANTS

As a measure to simplify the procedure of sale of foreign exchange to emigrants, authorized dealers are hereby permitted to issue/transfer foreign exchange to Sri Lankan emigrants as follows:

1. This direction applies to emigrants who have obtained the Permanent Residency of another country (PR) after the date of issue of this direction.

2. An initial migration allowance up to USD 150,000 per individual may be released, provided that such individual holds a valid Sri Lankan passport at the time of initial departure from Sri Lanka which contains the endorsement of PR of another country. At the time of leaving Sri Lanka for the first time on a PR (hereinafter referred to as the departure) the emigrant may obtain USD 5,000 out of the eligible allowance in the form of currency notes.

3. At the departure, all adult emigrants shall open a Non-Resident Blocked Account designated as a Migrant Blocked Account (MBA) with any authorized dealer, after obtaining prior approval from the Controller of Exchange. An individual shall maintain only one MBA and continue to maintain the said account for the purpose of fund transfers.

4. (i) The authorized dealers shall obtain the approval of the Controller of Exchange in opening a MBA for an emigrant.
   (ii) Request for opening MBA shall be forwarded to this department by the authorized dealer, along with copies of the Sri Lankan Passport (including the identification page, the PR endorsement and observation and alteration pages) via an official email (to ecd@cbsl.lk) or fax (to 011-2477716), as per Annex 1.
   (iii) A registration will be provided to the emigrant by the Exchange Control Department and the related number will be informed to the authorized dealer through the indicated preferred mode of communication in the request.
   (iv) Upon receipt of the registration, the authorized dealer shall open an MBA and release foreign exchange to the emigrant. All subsequent transfers of the emigrant shall be carried out through this MBA.
   (v) An MBA shall not be closed without obtaining the prior approval of the Controller of Exchange.
   (vi) The number assigned to the MBA shall be informed to this department immediately after it is assigned.
   (vii) The authorized dealer shall have a mechanism in place to identify the emigrant from the registration number issued by this Department as well as the MBA Number.
   (viii) Only savings accounts shall be assigned as MBA.
   (ix) Electronic fund transfer cards shall not be issued against MBA.

5. If an emigrant has not availed of the initial migration allowance in full at the time of the departure, the balance may be transferred subsequently.

6. An emigrant would be eligible for an annual allowance of USD 20,000. The first such annual allowance is transferable after a lapse of 12 months from the full utilization of the initial allowance of USD 150,000. With the exception of the first allowance, subsequent allowances shall be transferable per calendar year. Further, in the event an emigrant has not transferred the annual allowance of a previous year, it can be transferred in accumulation.

7. At the time of the departure upon sale of foreign exchange to emigrants, authorized dealers shall duly endorse the passport of the emigrant providing the date, amount and form of foreign exchange issued (whether in currency notes, TCs or drafts), the MBA number and the country of migration.

8. The migration allowance includes proceeds of movable and immovable property and tangible and intangible assets owned by the emigrant and gifts received by the emigrant from the spouse and parents. Assets may include the value of precious stones, precious metals, personal jewellery and other assets held in Sri Lanka including estates inherited as beneficiaries.

9. In addition to the migration allowance including the annual allowance, the following income of the MBA holder may be transferred through an MBA:
   i. The Provident Fund and Gratuity benefits
ii. Current income including interest, dividends, pension, rent, lease rentals and profits.

10. Documentary evidence regarding each transfer shall be obtained from the emigrant and such records shall be maintained (either in hard or soft form) by the authorized dealer. The period of maintaining records pertaining to transfers under this direction shall not be limited by statutory record keeping requirements. Please refer Annex II, documents to be obtained in releasing the migration allowance.

11. A monthly report shall be submitted to this department in relation to the transfers made on behalf of emigrants as per Annex III.

12. All fund transfers permitted under this direction shall be made out of the funds in MBA and funds eligible to be transferred at a given time shall be transferred subject to the instructions of the MBA holder to the credit of:
   (i) An NRFC account maintained with any licensed commercial bank in Sri Lanka and/or,
   (ii) An account maintained outside Sri Lanka.

13. This direction shall apply to an emigrant aged 18 years and above.

14. The authorized dealers may apply the provision of this direction for a child who migrates as a minor, upon such minor reaching the age of 18 years.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

Annex I

Migrant Blocked Accounts (MBA)

Subject: Request to open a MBA

<table>
<thead>
<tr>
<th>Details of the emigrant</th>
</tr>
</thead>
</table>
| Full Name: ...
| NIC No.: ...
| Sri Lankan Passport No.: ...
| Foreign Passport No. (if any): ...
| Date of Birth: ...
| Date of obtaining the PR: ...
| Country of PR: ...

<table>
<thead>
<tr>
<th>Details of the authorized dealer</th>
</tr>
</thead>
</table>
| Name: ...
| Branch: ...
| Preferred mode of reply: email/fax
| Email/Fax No.: ...
| Full name of the requesting officer: ...
| Designation: ...
| Contact No: ...

Annex II

Documents to be obtained in releasing the migration allowance

In issuing the migrant allowance, the following information/documentation shall be obtained by the authorized dealer:

I. Contact details of the emigrant, including the postal address, telephone numbers and email addresses abroad.

II. A copy of the emigrant’s full passport held at the time of migration, including a copy of the permanent residency permit.

III. An affidavit duly stamped and attested by a Justice of Peace/ lawyer/solicitor declaring that no transfers has been made or will be made in excess of the initial allowance of USD 150,000 and the annual allowance of USD 20,000/- as applicable. If any migration allowance have been availed prior to the date of declaration, it should be declared.

IV. Valid documents to prove the source of funds.

V. A tax clearance certificate from the Commissioner General of Inland Revenue Department for transfers exceeding Sri Lanka Rupees One Million.

VI. A copy of the emigrant’s power of attorney (where applicable).

VII. A duly filled Form 4 (all the information shall be duly filled in this regard).

VIII. The air ticket (at the initial departure).
The following information/documents shall be obtained from the MBA holder by the authorized dealer in considering subsequent transfers.

I. An affidavit declaring and affirming that the MBA holder is permanently residing abroad.

II. Valid documents to prove the source of funds.

III. A tax clearance certificate from the Commissioner General of Inland Revenue Department for transfers exceeding Sri Lanka Rupees One Million.

IV. A copy of the emigrant’s power of attorney, where applicable.

V. A duly filled Form 4 (all the information shall be duly filled in this regard).

Annex III

Monthly report on funds released to emigrants from MBA

This report should be submitted on a monthly basis, within 3 weeks from the end of each month, as per the following format.

<table>
<thead>
<tr>
<th>Name in full</th>
<th>PP No.</th>
<th>NIC</th>
<th>Country</th>
<th>Date of PR</th>
<th>MBA No.</th>
<th>Destination</th>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ref: 06/04/16/2013 12 June 2013

Directions to Authorized Dealers
Dear Sirs,

RESIDENT FOREIGN CURRENCY (RFC) ACCOUNTS

This Direction is further to Directions and Operating Instructions on Resident Foreign Currency (RFC) accounts issued from time to time.

2. Permission is hereby granted to authorized dealers to open new RFC accounts for a person utilizing funds transferred from existing RFC accounts maintained by such person with another authorized dealer irrespective of the currency type.

3. The authorized dealer that transfers funds for the purpose of opening new RFC accounts shall issue a confirmation to the receiving authorized dealer that the person on whose instructions the funds are being transferred was eligible to open an RFC account in terms of the Operating Instructions bearing Ref. No. EC/52/91 (D) dated 01/08/1991 at the time of opening the said account or under a special permission granted by the Controller of Exchange.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange

Ref: 06/04/17/2013 12 June 2013

Directions to Authorized Dealers
Dear Sirs,

OPENING AND MAINTAINING OF NOSTRO ACCOUNTS BY AUTHORIZED DEALERS

As a measure of facilitating efficient settlement of foreign exchange transactions in other countries by authorized dealers, it has been decided to grant permission to open and maintain Nostro accounts with banks incorporated outside Sri Lanka or branches of such banks established outside Sri Lanka, as may be applicable, subject to the following conditions:

1. Nostro accounts may be maintained in any foreign currency. However, in the event a Nostro account is extended to cover the purposes of settling transactions in Off-shore Banking Unit (OBU), such Nostro account shall be operated only in designated foreign currency.

2. If an authorized dealer wishes to maintain only one Nostro account for both Domestic Banking Unit (DBU) and OBU operations, such authorized dealer shall establish a system to separately identify the foreign exchange transactions in respect of the DBU and OBU.

3. Each Nostro account shall be subject to reconciliation on a periodical basis, at least monthly.

4. Details of all Nostro accounts shall be forwarded to the Exchange Control Department on monthly basis before the 15th day of the following month as per the attached format.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange
Directions to Authorized Dealers

Dear Sirs,

SECURITIES INVESTMENT ACCOUNTS (SIA)

As a measure of facilitating inward remittances into Sri Lanka for investment purposes, it has been decided to offer more flexible avenues to receive and repatriate funds into and out of SIA. Accordingly, authorized dealers are hereby permitted to open and operate SIA, subject to the following terms and conditions:

2. Eligible investors;
   (i) Foreign Institutional Investors (FII) including country funds, regional funds or mutual funds.
   (ii) Corporate bodies incorporated outside Sri Lanka.
   (iii) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka.
   (iv) Non-resident Sri Lankans.

3. Credits to an SIA shall be confined to the following;
   (i) Inward remittances received from abroad directly through international banking channels.
   (ii) Transfer of funds from Non-Resident Foreign Currency Accounts (NRFC), Special Foreign Investment Deposit Accounts (SFIDA), Resident Non National Foreign Currency Accounts (RNNFC), Securities Investment Accounts (SIA), Non-Resident Non-National Foreign Currency Accounts (NRNNFA) and accounts maintained at an Off-shore Banking Unit (OBU) by the account holder.
   (iii) Foreign Currency in the form of travellers’ cheques, bank drafts or currency notes brought into to the country by the account holder on declaration to Sri Lanka Customs, as applicable, during visits to Sri Lanka of the account holder and tendered in person to the authorized dealer, provided that the travellers’ cheques have been issued outside Sri Lanka and the drafts issued by a bank outside Sri Lanka and endorsed in the name of the account holder.
   (iv) Funds transferred to the credit of an SIA by another authorized dealer which receives an inward remittance for the eligible investor, in which case, a written confirmation shall be issued by the authorized dealer which transfers the funds stating that the said funds were received as an inward remittance as per paragraph 3 (i) and the authorized dealer which receives the funds so transferred shall obtain the said confirmation before crediting the funds to the SIA.
   (v) Credits specified at paragraph 5.
   (vi) Commissions and brokerages received by facilitating transactions specified in paragraph 5.
   (vii) Interest earned on funds lying to the credit of the account.

4. Debits to an SIA shall be confined to the following:
   (i) Outward remittances of funds received as credits specified at paragraph 3.
   (ii) All ancillary payments related to transactions specified at paragraph 5 including bank charges, Government taxes, stamp duty and payments to brokers, primary dealers, lead managers and management companies of unit trusts.
   (iii) Transfer of funds to NRFC, SFIDA, RNNFC, SIA, NRNNFA and accounts maintained at an OBU by the account holder.
   (iv) Debits specified in paragraph 5.
   (v) Local disbursements in Sri Lanka rupees.
5. Investment Transactions

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Credits</th>
<th>Transactions</th>
<th>Debits</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Shares (both listed and unlisted)</td>
<td>Dividends and proceeds on sale, liquidation, capital redemption or share buy back</td>
<td>Payments for shares</td>
<td></td>
</tr>
<tr>
<td>(ii) Treasury bonds</td>
<td>Proceeds on sale or maturity, coupon</td>
<td>Payments to acquire Treasury bonds</td>
<td></td>
</tr>
<tr>
<td>(iii) Treasury bills</td>
<td>Proceeds on sale or maturity</td>
<td>Payments to acquire Treasury bills</td>
<td></td>
</tr>
<tr>
<td>(iv) Units in unit trusts</td>
<td>Proceeds on sale or redemption of units, dividend income</td>
<td>Payments to acquire units</td>
<td></td>
</tr>
<tr>
<td>(v) Debentures</td>
<td>Proceeds on sale or maturity, interest</td>
<td>Payments to acquire debentures</td>
<td></td>
</tr>
<tr>
<td>(vi) SFIDA</td>
<td>Maturity proceeds of the deposits</td>
<td>Placement of deposits</td>
<td></td>
</tr>
<tr>
<td>(vii) Setting up of places of business as Overseas Companies (OC)</td>
<td>Profits, surplus funds, franchise/royalty payments</td>
<td>Investments in the OC or payments for maintenance of OC, as applicable</td>
<td></td>
</tr>
<tr>
<td>(viii) Immovable property</td>
<td>Rental income, proceeds on sale</td>
<td>Payments to acquire and develop immovable property.</td>
<td></td>
</tr>
<tr>
<td>(ix) Loans to residents extended under the External Commercial Borrowing Scheme (ECBS) or loans extended under a special permission granted by the Controller of Exchange to the borrower.</td>
<td>Recovery of principal, interest, fees and other payments related to the loan, funds realized from disposal of the security, any compensation awarded by a Court of Law in a legal action instituted relating to default of the loan.</td>
<td>Disbursement of the loan, payments relating to the loan</td>
<td></td>
</tr>
</tbody>
</table>

6. Investments by Foreign Institutional Investors (FII).

6.1 In addition to the permissions granted hereinbefore, permission is hereby granted to authorized dealers to facilitate transactions related to investments by FIIs, subject to the following conditions:

(a) The investments permitted under this paragraph shall be listed shares, listed debentures, treasury bills, treasury bonds, units in unit trusts and SFIDA.

(b) The funds to the credit of an SIA of an FII is permitted to be routed via an account maintained in Sri Lanka by a Non-Resident Intermediary (NRI) as follows;

(i) In the event the NRI is a bank that is incorporated outside Sri Lanka or a branch of such bank established outside Sri Lanka, the account referred to above shall be a Vostro account or an SIA;

(ii) In the event of any other NRI, the account referred to above shall be an SIA.

(c) Sale or maturity proceeds and returns received on the investments made out of the funds received under condition 6.1 (b) may be repatriated via the same process.

(d) A bank shall not extend any accommodation to an NRI for the purpose of funding the Vostro account or SIA of such NRI.

(e) All transactions related to above investments which were effected through Vostro accounts shall be reported on a monthly basis as per Annex I or if effected through SIA, as per paragraph 11.

(f) Provisions in paragraph 3 (iv) and 7 (v) shall be applicable for transactions carried out under paragraph 6.

6.2 Authorized dealers shall take appropriate measures to mitigate any risk such as settlement, counterparty etc., that may arise in relation to transactions permitted under paragraph 6.1 above.

7. Other Terms and Conditions

(i) An SIA shall be opened with the proceeds of a permitted credit specified at sub paragraphs (i), (ii), (iii) and (iv) of paragraph 3.

(ii) An SIA may be maintained in Sri Lanka rupee or in any other designated foreign currency.

(iii) An SIA may be held jointly by eligible investors.

(iv) An SIA shall not be overdrawn and no accommodation shall be extended to SIA holder. Further, no cheque book shall be issued against a SIA.

(v) Outward remittance of funds permitted by paragraph 4 (i) may be effected through an authorized dealer other than the authorized dealer with whom the SIA is maintained, provided however that, a confirmation shall be obtained from the authorized dealer with whom the SIA is maintained that the funds were debited from the SIA of the customer.

(vi) Eligible investors are permitted to purchase Treasury bonds (T-bonds) and Treasury bills (T-bills) through both primary and secondary markets provided that all such investments in aggregate do not exceed the percentage of the outstanding T-bonds or T-bills stock permitted to be held by eligible investors at any given point of time.

(vii) Credits listed under paragraph 5 shall be effected only if the payment for the initial investment was debited from the same SIA. The authorized dealer shall keep records in evidence of the initial investment. In the event shares acquired by way of a bonus issue are sold, proceeds realized on sale of such shares are permitted to be credited to SIA provided, the payment for initial shares has been made out of the funds in the same SIA.
8. Closure of an SIA
   (i) Permission is hereby granted to close an SIA if the holder has disposed all the investments acquired through the said SIA.
   (ii) However, in the event the SIA holder requests for a closure of the SIA before disposing the investments made through the same, for the purpose of opening a new SIA or transferring funds to an SIA with another authorized dealer, the authorized dealer with whom the original SIA is held shall forward to the authorized dealer who operates the recipient SIA, a confirmation of the outstanding investments made out of the funds in the SIA to be closed, at the request of the customer.

9. Interest may be paid on funds lying to the credit of an SIA.

10. Authorized dealers may issue bank guarantees on behalf of an eligible investor against the funds lying to the credit of an SIA or an account maintained in the OBU by the said investor in connection with the subscription to primary issues of shares in companies in Sri Lanka.

11. Authorized dealers are required to furnish the details of the SIA on monthly basis to this Department before the 15th day of the following month as per Annex II.

12. The direction bearing Ref. No. 06/04/01/2013 dated 1st January 2013 is hereby rescinded.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

Annex I

Name of the Authorized Dealer:
Month:

<table>
<thead>
<tr>
<th>Name of the Vostro Holder</th>
<th>A/c No.</th>
<th>Inward Remittances</th>
<th>Outward Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Date</td>
<td>Amount</td>
</tr>
</tbody>
</table>

I hereby certify that the above details are true and accurate.
Name and signature of the Authorized Officer and stamp

Date:........................................

Annex II

Name of the authorized dealer: ............................................

Monthly Statement for the month of: ............................................

<table>
<thead>
<tr>
<th>Name of the SIA Holder</th>
<th>Account No.</th>
<th>Currency</th>
<th>Credits</th>
<th>Debits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Inward Remittances</td>
<td>Transfers from other accounts</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Outward Remittances</td>
<td>Transfers to other accounts</td>
</tr>
</tbody>
</table>

I hereby certify that the above details are true and accurate.
Date: ........................................
Name and Signature of the Authorized Officer and stamp

Ref: 06/04/19/2013

12 June 2013

Directions to Authorized Dealers

Dear Sirs,

**ISSUANCE OF FOREIGN CURRENCY NOTES TO SRI LANKANS TRAVELLING ABROAD**

Authorized dealers are hereby permitted to issue foreign currency notes as a part of the travel allowance for Sri Lankans travelling abroad, up to USD 5,000 or its equivalent in any other convertible foreign currency. Authorized dealers are instructed to exercise due diligence and assess bona fide of individual requests when issuing currencies.

Directions bearing Ref. No. 06/04/06/2010 dated 02/06/2010 on the above subject is hereby rescinded.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange
Directions to Authorized Dealers

Dear Sirs,

REPATRIATION OF SALE PROCEEDS OF IMMOVABLE PROPERTY HELD BY NON-RESIDENTS

A general permission has been granted by a Notice published in the Gazette (Extraordinary) No. 1814/39 dated 12.06.2013 allowing persons resident in Sri Lanka to make payments in Sri Lanka Rupees to a person resident outside Sri Lanka, where such payments form the consideration payable in respect of a sale of immovable property in Sri Lanka by the owner or the heir of the owner of such property, who is resident outside Sri Lanka (hereinafter referred to as Owner and Heir, respectively).

2. In view of the above, authorized dealers are hereby granted permission to credit the sale proceeds including capital gains if any, received in Sri Lanka Rupees as per the Gazette referred to above,
   a) to a Securities Investment Account (SIA) of the Owner or the Heir, if the original acquisition of the immovable property was made utilizing the funds in the SIA; or
   b) to an account maintained outside Sri Lanka by the Owner or the Heir, on ascertaining the proof of inward remittance for the original acquisition and/or the development of such property.

3. To ascertain the inward remittance for the purposes of paragraph 2 above, an authorized dealer may also take into consideration the inward remittances sent by the Owner to an account maintained in Sri Lanka by a third party who has facilitated the acquisition of the immovable property by the Owner.

4. The Operating Instructions bearing Ref. No. 06/04/11/2003 dated 9th December 2003 are hereby rescinded.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange

ACCOMMODATIONS TO HOLDERS OF FOREIGN EXCHANGE EARNERS’ ACCOUNTS (FEEA)

In order to further facilitate business activities of foreign exchange earners, the authorized dealers are hereby permitted to extend accommodations in foreign currency from the Domestic Banking Unit to persons who maintain FEEA, subject to following terms and conditions.

I. Accommodation shall be extended for the purpose of meeting fixed or working capital requirements of the business of the holder of the FEEA (hereinafter referred to as the “borrower”).

II. Repayment period and the rate of interest may be as agreed between the borrower and the authorized dealer (hereinafter referred to as the “lender”).

III. Accommodations under this permission shall be extended only to earners in foreign exchange who have established, to the satisfaction of the lender, that they receive regular cash flows in foreign exchange during its normal course of business to service the loan in full on time.

IV. The lender shall prudently assess the evidence of future cash flows in foreign exchange, evaluate the credentials of the borrower and maintain records of the same.

V. Loan proceeds shall be disbursed to the credit of a FEEA of the borrower maintained with the lender.

VI. Lender shall obtain deposits maintained in foreign currency or tangible assets as collateral for accommodations extended under this direction.

VII. In the event of a default, the lender shall recover the outstanding amount of the loan in the following order.
   (a) Set-off against foreign currency deposits taken as collateral for the particular accommodation.
   (b) The proceeds of the collateral sold in foreign currency.
   (c) In the event where all efforts of realizing collateral in foreign currency have failed, the outstanding amount of the accommodation may be recovered, as the last resort, out of proceeds of collateral sold in rupees, if;
      i. The borrower has permanently ceased its business which derived income in foreign exchange; and
      ii. A period of 12 months has expired from the date of payment of the last installment.

VIII. Lender shall furnish quarterly statements on the accommodations extended under this direction before the 15th day of the month immediately following the end of each quarter, as per Annex I.
IX. The following directions and operating instructions are hereby rescinded, provided that the recovery of accommodations already extended thereunder shall be effected in terms of the procedure laid down in (vii) and (viii), as applicable.

(i) Ref. No. EC/10/94 (C&F) dated 22.04.1994
(ii) Ref. No. EC/17/94 (C&F) dated 04.11.1994
(iii) Ref. No. EC/20/94 (C&F) dated 30.11.1994
(iv) Ref. No. ECD/02/97 (C&F) dated 03.01.1997
(v) Ref. No. ECD/03/97 (C&F) dated 03.01.1997
(vi) Ref. No. EC/05/2000 D dated 07/04/2000
(vii) Ref. No. 06/02/03/2003 dated 21/01/2003
(viii) Ref. No. 06/04/01/2011 dated 06/01/2011

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

Annex I

Accommodations to holders of Foreign Exchange Earners’ Accounts (FEEA)

Name of the Authorized Dealer : ....................................
Reporting Period: ..........................................

<table>
<thead>
<tr>
<th>No. of cases</th>
<th>Value (in USD terms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Accommodations extended during the period</td>
<td></td>
</tr>
<tr>
<td>2 Total accommodations extended as at the end of the quarter</td>
<td></td>
</tr>
<tr>
<td>3 Accommodations defaulted</td>
<td></td>
</tr>
<tr>
<td>4 Accommodations defaulted and recovered in USD terms</td>
<td></td>
</tr>
<tr>
<td>i. Foreign Currency deposits</td>
<td></td>
</tr>
<tr>
<td>ii. Collateral sold in Foreign Currency</td>
<td></td>
</tr>
<tr>
<td>iii. Collateral sold in Rupees</td>
<td></td>
</tr>
</tbody>
</table>

I hereby confirm that the above details are true and accurate.

Date: ............................................ ....................................................
Signature of the Authorized Officer
Designation of the Authorized Officer

Ref: 06/04/22/2013

Directions to Authorized Dealers
Dear Sirs,

NON-RESIDENT FOREIGN CURRENCY (NRFC) ACCOUNTS

This Direction is further to Directions and Operating Instructions on Non-Resident Foreign Currency (NRFC) accounts issued from time to time.

2. Credits to NRFC Accounts

2.1 Permission is hereby granted to authorized dealers to credit NRFC accounts with funds transferred from Migrant Blocked Accounts subject to the provisions of the Directions on Sale of Foreign Exchange to Emigrants bearing Ref. No. 06/04/15/2013 dated 12/06/2013.

3. Opening of new NRFC Accounts

3.1 Further, permission is hereby granted to authorized dealers to open new NRFC accounts for a person utilizing funds transferred from existing NRFC accounts maintained by such person with another authorized dealer irrespective of the currency type.

3.2 The authorized dealer that transfers funds for the purpose of opening new NRFC accounts shall issue a confirmation to the receiving authorized dealer that the person on whose instructions the funds are being transferred was eligible to open an NRFC account in terms of the Operating Instructions bearing Ref. No. EC/08/88 (D) dated 05/05/1988 at the time of opening the said account or under a special permission granted by the Controller of Exchange.

Yours faithfully,
P H O Chandrawansa
Controller of Exchange

12 June 2013
EXTRAORDINARY
No. 1814/39 – WEDNESDAY, JUNE 12, 2013
(Published by Authority)

CENTRAL BANK OF SRI LANKA NOTICES
NOTICE UNDER THE EXCHANGE CONTROL ACT (chapter 423 of the CLE)

Permission to Residents for Making Payments to Acquire Immovable Property held by Non Residents

(1) Subject to Laws applicable for acquisition, ownership and possession of immovable property imposed from time to time, permission is hereby granted under Section 7(a) to persons resident in Sri Lanka to make payments in Sri Lanka Rupees to a person resident outside Sri Lanka, where such payments form the consideration payable in respect of a sale of immovable property in Sri Lanka by the owner or the heir of the owner of such property who is resident outside Sri Lanka.

(2) For the purpose of this direction,
(a) ‘immovable property’ shall mean land and buildings;
(b) ‘person resident in Sri Lanka’ and ‘person resident outside Sri Lanka’ shall have the same meaning as given in the Direction issued by the Minister of Finance under Section 37(1) of the Exchange Control Act and published in the Government Gazette No. 15007 dated 21st April 1972.

(3) The Notice published in the Gazette (Extraordinary) bearing No. 1312/9 of 28.10.2003 is hereby rescinded.

Colombo
12 June 2013

P H O Chandrawansa
Controller of Exchange

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EXTRAORDINARY
No. 1814/40 – WEDNESDAY, JUNE 12, 2013
(Published by Authority)

CENTRAL BANK OF SRI LANKA NOTICES
NOTICE UNDER THE EXCHANGE CONTROL ACT (chapter 423 of the CLE)

Permission for Opening and Maintaining Accounts with Banks outside Sri Lanka

The Notice under the Exchange Control Act published in the Government Gazette (Extraordinary) bearing No. 1644/26 dated 11th March 2010 is hereby amended by inserting the following as sub-paragraphs (vi) and (vii) to paragraph 1 thereof:
“(vi) a person who has obtained a valid permanent residency permit from another country  
(vii) a dual citizen”

Colombo
12 June 2013

P H O Chandrawansa
Controller of Exchange

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Ref: 06/04/23/2013

Directions to Authorized Dealers

Dear Sirs,

OPENING AND MAINTAINING OF NOSTRO ACCOUNTS BY AUTHORIZED DEALERS

Further to the Directions bearing Ref. No. 06/04/17/2013 dated June 12, 2013 on the above subject.

Authorized dealers are hereby informed that they are no longer required to forward the details of Nostro accounts as per the condition 4 of the aforesaid Directions.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange
Directions to Authorized Dealers

Dear Sirs,

PURCHASE OF SRI LANKA SOVEREIGN BONDS IN THE SECONDARY MARKET BY LICENSED COMMERCIAL BANKS APPOINTED AS AUTHORIZED DEALERS

We have received several requests from licensed commercial banks seeking our approval to purchase Sri Lanka International Sovereign bonds issued by the Government of Sri Lanka, in the secondary market. In view of such requests, permission is hereby granted for Licensed Commercial Banks appointed as Authorized Dealers to acquire, hold and transfer, International Sovereign bonds issued outside Sri Lanka by the Government of Sri Lanka in years 2010, 2011 and 2012, in the secondary market.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange

Ref : 06/04/25/01/2013
21 October 2013

Directions to Authorized Dealers

Dear Sirs,

RE-DESIGNATION OF THE FOREIGN CURRENCY ACCOUNT MAINTAINED BY A FOREIGN SHIPPING LINE/AIRLINE AGENT AS THE FOREIGN CURRENCY ACCOUNT FOR AN AGENT OF FOREIGN SHIPPING LINE/AIRLINE (FCAASA)

This direction is issued in terms of Section 7 of the Exchange Control Act read with Section 3 of the said Act, as a measure of streamlining the transactions of agents of shipping lines and airlines operating in Sri Lanka.

Authorized dealers are hereby required to open and maintain FCAASA under the following terms and conditions:

2. Opening of FCAASA

2.1. Eligibility

The following persons resident in Sri Lanka (hereinafter referred to as “agents”) who represent in Sri Lanka, a foreign shipping line or a foreign airline (hereinafter referred to as “foreign principal”):

i. Any person authorized to carry on business as a shipping agent in Sri Lanka on behalf of a foreign shipping line whose details are indicated in the “License to carry on business as a shipping agent” which has been issued by the Director General of Merchant Shipping (DGMS).

ii. Any person authorized to carry on business as a General Sales Agent (GSA) in Sri Lanka of a foreign airline possessing a valid International Airline License or any other authorization issued by the Director General of Civil Aviation, Civil Aviation Authority of Sri Lanka (DGCAA).

2.2. Type of FCAASA

i. FCAASA may be opened and maintained by an agent on behalf of a foreign principal, at the Domestic Banking Unit (DBU) of a Licensed Commercial Bank (LCB) in Sri Lanka.

ii. It may be maintained in any designated foreign currency as a current or savings account.

iii. FCAASA shall be opened in addition to the rupee account maintained by the agent with the same authorized dealer, on behalf of the same foreign principal.

iv. FCAASA shall be in the name of the agent, containing the suffix “O/B (name of the foreign principal)”.

2.3. Documents Required

Authorized Dealers shall obtain the following documents, in addition to the documents generally required for opening of an account:

i. A valid license or a letter issued by the DGMS or DGCAA, as the case may be, confirming that the agent has been authorized to operate as a shipping agent or a GSA in Sri Lanka, of the foreign principal.

ii. A certified copy of a letter signed by the foreign principal or an agreement signed by the agent and the foreign principal appointing the said entity as the agent in Sri Lanka.
3. Permitted Credits

i. Freight collected in foreign exchange by the agent on behalf of the foreign principal, by way of a bank transfer or bank draft issued by an LCB in Sri Lanka, against a Foreign Exchange Earners’ Account (FEEA) or an account maintained at the Offshore Banking Unit (OBU) of an LCB.

ii. Inward remittance received from the foreign principal through direct international banking channels.

iii. Transfers from an account maintained at the OBU of an LCB by the foreign principal.

iv. Interest accrued on the funds held in the account, if applicable.

4. Permitted Debits

i. Transfer to the rupee account maintained with the same LCB by the agent on behalf of the same foreign principal.

ii. Transfer to a bank account of the agent, being the agency commission where such transfers are effected within 30 days from the date of departure of the vessel/provision of the service.

iii. Transfer to a FEEA or an account maintained at the OBU of an LCB in the name of a Port Terminal Operator as listed in Schedule I, in respect of port terminal charges.

iv. Transfer to a FEEA or an account maintained at the OBU of an LCB in the name of a bunker operator possessing a valid “License for Bunker Operations” issued by the Ministry in charge of the subject of petroleum industry.

v. Transfer to an FCAASA maintained by another shipping agency on behalf of a foreign principal, in respect of feeder/slot (freight) payments payable against inward remittance received from the foreign principal.

vi. Transfer to a FEEA or an account maintained at the OBU of an LCB in the name of a resident as payments for goods & services directly provided to the foreign principal by such resident against inward remittance received from the foreign principal.

vii. Withdrawal of foreign currency notes up to US$ 50,000/- per vessel per call as Cash-to-Masters (CTM), against inward remittance received from the foreign principal, upon a request by the agent with the reasons acceptable to the authorized dealer.

viii. Repatriation of the surplus funds to the foreign principal provided that a confirmation in writing is obtained from the agent to the effect that adequate funds have been retained in FCAASA and/or rupee account maintained on behalf of the same foreign principal, to meet all local liabilities of the foreign principal in Sri Lanka including tax payable to the Government and the agency commission.

5. General Conditions

i. No cheque books shall be issued against FCAASA.

ii. FCAASA shall not be overdrawn and no accommodations shall be provided.

iii. All accounts opened and maintained in terms of the Operating instructions bearing No. 06/07/07/2002 dated 22/03/2002 shall be renamed as FCAASA and shall be maintained as per the terms and conditions specified in this direction.

iv. Under any circumstances authorized dealers shall not credit FCAASA with the charges and deposits that are collected as local fees/charges which are not components of freight.

v. Authorized dealers shall credit freight collected in rupees to the rupee account maintained on behalf of the principal.

vi. The Operating Instructions bearing No. 06/07/07/2002 dated 22/03/2002 is hereby rescinded.

6. Definition

i. “Foreign shipping line” shall mean any shipping line within the meaning of the Licensing of Shipping Agency Act, No. 10 of 1972 (as amended) which is a resident outside Sri Lanka.

ii. “Foreign airline” shall mean any “foreign air operator” within the meaning of the Civil Aviation Act, No. 14 of 2010 (as amended) which is a resident outside Sri Lanka.

Yours faithfully,

P H O Chandrawansa

Controller of Exchange

Schedule 1

1. Airport & Aviation Services (Sri Lanka) Ltd (AASSLL)
2. Sri Lanka Ports Authority (SLPA)
3. South Asia Gateway Terminals (Pvt) Ltd (SAGT)
4. Colombo International Container Terminals Ltd (CICT)
Ref : 37/03/004/0006/007
To : Directors of All Authorized Money Changing Companies

FINANCIAL TRANSACTIONS REPORTING ACT, No 6 of 2006

Rules issued by the Financial Intelligence Unit in terms of Subsection 3 Section 2 of the Financial Transactions Reporting Act, No 6 of 2006.

Colombo
31 January 2013

D M Rupasinghe
Director of Financial Intelligence Unit

PART I

Applicable for all Authorized Money Changing Companies

1. For the purpose of these Rules:
   (a) “Authorized Money Changing Company” means a company permitted to buy and exchange foreign currency notes, encash Traveler’s Cheques, and/or sale foreign currency notes in terms of the provisions of the Exchange Control Act, No. 24 of 1953.
   (b) “Controller of Exchange” shall have the same meaning as stipulated in Section 3 of the Exchange Control Act, No. 24 of 1953.
   (c) “Unlawful activity” shall have the same meaning as in the Section 33 of Financial Transactions Reporting Act, No. 6 of 2006.

2. In terms of the Section 6(a) of the FTRA, any transaction exceeding Rupees One Million (Rs.1,000,000) in cash, or its equivalent in any foreign currency is required to be reported to the Financial Intelligence Unit (FIU), [Gazette (Extraordinary) No 1555/9 on 2008.06.25]. In fulfilling the above requirement, the FIU will obtain details of transactions exceeding above threshold from all relevant transactions/reports submitted by such Authorized Money Changing Company to the Controller of Exchange as stipulated in the permit issued by the Controller of Exchange.

3. As per Section 7 of FTRA where an Authorized Money Changing Company-
   (a) has reasonable grounds to suspect that any transaction or attempted transaction may be related to the commission of any unlawful activity or any other criminal offence; or
   (b) has information that suspicion may be relevant
      (i) to an act preparatory to an offence under the provision of the Convention on the Suppression of Financing of Terrorism Act, No. 25 of 2005;
      (ii) to an investigation or prosecution of a person or persons for an act constituting an unlawful activity, or may otherwise be of assistance in the enforcement of the Prevention of Money Laundering Act, No. 5 of 2006 and the Convention on the Suppression of Terrorist Financing Act, No 25 of 2005,
   the Authorized Money Changing Company, shall as soon as practicable, after forming that suspicion of receiving the information, but no later than two working days therefrom, report the transaction or attempted transaction or information to the FIU. The said report shall be in writing and may be given by way of mail, telephone to be followed up in writing within twenty-four hours; fax or electronic mail or such other manner as may be determined by the FIU.

4. To comply with the above requirements, every Authorized Money Changing Company is required to report suspicious transactions, as per the format annexed herewith as ‘Suspicious Transaction Report (STR)’.

5. A person shall not disclose any information regarding the reported suspicious transaction to the customer or any other person subject to the provisions as stipulated in Section 9 of the FTRA. Such disclosure is an offence under the provisions of the FTRA.

6. In terms of Section 14 of FTRA, every Authorized Money Changing Company is required to appoint a Compliance Officer, who shall be responsible for ensuring the company’s compliance with the requirements of the FTRA.

7. Every Authorized Money Changing Company shall maintain records of transactions and correspondence relating to transactions and records of all reports furnished to the FIU for a period of six years as stipulated in Section 4 of the FTRA.
PART II

Applicable for holders of “Permission to Buy and Exchange Foreign Currency Notes and to encash Travelers’ cheques.”

8. Every Authorized Money Changing Company shall maintain information of every customer as stipulated in Section (j) of the permit issued by the Controller of Exchange. In addition, Authorized Money Changing Company shall obtain address and source of foreign currency and retain copies of all reference documents used to verify the identity of the customer.

PART III

Applicable for holders of “Permission for the Sale of Foreign Currency Notes for Citizens of Sri Lanka and Foreign Residents in Sri Lanka Traveling Overseas”

9. Every Authorized Money Changing Company shall maintain information of every customer as stipulated in Sections (4) and (6) of the permit issued by the Controller of Exchange. In addition, Authorized Money Changing Company shall obtain source of funds and retain copies of all reference documents used to verify the identity of the customer.

Circular No : 01/13
Ref : 37/01/062/0001/013
28 February 2013

To : CEOs Of Licensed Banks, Licensed Finance Companies, Insurance Companies and Stock Brokering Firms

Dear Sir/Madam,

PUBLIC STATEMENT BY THE FINANCIAL ACTION TASK FORCE


Pursuant to Sri Lanka’s progress in addressing deficiency in AML/CFT laws, Sri Lanka has been listed in the compliance document and identified as improving global AML/CFT compliant country in its Public Statement. This decision was reached in response to the Sri Lanka’s commitment to work with the FATF and Asia Pacific Group on Money Laundering (APG).

The relevant Public Statement can be downloaded by using the FATF web link, http://www.fatf_gafi.org.

Yours faithfully,

Director of Financial Intelligence Unit

c.c. Compliance Officers

Circular No : 02/13
29 October 2013

To: Chief Executive Officers of
All Licensed Banks and Licensed Finance Companies

Dear Sir/Madam,

PREVENTION AND SUPPRESSION OF TERRORISM AND TERRORIST FINANCING OBLIGATION OF REPORTING INSTITUTIONS

The attention of all Licensed Banks/Licensed Finance Companies is drawn to revised Financial Action Task Force (FATF) Recommendation No.6 effective from February 2012 and Extraordinary Gazette Notification No.1760/40 dated 31 May 2012 issued by the Minister of External Affairs.

1) Accordingly, Sri Lanka is required to implement targeted financial sanctions prescribed in the above Gazette Notification to comply with the United Nations Security Council Resolution (UNSCR) 1267 (1999) and its successor resolutions which require countries to freeze funds, financial assets or economic resources of designated individuals and entities immediately, and to ensure that no such funds, financial assets or economic resources are made available to or for the benefit of such designated persons or entities or their beneficiaries. Accordingly, every licensed bank/licensed finance company is obliged to have measures in place to freeze funds, financial assets or economic resources of such designated persons and entities immediately.
2) Freezing is effective as and when the United Nations Security Council announces the names of such designated persons and entities and such freezing shall be in force until such time the person or entity is delisted from the designated list.

3) Please refer attached FIU/UNSCR1267/Directives No. 01 for the details on obligations of licensed bank or licensed finance company in complying with targeted financial sanctions relating to terrorism and terrorist financing. These Directives shall be construed as a part of the existing Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance framework of the Licensed Banks and Licensed Finance Companies.

Yours faithfully,
Director Financial Intelligence Unit

cc. Compliance Officers of all Licensed Banks and Licensed Finance Companies
Director, Bank Supervision
Director, Supervision of Non-Bank Financial Institutions

FIU/UNSCR1267/Directives No. 01
PREVENTION AND SUPPRESSION OF TERRORISM AND TERRORIST FINANCING OBLIGATION OF REPORTING INSTITUTIONS

Further to United Nations (UN) Regulation No 2 of 2012 which was published in Extraordinary Gazette Notification No. 1760/40 dated on May 31, 2012 in order to facilitate the implementation of obligations, relating to the freezing of funds or other assets under paragraph 4(b) and related paragraph of the United Nations Security Council Resolution (UNSCR) 1267 (1999) and the modifications and strengthening set out in the aforesaid subsequent UNSCRs, in particular paragraph 1 of Resolutions 1988 (2011) and 1989 (2011), within Sri Lanka and thereby specify a means to comply with them aforesaid obligations.

1. Banks/Finance Companies are advised to strictly follow the procedure laid down in the UN Regulation No 2 of 2012 Gazetted on May 31, 2012 (copy enclosed) and ensure strict compliance.


3. Banks/Finance Companies are advised that on receipt of the notifications from the FIU to updated list of designated individuals/entities it should be ensured that the name/s of the proposed customer does not appear in the list before entering into any new business relationship. Further, Banks/Finance Companies should scan all existing business relationship to ensure that no business relationship is held by or linked to any of the entities or individuals included in the designated lists.

4. In ensuring efficient detection of suspected financing of terrorism, the reporting institution should maintain a database of names and particulars of individuals/entities in the designated lists.

5. Banks/Finance Companies should ensure that the information contained in the database are updated and relevant, and made easily accessible to its employees at the head office, branch or subsidiary for the purpose of identifying funds, financial assets or economic resources of designated individuals and entities.

6. In case, the match of any of the customers with the particulars of designated individuals/entities, the banks shall prevent designated persons from conducting any transactions and freeze funds, financial assets or economic resources without delay as per paragraphs 5 and 6 of United Nations Regulation No 2 of 2012.

7. Upon freezing of funds, financial assets or economic resources of designated individuals and entities, or upon the occurrence of an attempted transaction by or for designated individuals or entities, Banks/Finance Companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources, held by such customer on their books to the FIU at Fax No. 011-2477692 or 011-2477722 and also convey over telephone on 011-2477125. The particulars apart from being sent by post/fax should necessarily be conveyed on e-mail to fiu@cbsl.lk*.

8. Banks/Finance Companies shall also send by post a copy of the communication mentioned in (7) above to the Competent Authority (Chief of National Intelligence, Office of the Competent Authority, Ministry of Defence & Urban Development, No.15/5 Baladaksha Mawatha, Colombo -03). The particulars apart from being sent by post should necessarily be conveyed on e-mail to cniofficemod@gmail.com.
9. Banks/Finance Companies are advised to bring the provisions of the United Nations Regulation No. 2 of 2012 to the notice of the staff concerned and ensure strict compliance.


Circular No : 03/13
04 November 2013

To : Chief Executive Officers of Insurance Companies
Dear Sir/ Madam,

PREVENTION AND SUPPRESSION OF TERRORISM AND TERRORIST FINANCING
OBLIGATION OF REPORTING INSTITUTIONS

The attention of all Insurance Companies is drawn to revised Financial Action Task Force (FATF) Recommendation No. 6 effective from February 2012 and Extraordinary Gazette Notification No. 1760/40 dated 31 May 2012 issued by the Minister of External Affairs.

1. Accordingly, Sri Lanka is required to implement targeted financial sanctions prescribed in the above Gazette Notification to comply with the United Nations Security Council Resolution (UNSCR) 1267 (1999) and its successor resolutions which require countries to freeze funds, financial assets or economic resources of designated individuals and entities immediately, and to ensure that no such funds, financial assets or economic resources are made available to or for the benefit of such designated persons or entities or their beneficiaries. Accordingly, every insurance company is obliged to have measures in place to freeze funds, financial assets or economic resources of such designated persons and entities immediately.

2. Freezing is effective as and when the United Nations Security Council announces the names of such designated persons and entities and such freezing shall be in force until such time the person or entity is delisted from the designated list.

3. Please refer attached FIU/UNSCR1267/Directives No. 02 for the details on obligations of Insurance Company in complying with targeted financial sanctions relating to terrorism and terrorist financing. These Directives shall be construed as a part of the existing Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance framework of the Insurance Companies.

Yours faithfully,
Director of Financial Intelligence Unit

cc. Compliance Officers of all Insurance Companies
Director, General/Insurance Board of Sri Lanka
FIU/UNSCR1267/Directives No. 02

PREVENTION AND SUPPRESSION OF TERRORISM AND TERRORIST FINANCING
OBLIGATION OF REPORTING INSTITUTIONS

Further to United Nations (UN) Regulation No. 2 of 2012 which was published in Extraordinary Gazette Notification No. 1760/40 dated on May 31, 2012 in order to facilitate the implementation of obligations, relating to the freezing of funds or other assets under paragraph 4(b) and related paragraph of the United Nations Security Council Resolution (UNSCR) 1267 (1999) and the modifications and strengthening set out in the aforesaid subsequent UN Security Council Resolutions, in particular Resolutions 1988 (2011) and 1989 (2011), within Sri Lanka and thereby specify a means to comply with them aforesaid obligations.

1. Insurance Companies are advised to strictly follow the procedure laid down in the UN Regulation No. 2 of 2012 Gazetted on May 31, 2012 (copy enclosed) and ensure strict compliance.


3. Insurance Companies are advised that on receipt of the notifications from the FIU to updated list of designated individuals/entities it should be ensured that the name/s of the proposed customer does not appear in the list before entering into any new business relationship. Further, Insurance Companies should scan all existing business relationship to ensure that no business relationship is held by or linked to any of the entities or individuals included in the designated lists.
4. In ensuring efficient detection of suspected financing of terrorism, the reporting institution should maintain a database of names and particulars of individuals/entities in the designated lists.

5. Insurance Companies should ensure that the information contained in the database are updated and relevant, and made easily accessible to its employees at the head office, branch or subsidiary for the purpose of identifying funds, financial assets or economic resources of designated individuals and entities.

6. In case, the match of any of the customers with the particulars of designated individuals/entities, the Insurance Company shall prevent designated persons from conducting any transactions and freeze funds, financial assets or economic resources without delay as per paragraphs 5 and 6 of United Nations Regulation No 2 of 2012.

7. Upon freezing of funds, financial assets or economic resources of designated individuals and entities, or upon the occurrence of an attempted transaction by or for designated individuals or entities, Insurance Companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources, held by such customer to the FIU at Fax No.011- 2477692 or 011- 2477722 and also convey over telephone on 011-2477125. The particulars apart from being sent by post/fax should necessarily be conveyed on e-mail to fiu@cbsl.lk.

8. Insurance Companies shall also send by post a copy of the communication mentioned in (7) above to the Competent Authority (Chief of National Intelligence, Office of the Competent Authority, Ministry of Defence & Urban Development, No.15/5 Baladaksha Mawatha, Colombo-03). The particulars apart from being sent by post should necessarily be conveyed on e-mail to cniofficemod@gmail.com.

9. Insurance Companies are advised to bring the provisions of the United Nations Regulation No 2 of 2012 to the notice of the staff concerned and ensure strict compliance.


Circular No : 04/13

To: Chief Executive Officers of Stock Brokers

Dear Sir/Madam,

PREVENTION AND SUPPRESSION OF TERRORISM AND TERRORIST FINANCING
OBLIGATION OF REPORTING INSTITUTIONS

The attention of all Stock Brokers is drawn to revised Financial Action Task Force (FATF) Recommendation No. 6 effective from February 2012 and Extraordinary Gazette Notification No.1760/ 40 dated 31 May 2012 issued by the Minister of External Affairs.

1) Accordingly, Sri Lanka is required to implement targeted financial sanctions prescribed in the above Gazette Notification to comply with the United Nations Security Council Resolution (UNSCR) 1267 (1999) and its successor resolutions which require countries to freeze funds, financial assets or economic resources of designated individuals and entities immediately, and to ensure that no such funds, financial assets or economic resources are made available to or for the benefit of such designated persons or entities or their beneficiaries. Accordingly, every stock broker is obliged to have measures in place to freeze funds, financial assets or economic resources of such designated persons and entities immediately.

2) Freezing is effective as and when the United Nations Security Council announces the names of such designated persons and entities and such freezing shall be in force until such time the person or entity is delisted from the designated list.

3) Please refer attached FIU/UNSCR1267/Directives No.03 for the details on obligations of Stock Broker in complying with targeted financial sanctions relating to terrorism and terrorist financing. These Directives shall be construed as a part of the existing Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance framework of the Stock Brokers.

Yours faithfully,

Director of Financial Intelligence Unit

cc. Compliance Officers of all Stock Brokers
   Director General / Securities and Exchange Commission of Sri Lanka
   Director General / Colombo Stock Exchange
FLU/UNSCR1267/Directives No : 03

PREVENTION AND SUPPRESSION OF TERRORISM AND TERRORIST FINANCING
OBLIGATION OF REPORTING INSTITUTIONS

Further to United Nations (UN) Regulation No 2 of 2012 which was published in Extraordinary Gazette Notification No. 1760/40 dated on May 31, 2012 in order to facilitate the implementation of obligations, relating to the freezing of funds or other assets under paragraph 4(b) and related paragraph of the United Nations Security Council Resolution (UNSCR) 1267 (1999) and the modifications and strengthening set out in the aforesaid subsequent UNSCRs, in particular paragraph I of Resolutions 1988 (2011) and 1989 (2011), within Sri Lanka and thereby specify a means to comply with them aforesaid obligations.

1. Stock Brokers are advised to strictly follow the procedure laid down in the UN Regulation No 2 of 2012 Gazetted on May 31, 2012 (copy enclosed) and ensure strict compliance.


3. Stock Brokers are advised that on receipt of the notifications from the FLU to updated list of designated individuals/entities it should be ensured that the name/s of the proposed customer does not appear in the list before entering into any new business relationship. Further, Stock Brokers should scan all existing business relationship to ensure that no business relationship is held by or linked to any of the entities or individuals included in the designated lists.

4. In ensuring efficient detection of suspected financing of terrorism, the reporting institution should maintain a database of names and particulars of individuals/entities in the designated lists.

5. Stock Brokers should ensure that the information contained in the database are updated and relevant, and made easily accessible to its employees at the head office, branch or subsidiary for the purpose of identifying funds, financial assets or economic resources of designated individuals and entities.

6. In case, the match of any of the customers with the particulars of designated individuals/entities, the Stock Broker shall prevent designated persons from conducting any transactions and freeze funds, financial assets or economic resources without delay as per paragraphs 5 and 6 of United Nations Regulation No 2 of 2012.

7. Upon freezing of funds, financial assets or economic resources of designated individuals and entities, or upon the occurrence of an attempted transaction by or for designated individuals or entities, Stock Brokers shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources, held by such customer on their books to the FLU at Fax No.011-2477692 or 011- 2477722 and also convey over telephone on 011-2477125. The particulars apart from being sent by post/fax should necessarily be conveyed on e-mail to fiu@cbsl.lk.

8. Stock Brokers shall also send by post a copy of the communication mentioned in (7) above to the Competent Authority (Chief of National Intelligence, Office of the Competent Authority, Ministry of Defence & Urban Development, No. 15/5 Baladaksha Mawatha, Colombo -03). The particulars apart from being sent by post should necessarily be conveyed on e-mail to cniofficemod@gmail.com.

9. Stock Brokers are advised to bring the provisions of the United Nations Regulation No 2 of 2012 to the notice of the staff concerned and ensure strict compliance.


Ref : 34/07/029/0001/002

Circular No : RTGS/01/2013

To : All Participants of the Lanka Settle System

LIVE OPERATIONS OF THE LANKA SETTLE SYSTEM FROM ITS DISASTER RECOVERY SITE
ON TUESDAY 05 MARCH 2013

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and LankaSecure System) and other related systems from its Disaster Recovery Site (DRS) on 05 March 2013 (Tuesday) for the purpose of testing the business continuity arrangements.
In this context, LankaSettle participants are not required to make any changes to their workstations and are requested to carry out the business operations with CBSL as usual.

You may use the following contact numbers if you wish to contact CBSL staff on 05 March 2013.

- RTGS and OMO: 2477068, 2477055, 2477858, 2477832
- SWIFT: 2477046, 2477858, 2477832
- FOREX Back Office: 2477065, 2477852, 2477832
- Asian Clearing Union: 2477053, 2477057
- LankaSecure: 2477852, 2477832, 4858876, 4858879
- Other Divisions: 2477858, 2477832, 4858876, 4858879
- Fax: 2866184, 2873244

Ranjani Weerasinghe
Director, Payments and Settlements

Superintendent of Public Debt

Ref: 34/07/029/0001/002

17 May 2013

Circular No: RTGS/03/2013

RESTRICTION OF BUSINESS HOURS OF THE LANKA SETTLE SYSTEM ON 23 MAY 2013 (THURSDAY)

The Central Bank of Sri Lanka, having considered the restricted business hours of the participating institutions of the LankaSettle System on 23 May 2013, (a declared half-holiday in lieu of Day following Wesak Full Moon Poya Day falling on Saturday, 25 May 2013), has decided to restrict business hours of the LankaSettle System on 23 May 2013 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of the LankaSettle System for 23 May 2013 will be revised as follows:

<table>
<thead>
<tr>
<th>Event</th>
<th>Revised time</th>
</tr>
</thead>
<tbody>
<tr>
<td>OMO-Repo (Auction) Settlement</td>
<td>12.45 p.m.</td>
</tr>
<tr>
<td>MLNS-Rupee Draft Clearing, Adjustment Clearing and Settlement Clearing</td>
<td>2.00 p.m.</td>
</tr>
<tr>
<td>Cut-off time for third party transactions</td>
<td>2.15 p.m.</td>
</tr>
<tr>
<td>MLNS-SLIPS (Session 2)</td>
<td>2.15 p.m.</td>
</tr>
<tr>
<td>OMO-Repo (Standing Facility) settlement</td>
<td>2.30 p.m.</td>
</tr>
<tr>
<td>ILF Reversal and Reverse Repo settlement</td>
<td>2.45 p.m.</td>
</tr>
<tr>
<td>Close for business</td>
<td>3.00 p.m.</td>
</tr>
<tr>
<td>System shut down</td>
<td>3.30 p.m.</td>
</tr>
</tbody>
</table>

Ranjani Weerasinghe
Director of Payments and Settlements

Superintendent of Public Debt

Ref: 34/07/029/0001/002

17 May 2013

Circular No: RTGS/03/2013

To: All Participants of the LankaSettle System

RESTRICTION OF BUSINESS HOURS OF THE LANKA SETTLE SYSTEM ON 23 MAY 2013 (THURSDAY)

The Central Bank of Sri Lanka, having considered the restricted business hours of the participating institutions of the LankaSettle System on 23 May 2013, (a declared half-holiday in lieu of Day following Wesak Full Moon Poya Day falling on Saturday, 25 May 2013), has decided to restrict business hours of the LankaSettle System on 23 May 2013 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of the LankaSettle System for 23 May 2013 will be revised as follows:

<table>
<thead>
<tr>
<th>Event</th>
<th>Revised time</th>
</tr>
</thead>
<tbody>
<tr>
<td>OMO-Repo (Auction) Settlement</td>
<td>12.45 p.m.</td>
</tr>
<tr>
<td>MLNS-Rupee Draft Clearing, Adjustment Clearing and Settlement Clearing</td>
<td>2.00 p.m.</td>
</tr>
<tr>
<td>Cut-off time for third party transactions</td>
<td>2.15 p.m.</td>
</tr>
<tr>
<td>MLNS-SLIPS (Session 2)</td>
<td>2.15 p.m.</td>
</tr>
<tr>
<td>OMO-Repo (Standing Facility) settlement</td>
<td>2.30 p.m.</td>
</tr>
<tr>
<td>ILF Reversal and Reverse Repo settlement</td>
<td>2.45 p.m.</td>
</tr>
<tr>
<td>Close for business</td>
<td>3.00 p.m.</td>
</tr>
<tr>
<td>System shut down</td>
<td>3.30 p.m.</td>
</tr>
</tbody>
</table>

Ranjani Weerasinghe
Director of Payments and Settlements

Superintendent of Public Debt
REGULATIONS made by the President under Section 17 of the Payment and Settlement Systems Act, No. 28 of 2005, read with Section 11 of the said Act and paragraph (2) of Article 44 of the Constitution.

Colombo Mahinda Rajapaksa 30 May 2013

President

REGULATIONS

1. These Regulations may be cited as the Payment Cards and Mobile Payment Systems Regulations No. 1 of 2013 (hereinafter referred to as “the Regulations”)

2. (a) The Central Bank of Sri Lanka (hereinafter referred to as “the Central Bank”) shall function as the regulatory and supervisory authority for payment cards and mobile payment systems and shall be responsible to regulate and supervise all service providers of payment cards and/or mobile payment systems;
(b) The Central Bank may authorize any of its Officers in writing to carry out the functions of the Central Bank in accordance with the Provisions of these Regulations.

3. In these Regulations “Payment Cards” refers only to debit cards, credit cards, charge cards and stored-valued cards.

4. No person shall engage in the business of or function as a Service Provider except under the authority and in accordance with the terms and conditions of a licence issued by the Central Bank.

5. (a) The following persons shall be eligible to apply for a licence to engage in the business of or function as a Service Provider -
   (i) a licensed commercial bank;
   (ii) a licensed specialized bank;
   (iii) a finance company;
   (iv) an operator who provides cellular mobile telephone services under the authority of a licence issued in terms of the Sri Lanka Telecommunication Act No. 25 of 1991 as amended;
   (v) a company registered under the Companies Act, No. 7 of 2007 having an unimpaired capital of at least Rupees One Hundred and Fifty (150) Million or such other amount determined by the Central Bank, other than a company limited by guarantee, an offshore company or an overseas company within the meaning of the Companies Act, No. 7 of 2007.
   (b) An eligible person mentioned in paragraph (a) above may engage in the business of or function as a Service Provider in respect of one or more of the following classes of business, under the authority of a licence issued by the Central Bank in terms of these regulations.
   (i) Issuer of payment cards;
   (ii) Financial acquirer of payment cards;
   (iii) Operator of a customer account based mobile payment system;
   (iv) Operator of a mobile phone based e-money system.
   (c) The Central Bank may restrict any one or more of the eligible parties mentioned in paragraph (a) above from engaging in one or more of the classes of business specified in paragraph (b) above.

6. (a) An eligible person who intends to engage in the business of or function as a Service Provider may make an application for a licence in a form of application specified by the Central Bank.
   (b) The Central Bank may issue a licence to engage in the business of or function as a Service Provider on being satisfied of the contents of the application, documents, information, and other particulars that are required to be submitted with the application and any such other documents or information required by the Central Bank.
   (c) The Central Bank may refuse to issue a licence without giving any reason therefor.
   (d) The licence issued under paragraph (b) of this regulation may be subject to conditions specified in the licence itself or in a schedule to the licence.
7. (a) The applicant shall pay a licence fee, upon receiving a notification from the Central Bank after submission of an application as per paragraph (a) of regulation 6.
   (b) Once a licence is issued and until such licence remains in force, an annual fee shall be paid to the Central Bank and such payments shall be made within the month of January of each calendar year.
   (c) The Central Bank may determine the licence fee and the annual fee from time to time.

8. A person issued with a licence under paragraph (b) of regulation 6 is hereinafter referred to as “Licensed Service Provider”.

9. Every Licensed Service Provider shall display a copy of the licence issued to it under paragraph (b) of regulation 6 at its principal place of business and each of its branches.

10. Every Licensed Service Provider, subject to paragraph (c) of regulation 5 above, shall:
   (a) be entitled to engage in the business of or function as a Service Provider only in respect of the class/es of business specified in the schedule to the licence issued to such Service Provider.
   (b) obtain prior written approval of the Central Bank to engage in the business of or function as a Licensed Service Provider in respect of class/es of business other than those specified in the schedule to the licence issued to such Licensed Service Provider. Such Licensed Service Provider shall apply for such approval in a form specified by the Central Bank and the application shall be accompanied with a fee determined by the Central Bank.

11. Every Licensed Service Provider shall inform the Central Bank, in writing, of any change in its name, address of registered Office, board of directors or articles of association within three days of such change being effective.

12. (a) The Central Bank may, if it is proved to the satisfaction of the Central Bank that a Licensed Service Provider:
   (i) has failed to commence its business relating to payment cards/mobile payment systems within six months from the date of issuance of the licence; or
   (ii) has furnished false or incorrect information or omitted any material information; or
   (iii) has failed to comply with any provision of the Act, any regulation, direction, directive, rule, condition, circular, guideline or instruction issued under the Act; or
   (iv) has failed to take corrective measures as required by the Central Bank within the period specified by the Central Bank; or
   (v) is insolvent or likely to be insolvent; or
   (vi) has been convicted of any offence by a Court of Law.
   give notice that the Central Bank will cancel the licence issued to such Licensed Service Provider.

   (b) The Licensed Service Provider who is given the notice under paragraph (a) above may tender objections in writing to the Central Bank against the notice of intended cancellation, within fourteen days of the date of such notice, giving reasons as to why the licence issued to such Licensed Service Provider under paragraph (b) of regulation 6 should not be so cancelled.

   (c) The Central Bank may, within thirty days from the last date for tendering objections under paragraph (b) above, after considering the objections tendered under that paragraph, if any, and after hearing the Licensed Service Provider in support of its objections, either withdraw the notice given under paragraph (a) above with or without conditions or cancel the licence issued to the Licensed Service Provider, and shall notify such Licensed Service Provider in writing accordingly.

13. Where a licence issued to a Licensed Service Provider has been cancelled, the Central Bank shall direct such Service Provider to forthwith cease and discontinue the business relating to payment cards and/or mobile payment systems. The Central Bank may take any action necessary to carry out such decision of the Central Bank in accordance with the Provisions of the Act.

14. The Central Bank may carry out on-site examinations and off-site surveillance on business relating to payment cards and/or mobile payment systems of any Licensed Service Provider.

15. Every Licensed Service Provider shall provide documents, information and other particulars that may be required by the Central Bank or any officer authorized by the Central Bank for the purpose of carrying out on-site examinations and off-site surveillance or to evaluate the capacity of the Licensed Service Provider to continue its operations as a Licensed Service Provider.

16. (a) If it is revealed in an on-site examination and/or off-site surveillance or inspection conducted on any information received, that a Licensed Service Provider,
   (i) is unable to carry out business relating to payment cards and/or mobile payment systems; or
   (ii) is engaged in unsafe and/or unsound practices in the course of business relating to payment cards and/or mobile payment systems which is likely to affect the financial system stability; or
Major Administrative Measures Adopted by the Monetary Board in 2013

Part III

16. (iii) is conducting business in such manner that may be detrimental to the protection of customers and to the integrity, improvements and smooth functioning of payment systems in Sri Lanka.

the Central Bank shall direct such Licensed Service Provider to forthwith suspend its business relating to any one or more of the classes of business specified in the schedule to the licence and to take corrective measures in such manner, subject to such conditions and within such period as may be determined by the Central Bank.

(b) If the Licensed Service Provider fails to implement such corrective measures, the Central Bank may :

(i) cancel the licence in terms of regulation 12 above ; or
(ii) withdraw the approval granted to the Licensed Service Provider to engage in any one or more classes of business specified in the schedule to the licence.

17. (a) Where the Board of Directors of any Licensed Service Provider decides to voluntarily discontinue any one or more of the classes of business specified in the schedule to the licence, such Licensed Service Provider shall notify the Central Bank immediately of such decision and within seven days from the date of such decision shall;

(i) inform the reasons for discontinuation of business or inability to continue the business relating to payment cards and/or mobile payment systems ; and
(ii) submit a detailed proposal of the manner of handling of the existing customers’ rights and obligations and alternative method for providing the agreed services.

(b) Upon intimation of the decision to discontinue the business of a Licensed Service Provider, the Central Bank may issue directions as to the manner of termination and conditions subject to which such termination shall take place.

18. The Central Bank may, from time to time, issue directions, directives, rules, conditions, circulars, guidelines or instructions to any one or more Licensed Service Providers, regarding the manner in which any aspect of the business of all or any category of Licensed Service Provider is to be conducted. Without prejudice to the foregoing, the Central Bank may, issue directions, directives, rule, conditions, circulars, guidelines or instructions specifying :-

(a) governance, risk management and control ;
(b) capital adequacy and other capital requirements ;
(c) limits on usage of payment cards/mobile payment systems ;
(d) fees and charges applicable to customers obtaining services related to payment cards/mobile payment systems ;
(e) measures necessary for protection of customers and Licensed Service Providers ;
(f) arrangements with agents, subsidiaries and any outsourced parties in respect of business of payment cards/ mobile payment systems ;
(g) the security features of technology relating to payment cards/mobile payment systems ;
(h) business and investment limitations ; and
(i) dissemination of information regarding payment cards/mobile payment systems.

19. Where a licence issued under paragraph (b) of regulation 6 is cancelled under regulation 12, such cancellation shall be notified to the general public by the Central Bank by publication of a notice at least in one Sinhala, Tamil and English newspaper.

20. Where the Central Bank is of the opinion that any advertisement published, transmitted, broadcast, telecast or displayed is in violation of the provisions of the Act, Regulations made thereunder or directions, guidelines or instructions issued under the Act or these Regulations, or is likely to mislead the public, the Central Bank may require the Licensed Service Provider to discontinue the publication, transmission, broadcast, telecast or display of such advertisements or to change such advertisements within a specified period of time.

21. In these Regulations, unless the context otherwise requires :

“Act” means, the Payment and Settlement Systems Act, No. 28 of 2005 ;
“Cardholder” means, any person authorized to use a payment card issued by an Issuer ;
“Central Bank of Sri Lanka” means, the Central Bank of Sri Lanka established under the Monetary Law Act, No. 58 of 1949 (Chapter 422) ;
“Charge Card” means, a payment card which involves a line of credit granted by the issuer to the cardholder where the credit utilized by the cardholder must be settled fully on or before a date specified by the issuer, without any extended credit ;
“Credit Card” means, a payment card which involves a line of credit granted by the issuer to the cardholder where the credit utilized can be settled in full or in part on or before a specified date. The issuer may charge interest or other charges on any amount not settled on the specified date ;
“Customer Account based Mobile Payment System” means, a mobile phone based payment system operated by a licensed commercial bank, a licensed specialized bank or a finance company that provides a means of access to the customer accounts maintained with such financial institution;

“Day” means, a calendar day;

“Debit Card” means, a payment card that may be used to withdraw cash and/or execute payments for purchase of goods and services, by directly debiting from the credit balance of the cardholder’s account;

“E-money System” means, a system through which monetary value is issued upon receipt of funds and stored electronically for the purpose of using as a means of payment or to settle financial obligations;

“Finance Company” means, a finance company licensed under the Finance Business Act, No. 42 of 2011;

“Financial Acquirer” means, any person who makes arrangements with third parties to accept payment cards of cardholders as a means of payment and reimburses those third parties with the value of the goods or services purchased by the cardholder, and/or who reimburses such third parties for cash advances obtained by the cardholders;

“Issuer” means, an entity which issues a payment card and thereby enters into a contractual relationship with the cardholder;

“Licensed Commercial Bank” means, a commercial bank licensed under the Banking Act, No. 30 of 1988 as amended;

“Licensed Specialized Bank” means, a specialized bank licensed under the banking act No. 30 of 1988 as amended;

“Service Provider” means, a service provider of payment card and/or a service provider of mobile payment system;

“Service Provider of Mobile Payment System” means, any person who operates a customer account based mobile payment system and/or any person who operates a mobile phone based e-money system;

“Service Provider of Payment Card” means, any person who acts as an issuer of payment cards and/or a financial acquirer of payment cards;

“Stored Value” shall have the meaning assigned to it in Section 18 of the Payment and Settlement Systems Act, No. 28 of 2005;

“Unimpaired Capital” shall mean capital on which there is no lien or other charges.

22. The Service Providers of Payment Cards Regulations No. 1 of 2009 published in the Gazette (Extraordinary) No. 1612/32 dated 31st July 2009 are hereby rescinded without prejudice to anything done under them.

GENERAL DIRECTION NO. 01 OF 2013 - OPERATIONS OF THE COMMON ATM SWITCH
PAYMENT AND SETTLEMENT SYSTEMS ACT, NO. 28 OF 2005

General Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.

Colombo
31 May 2013

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

GENERAL DIRECTION NO. 01 OF 2013 - OPERATIONS OF THE COMMON ATM SWITCH

This direction may be cited as the General Direction No. 01 of 2013 - Operations of the Common ATM Switch and shall apply to LankaClear (Pvt.) Ltd. (LCPL) and the Members of the Common ATM Switch and shall come into operation on 31 May 2013.

2. Definitions

In this Direction, unless the context otherwise requires:

2.1 “ATM” or “Automated Teller Machine” means a cardholder activated terminal that uses PIN verification and is online for all transactions.

2.2 “CBSL” means the Central Bank of Sri Lanka established under the Monetary Law Act, No. 58 of 1949 (Chapter 422).

2.3 “CAS” or “Common ATM Switch” means an electronic payment system operated by LCPL, which facilitates the communication and processing of cash withdrawals, balance inquiries and any other ATM services and shall include LCPL systems, processes, and procedures for the electronic data transfer and authorization of payments sought to be effected by a CAS Member.

2.4 “CAS Member” means a Primary Member and a Secondary Member of CAS.

2.5 “Clearing Cycle” means the time duration from one settlement time to the next immediate settlement time which are predefined by LCPL.
2.6 “Operational Procedure Manual” means the document prepared by LCPL containing the procedures laid down for the guidance of LCPL and CAS Members as regards to the operations of CAS.

2.7 “Primary Member” means any licensed commercial bank which is a participant in the RTGS System and approved by CBSL and LCPL to be a CAS Member.

2.8 “RTGS System” means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.

2.9 “Secondary Member” means any legal entity authorized by a Primary Member to execute CAS transactions and to settle net balances through the RTGS account of such Primary Member and approved by CBSL and LCPL to be a CAS Member.

2.10 “Membership Agreement” means an agreement entered into by a CAS Member with LCPL.

3. Responsibilities of LCPL and a CAS Member:

3.1 Every CAS Member and LCPL shall enter into a Membership Agreement relating to participation in and operations of CAS.

3.2 Every CAS Member and LCPL shall adhere to the arrangements between them in respect of operations of CAS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.

3.3 Every CAS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.

3.4 Every CAS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CAS transactions.

4. Responsibilities of LCPL

4.1 LCPL shall be the sole operator of CAS.

4.2 LCPL shall be responsible for;

4.2.1 operating CAS on around the clock basis every day;

4.2.2 granting Primary and Secondary Memberships in CAS to eligible entities with the approval of CBSL;

4.2.3 setting out clear and comprehensive System Rules with the approval of the Director, Payments and Settlements (D/PSD) of CBSL. The System Rules issued by LCPL shall stipulate, among other things, powers, rights, duties and obligations of LCPL and CAS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information;

4.2.4 defining the specifications, standards, security features and audit compliances which are applicable to the operations of CAS;

4.2.5 making available to CBSL, CAS multilateral net settlement batch files setting out the net position of every CAS Member on or before the cut-off times set out by CBSL;

4.2.6 entering into and termination of agreements and contracts with any service provider relating to the operations of CAS;

4.2.7 adopting a uniform fees and penalties structure which may be amended by LCPL from time to time subject to the clause 3.4 hereof;

4.2.8 complying with reporting requirements of CBSL in respect of the operations of CAS and related matters.

5. Responsibilities of CAS Members

Every CAS Member shall;

5.1 be responsible for procuring hardware, software and network infrastructure that are fully compliant with LCPL specifications;

5.2 be responsible for proper maintenance of its ATMs and ensuring that sufficient cash is available in each of its ATMs at all times;

5.3 be responsible to safeguard CAS system and conform to and observe all security features and instructions issued by LCPL;

5.4 adhere to technical, administrative and other requirements specified by LCPL from time to time;

5.5 ensure that adequate funds are available in its RTGS settlement account to settle CAS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL;

5.6 be responsible for making regular backups of databases and all its information and data relating to the operations of CAS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss;

5.7 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;

5.8 adhere to the System Rules of CAS set out by LCPL;

5.9 comply with fees and penalties structure notified by LCPL.
6. **Business Continuity Planning**

6.1 LCPL and CAS Members shall have a well defined business continuity plan for the operations of CAS approved by the respective Boards of Directors to ensure availability of CAS service at all times.

6.2 LCPL and CAS Members shall have a fully equipped Disaster Recovery Site (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.

6.3 LCPL shall have a skilled and trained backup staff in respect of core functionalities of CAS to be deployed in contingency situations, including labour disputes, in order to ensure carrying out operations without any interruption.

6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CAS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CAS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall use alternative methods to derive the CAS multilateral net settlement for the time period from the last clearing cycle to the time of the failure of the system and shall make available the same to CBSL.

7. **Confidentiality**

7.1 LCPL and CAS Members shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity at all times maintain confidentiality in accordance with applicable laws.

7.2 LCPL and CAS Members shall subject themselves jointly and severally to the control, supervision, regulation and oversight of CBSL in the exercise of any or all of its functions and powers from time to time vested by law or otherwise, on the operations of CAS and shall comply with all instructions, orders and directions of CBSL.

7.3 In furtherance of and without prejudice to the foregoing, D/PSD of CBSL may from time to time and at any time require LCPL and CAS Members to provide such information in respect of the operations of CAS and LCPL and CAS Members shall provide such information to D/PSD of CBSL.

7.4 All reports and information from LCPL and CAS Members to D/PSD of CBSL in respect of the operations of CAS shall be accurate and correct.

8. **General**

8.1 This direction is in addition to and not in derogation of any other written law, and rules, regulations, terms and conditions to which LCPL and CAS Members are subject to and/or may be subject to from time to time.

8.2 Without prejudice to the generality of the above paragraph, this direction shall not be construed to limit any obligation or responsibility imposed by the Payment and Settlement Systems Act, No. 28 of 2005.

**GENERAL DIRECTION NO. 02 OF 2013 – FEES CHARGEABLE ON THE TRANSACTIONS EFFECTED THROUGH THE COMMON ATM SWITCH PAYMENT AND SETTLEMENT SYSTEMS ACT NO. 28 OF 2005**

General direction made by the Monetary Board of the Central Bank of Sri Lanka under section 44 of the Payment and Settlement Systems Act No. 28 of 2005.

Colombo 02 July 2013

**Nivard Ajith Leslie Cabraal**
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

**GENERAL DIRECTION ON FEES CHARGEABLE ON THE TRANSACTIONS EFFECTED THROUGH THE COMMON ATM SWITCH**

This direction may be cited as the General Direction No. 02 of 2013 on Fees Chargeable on the Transactions effected through the Common ATM Switch (CAS) and shall apply to Members of CAS and shall come into operation with effect from 02 July 2013.

2. This Direction is issued, in addition to the General Direction No. 01 of 2013 on Operations of the Common ATM Switch dated 31 May 2013, to impose caps on the fees to be charged from the customers by the issuers and interchange fees to be charged from the issuers by the financial acquirers.

3. Every CAS member shall adhere to the following limits in charging fees on the transactions effected through CAS.

3.1 Fees to be charged from the customer by the issuer:

3.1.1 The fees to be charged by the issuer from the customer when using another Bank’s ATM for withdrawal of funds should not exceed Rs. 15.00 (including taxes) per withdrawal.
3.1.2 The fees to be charged by the issuer from the customer when executing a balance inquiry from another Bank’s ATM should not exceed Rs. 7.50 (including taxes).

3.2 Interchange fees to be charged from the issuer by the acquirer:

3.2.1 The interchange fee to be charged by the acquirer from the issuer for withdrawal of funds by a customer of such issuer should not exceed Rs. 20.00 (including taxes) per withdrawal.

3.2.2 The interchange fee to be charged by the acquirer from the issuer for a balance inquiry by a customer of such issuer should not exceed Rs. 10.00 (including taxes).

PAYMENT AND SETTLEMENT SYSTEMS ACT, NO. 28 OF 2005

General Direction made by the Monetary Board of the Central Bank of Sri Lanka under Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Colombo
30 December 2013

THE GENERAL DIRECTION NO. 03 OF 2013 - SERVICE NORMS AND STANDARD TIMES FOR ACCEPTING CHEQUE DEPOSITS AND CREDITING CHEQUE PROCEEDS

This direction may be cited as the General Direction No. 03 of 2013 – Service Norms and Standard Times for Accepting Cheque Deposits and Crediting Cheque Proceeds and shall replace the General Direction No.1/2007 on the Participating Institutions’ Service Norms and Standard Times for Accepting Cheque Deposits from Customers and Crediting Cheque Proceeds to Customers’ Accounts issued in December 2007. This General Direction shall apply to all Participating Institutions (PIs) of the Cheque Imaging and Truncation System and shall come in to effect from 30 December 2013.

2. Every PI shall adhere to the island-wide minimum cut-off time of 3.00 p.m. for collection of cheque deposits and shall present such collected cheques to LankaClear (Pvt.) Ltd. (LCPL) on or before the time specified by LCPL for clearing on the same business day.

3. Every PI shall credit proceeds of cleared cheques to respective customers’ accounts by 2.30 p.m. on the day on which the inward return data report is received from LCPL.

4. Every PI shall formulate procedures and norms on cheque collection; crediting cheque proceeds to customers’ accounts; and the modalities for handling customer complaints, in order to achieve the purpose of this Direction. Such procedures and norms shall ensure that the obligations of the PI to the customers and the rights of the customers are established and observed in practice.

5. Every PI shall ensure that –

(i) Procedures and norms established under Paragraph 4 above and times of cheque collection and crediting of customers’ accounts are informed to customers by:

(a) Displaying prominently on the notice boards in banking halls in their branches and near the cheque collecting boxes, so that it attracts the customers’ attention as well as that of the staff of the PI for adherence;

(b) Printing a message on the monthly current account statement;

(c) Publishing in the newspapers from time to time; and

(d) Posting them on its website.

(ii) Any changes to procedures and norms or times of cheque collection and crediting of customers’ accounts are duly informed to the customers;

(iii) Proper and convenient arrangements are available for handling grievances enabling grieved parties a right to approach authority designated by the PI for handling the grievances;

(iv) Amended cut-off times are conveyed to the Director, Payments and Settlements of the Central Bank of Sri Lanka within 3 days of the implementation of the same.

6. Each PI shall periodically review their existing arrangements for cheque collection and shall take an effort to extend the cut-off time for cheque collection and to reduce the time required for crediting proceeds to customers’ accounts after receiving the inward return data report of the settlement clearing.
To: Chief Executive Officers of Licensed Commercial Banks

APPOINTMENT OF LICENSED COMMERCIAL BANKS AS PRIMARY DEALERS

1. The Central Bank of Sri Lanka has decided to appoint Licensed Commercial Banks as Primary Dealers, subject to the following terms and conditions stipulated in the Local Treasury bills (Primary Dealers) Regulations No. 1 of 2009 and Registered Stock and Securities (Primary Dealers) Regulations No. 1 of 2009 made by the Hon. Minister of Finance.

(i) The Licensed Commercial Bank shall maintain separate books of accounts in respect of activities relating to Primary Dealers (Government Securities);
(ii) The Licensed Commercial Bank shall not have on its Board of Directors, a director or an employee of another Primary Dealer Company;
(iii) The Primary Dealer (Government Securities) operations of a Licensed Commercial Bank shall be headed by a qualified and competent person holding a senior management position in such Bank who shall devote his/her full time to such Primary Dealer operations;
(iv) The Licensed Commercial Bank shall be subject to operating guidelines and prudential requirements imposed by the Central Bank, from time to time, in respect of Primary Dealer activities and operations; and
(v) The Primary Dealer (Government Securities) activities and operations of a Licensed Commercial Bank shall be monitored and supervised by the Central Bank.

2. Effective from 14.02.2013, Licensed Commercial Banks are exempted from the requirements on Risk Weighted Capital Adequacy Framework (RWCAF) for Primary Dealers stipulated in the Direction No. 08/24/002/0005/006 dated 22.06.2006 issued by the Superintendent of Public Debt.

3. The Licensed Commercial Banks who wish to be appointed as Primary Dealers in Government Securities may send their applications to the Superintendent, Public Debt Department, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 1.

N.W.G.R.D. Nanayakkara
Superintendent of Public Debt

To: Chief Executive Officers of Licensed Commercial Banks

APPOINTMENT OF LICENSED COMMERCIAL BANKS AS PRIMARY DEALERS


2. Effective from 14.02.2013 Licensed Commercial Banks are exempted from the requirement of maintaining a special reserve as stipulated in the Direction No. 08/24/002/0005/005 dated 18.04.2005 issued by the Superintendent of Public Debt.

N.W.G.R.D. Nanayakkara
Superintendent of Public Debt

To: Foreign Investors and Non-Resident Sri Lankans

GUIDELINES/ PROCEDURES TO FOREIGN INVESTORS AND NON-RESIDENT SRI LANKANS ON THE PURCHASE AND SALE OF TREASURY BILLS AND TREASURY BONDS ISSUED BY THE GOVERNMENT OF SRI LANKA

(A) The following Guidelines/ Procedures which were applicable for the sale and purchase of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and Sri Lankan Diaspora and Migrant workforce are hereby rescinded with effect from 10 April 2013.

(a) Guidelines/ Procedures issued to Participating Agents on 06 May 2008 and 23 May 2008.
(b) Guidelines/ Procedures issued to Lead Managers in respect of TIERA -D scheme on 06 January 2009.
(c) Guidelines/ Procedures issued to foreign investors on 06 May 2008 and 23 May 2008.
(d) Guidelines/ Procedures issued to Sri Lankan Diaspora and Migrant workforce on 06 January 2009.
The guidelines and procedures which are indicated below will be applicable with effect from 10 April 2013 in respect of the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and non-resident Sri Lankans.

1. Eligible Investors

Only the following categories of investors are eligible to invest in Treasury bills and Treasury bonds issued by the Government of Sri Lanka:

(a) Foreign Institutional Investors including country funds, regional funds or mutual funds.
(b) Corporate bodies incorporated outside Sri Lanka.
(c) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka.
(d) Non-resident Sri Lankans.

2. Investment

Foreign investors and non-resident Sri Lankans referred to in clause 1 above (hereinafter referred to as “eligible investors”) are permitted to purchase Treasury bills and Treasury bonds issued by the Government of Sri Lanka, through Primary Dealers and Licensed Commercial Banks (hereinafter referred to as “participating agents”).

(The list of such participating agents is given at the end of this circular).

3. Registration

Participating agents shall be responsible for registering details of their eligible investors at the Central Depository System (CDS) maintained by the Public Debt Department (PDD) of the Central Bank of Sri Lanka (CBSL) in terms of the LankaSettle System Rules.

CDS will issue statements containing the following to eligible investors

(a) A monthly statement confirming the transactions that have taken place during the month.
(b) A semiannual statement confirming the outstanding balance held by each investor.
(c) A monthly statement indicating the maturity proceeds/ interest payments whenever such payments fall due.

These statements will be addressed directly to the investor, as registered in the CDS.

4. Status

The maturity proceeds of Treasury bills and Treasury bonds, and coupon payments on Treasury bonds due thereon are direct, unconditional, general, unsecured obligations of the Government of Sri Lanka and rank and shall rank pari passu without any preference among themselves with all other outstanding unsecured and un-subordinated obligations of the Government of Sri Lanka present and future.

5. Tenure

Eligible investors are permitted to purchase or sell Treasury bills and Treasury bonds with any maturity period.

6. Payments for Treasury Bills and Treasury Bonds

Eligible investors shall open a special account named “Securities Investment Account (SIA)” in a LCB and make payment for purchase of Treasury bills and Treasury bonds by crediting the said account. (If the eligible investor is already maintaining a SIA with a LCB it is not necessary to open a new account.) The eligible investor/ participating agent shall make necessary arrangements with the LCB to transfer respective Rupee amounts to the relevant party.

7. Issue and Delivery of Treasury Bills and Treasury Bonds

Treasury bills and Treasury bonds shall be issued in scripless form to eligible investors who have duly made payments as specified in Clause 6 and by registering in the CDS as specified in Clause 3 above.

8. Payment of Coupon and Maturity Proceeds

Maturity proceeds on Treasury bills and Treasury bonds, and coupon payments on Treasury bonds shall be payable in Rupees by the PDD of the CBSL on behalf of the Government of Sri Lanka through RTGS to the respective participating agents on the respective dates. Such participating agents are responsible to transfer the respective payments to the SIA of eligible investors with proceeds value on the same day.
If the maturity date or the coupon payment date falls on a day which is not a business day for the banks in Sri Lanka, the payment of maturity proceeds shall be made on the business day prior to the due date in respect of a Treasury bill and the maturity proceeds and/or coupon payment shall be made on the business day after the due date in respect of a Treasury bond.

9. Repatriation

All proceeds received by sale or maturing of Treasury bills and Treasury bonds and coupon payments on Treasury bonds shall be fully repatriable.

10. Joint Holdings

Treasury bills and Treasury bonds may be held jointly by eligible investors. Payment of maturity proceeds and coupons shall be credited to SIA/SIAs of joint holders, based on the agreement between LCB which maintains the SIA and joint holders.

11. Tax Treatment

Eligible investors who invest in Treasury bills and Treasury bonds pay no further tax on earnings on such Treasury bills and Treasury bonds apart from the 10% withholding tax imposed at the primary issue of such Treasury bills and Treasury bonds.

12. Stamp Duty

All documents used on the issue, sale or redemption of Treasury bills and Treasury bonds are free from stamp duty.

13. Jurisdiction

The courts in Sri Lanka shall have exclusive jurisdiction in respect of all matters relating to Treasury bills and Treasury bonds issued by the Government of Sri Lanka.

14. Governing Law

The terms and conditions referred to in this guidelines relating to Treasury bills and Treasury bonds shall be governed by and construed in accordance with the laws of Sri Lanka.

(C) Further instructions in this regard will be issued by the Controller of Exchange or the Superintendent of Public Debt as the case may be from time to time.

N W G R D Nanayakkara
Superintendent of Public Debt
Central Bank of Sri Lanka

List of Participating Agents

<table>
<thead>
<tr>
<th>Licensed Commercial Banks</th>
<th>Contact No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis Bank</td>
<td>94-11-2577733</td>
</tr>
<tr>
<td>Bank of Ceylon</td>
<td>94-11-2348878</td>
</tr>
<tr>
<td>Commercial Bank of Ceylon PLC.</td>
<td>94-11-2447516</td>
</tr>
<tr>
<td>Citi Bank N A</td>
<td>94-11-4794718</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>94-11-4-791250</td>
</tr>
<tr>
<td>DFCC Vardhana Bank ltd.</td>
<td>94-11-2371414</td>
</tr>
<tr>
<td>Habib Bank Ltd.</td>
<td>94-11-2370390</td>
</tr>
<tr>
<td>Hatton National Bank Ltd.</td>
<td>94-11-2661303</td>
</tr>
<tr>
<td>Hongkong &amp; Shanghai Banking Corp.</td>
<td>94-11-2447536</td>
</tr>
<tr>
<td>ICICI Bank Limited</td>
<td>94-11-4242424</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>94-11-2446122</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>94-11-2320515</td>
</tr>
<tr>
<td>MCB Bank Ltd.</td>
<td>94-11-2440569</td>
</tr>
<tr>
<td>National Development Bank Ltd.</td>
<td>94-11-2448889</td>
</tr>
<tr>
<td>Nations Trust Bank Ltd.</td>
<td>94-11-4313101</td>
</tr>
<tr>
<td>Pan Asia Banking Corporation Ltd</td>
<td>94-11-2565555</td>
</tr>
<tr>
<td>Public Bank</td>
<td>94-11-2576288</td>
</tr>
<tr>
<td>People's Bank</td>
<td>94-11-2334041</td>
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<tr>
<td>Sampath Bank Ltd.</td>
<td>94-11-2300152</td>
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<tr>
<td>Seylan Bank Ltd.</td>
<td>94-11-2456771</td>
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<tr>
<td>State Bank of India</td>
<td>94-11-4622350</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>94-11-2446160</td>
</tr>
<tr>
<td>Union Bank of Colombo Ltd.</td>
<td>94-11-2370690</td>
</tr>
</tbody>
</table>
GUIDELINES/PROCEDURES TO PARTICIPATING AGENTS ON THE PURCHASE AND SALE OF TREASURY BILLS AND
TREASURY BONDS ISSUED BY THE GOVERNMENT OF SRI LANKA TO FOREIGN INVESTORS AND
NON-RESIDENT SRI LANKANS

(A) The following Guidelines/Procedures which were applicable for the sale and purchase of Treasury bills and Treasury bonds
issued by the Government of Sri Lanka to foreign investors and Sri Lankan Diaspora and Migrant workforce are hereby
rescinded with effect from 10 April 2013

(a) Guidelines/Procedures issued to Participating Agents on 06 May 2008 and 23 May 2008.
(b) Guidelines/Procedures issued to Lead Managers in respect of TIERA-D scheme on 06 January 2009
(c) Guidelines/Procedures issued to foreign investors on 06 May 2008 and 23 May 2008.
(d) Guidelines/Procedures issued to Sri Lankan Diaspora and Migrant workforce on 06 January 2009.

(B) The guidelines and procedures which are indicated below will be applicable with effect from 10 April 2013 in respect of the
purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and non-
resident Sri Lankans.

1. General

1.1 Eligible Investors

Only the following categories of investors are eligible to invest in Treasury bills and Treasury bonds issued by the
Government of Sri Lanka:

(a) Foreign Institutional Investors including country funds, regional funds or mutual funds.
(b) Corporate bodies incorporated outside Sri Lanka.
(c) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka.
(d) Non-resident Sri Lankans.

All participating agents are required to adhere to the standard “Know Your Customer” (KYC) verification requirements,
when entertaining requests for investments.

1.2 Limit on Treasury bill and Treasury bond Investment

The total investment permitted to eligible investors in Treasury bills and Treasury bonds should not exceed the threshold
limit approved by the Monetary Board of the Central Bank of Sri Lanka. (Subject to the Clause 2.3 below)

1.3 Tenure of Treasury bills and Treasury bonds

Foreign investors and non-resident Sri Lankans referred to in 1.1 above (hereinafter referred to as ‘eligible investors’) are
permitted to purchase or sell Treasury bills and Treasury bonds with any maturity period.

1.4 Registration

Participating agents shall be responsible for registering details of their investors at the Central Depository System (CDS)
maintained by the Public Debt Department (PDD) of the Central Bank of Sri Lanka (CBSL) in terms of the LankaSettle
System Rules.

CDS will issue statements containing the following to the aforementioned account holders.
(a) A monthly statement confirming the transactions that have taken place during the month.
(b) A semiannual statement confirming the outstanding balance held by each investor.
(c) A monthly statement indicating the maturity proceeds/ coupon payments whenever such payments fall due.

These statements will be addressed directly to the investor, as registered in the CDS.

2. Sales Procedure

Eligible investors are permitted to purchase or sell Treasury bills and Treasury bonds issued by the Government of Sri Lanka.

2.1 In order to effect the transactions in accordance with instructions received from the eligible investors, participating agents shall ensure that such transactions are within the legal requirements and do not breach the System Rules applicable to LankaSettle and any other guidelines issued by PDD and the Exchange Control Department (ECD) of CBSL.

2.2 Foreign exchange brought into the country for the purchase of Treasury bills and Treasury bonds and proceeds realized on a sale/maturity of Treasury bills and Treasury bonds and coupon payments or any income realized by way of capital gain shall be routed through a Rupee “SECURITIES INVESTMENT ACCOUNT (SIA)” opened or already maintained with a Licensed Commercial Bank in the name of the eligible investor.

2.3 Before confirmation of the sale, participating agents shall be responsible to inquire from PDD of CBSL the leeway available in the specified Treasury bill and Treasury bond limit permitted for eligible investors to invest in Treasury bills and Treasury bonds. PDD shall be informed by fax/e-mail once the deal is confirmed.

2.4 Participating agents shall be responsible for creating investor accounts promptly for their investors in the CDS and the transactions should be recorded according to the LankaSettle System Rules.

3. Fund Transfers

When an eligible investor buys Treasury bills and Treasury bonds from the primary market the relevant PD should remit the proceeds of the Treasury bills and Treasury bonds to CBSL’s Real Time Gross Settlement System (RTGS) Account. These proceeds should be remitted from the SIA of the eligible investors. When an eligible investor purchases/sells Treasury bills and Treasury bonds in the secondary market, the investor/participating agent shall arrange with the Licensed Commercial Bank (LCB) who maintains the SIA to transfer respective Rupee amounts to the relevant party on behalf of the investor.

4. Payment of Coupons and Maturity Proceeds

4.1 Maturity proceeds on Treasury bills and Treasury bonds and coupons on Treasury bonds, shall be payable in Rupees by CBSL on behalf of the Government of Sri Lanka through RTGS to the respective participating agents on respective maturity dates and coupon payment dates. Such participating agents are responsible to transfer the respective payments to SIA of the eligible investors with value of proceeds on the same day.

4.2 If the maturity date or the coupon payment date falls on a day which is not a business day for the banks in Sri Lanka, the payment of maturity proceeds shall be made on the business day prior to the due date in respect of a Treasury bill and the maturity proceeds and/or coupon payment shall be made on the business day after the due date in respect of a Treasury bond.

5. Repatriation

All proceeds received by sale or maturing of Treasury bills and Treasury bonds and coupon payments on Treasury bonds shall be fully repatriable.

6. Joint Holdings

Treasury bills and Treasury bonds may be held jointly by eligible investors. Payment of maturity proceeds and coupons shall be credited to SIA/SIAs of joint holders, based on the agreement between custodian bank and joint holders.

7. Tax Treatment

Eligible investors who invest in Treasury bills and Treasury bonds pay no further tax on the earnings on such Treasury bills and Treasury bonds apart from the 10% withholding tax imposed at the primary issue of such Treasury bills and Treasury bonds.

8. Other

Eligible investors are permitted to enter into derivative transactions to minimize exchange or other risks. PDD and Exchange Control Department (ECD) of CBSL shall monitor and supervise the transactions relating to these Treasury bills and Treasury bonds.
Further instructions in this regard will be issued by the Controller of Exchange or the Superintendent of Public Debt as the case may be from time to time.

In the absence of any specific guideline for any aspect of its operation, participating agents i.e., LCBs, Primary Dealers (PDs) shall comply with the currently applicable operating guidelines, procedures, system rules, regulatory provisions and directions issued by CBSL in the conduct of transactions in Treasury bills and Treasury bonds, issued to local investors. If there are no such applicable rules etc., participating agents are requested to seek clarification regarding the same from the undersigned.

N W G R D Nanayakkara
Superintendent of Public Debt
Central Bank of Sri Lanka

Ref : 08/24/008/0019/001

DIRECTION ON ASSESSMENT OF FITNESS AND PROPRIETY OF DIRECTORS AND OFFICERS PERFORMING EXECUTIVE FUNCTIONS OF PRIMARY DEALER COMPANIES

This direction is issued under Regulation 11(1)(p) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 and Regulation 11(1)(p) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937, respectively, and will be effective from 01.06.2013.

Colombo
28 May 2013

N W G R D Nanayakkara
Superintendent of Public Debt
Central Bank of Sri Lanka

1. Fitness and Propriety (honesty, integrity and reputation, competence, capability, and financial soundness) of directors and officers performing executive functions of Primary Dealer Companies is an essential requirement to ensure good governance and risk management on the conduct of business of Primary Dealer Companies which promote safety, soundness and stability of the Primary Dealer industry.

2. Hence, no person shall be appointed as a director of a Primary Dealer Company or an officer performing executive functions (hereinafter referred as “officer”) in such company unless that person is a fit and proper person to hold office as a director or an officer in terms of the provisions of this Direction. Non-compliance with any one of the criteria as set out herein shall disqualify a person to be appointed, elected or nominated as a director or an officer and/or to continue as a director or an officer.

3. Criteria for assessment of fitness and propriety of directors and officers

3.1 In assessing the fitness and propriety of a person, the following matters shall be considered by the Superintendent of Public Debt:

(a) that such person possesses academic or professional qualifications or effective experience in banking, finance, business or administration or of any other relevant discipline;

(b) that the age of a person who serves as a director of a Primary Dealer Company shall not exceed 70 years;

(c) that a director of a Primary Dealer Company shall not hold office as a director or any other equivalent position in more than 20 companies/entities/institutions, inclusive of related companies of the Primary Dealer Company, subject to Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 and Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009;

(d) that such person is not found by any court of law, regulatory or supervisory authority, professional association, Commission of Inquiry, tribunal or other body established by law in Sri Lanka or abroad, to the effect that such person has committed or has been connected with the commission of, any act which involves fraud, deceit, dishonesty, improper conduct or non-compliances with provisions of any statute or rules, regulations, directions or determinations issued thereunder;

(e) that such person has not been convicted by any Court in Sri Lanka or abroad in respect of an offence involving criminal activity;

(f) that such person has not been declared insolvent or declared bankrupt in Sri Lanka or abroad;

(g) that such person has not failed to satisfy any judgment or order of any Court whether in Sri Lanka or abroad, or to repay a debt;

(h) that such person has not been declared by a Court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind;

(i) that such person has not been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer or an employee in any licensed bank, finance company, Primary Dealer Company, financial institution or a corporate body in Sri Lanka or abroad;
(i) that such person has not been a director, chief executive officer or held any other position of authority in any licensed bank, finance company, Primary Dealer Company or financial institution;

(ii) whose license or business has been cancelled or suspended on grounds of regulatory concerns; or

(ii) which has been wound up or is being wound up, or which is being compulsorily liquidated; whether in Sri Lanka or abroad.

3.2 In addition, criteria set out in Regulations 3(c), 5(c) and 5(d) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 and the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 shall also be applicable, of which details are as follows:

Regulation 3(c): The Central Bank may conduct such inquiries as it may consider necessary to ascertain the eligibility of the applicant to be appointed as a Primary Dealer, including inquiries as regards the competence, character, integrity and suitability of its directors and principal officers.

Regulation 5(c): The Company shall not have on its Board of Directors, a director or an employee of another Primary Dealer or except for the Chief Executive Officer, an employee of the Company.

Regulation 5(d): The Company shall not have on its Board of Directors any person who is subject to any disqualification applicable to directors of a Licensed Commercial Bank in terms of the Banking Act, No. 30 of 1988.

4. Assessment of fitness and propriety of Directors and Officers performing executive functions

4.1. Each Primary Dealer Company shall submit to the Superintendent of Public Debt;

(a) An affidavit and a declaration as in Annex I and II, respectively, from respective new directors or officers selected for appointment.

(b) A letter from the company in which such new director or officer selected for appointment held office immediately preceding the appointment regarding the level of performance of duties assigned to him/her in the particular institution.

4.2 With respect to existing directors and officers, Primary Dealer Companies shall obtain and submit affidavits and declarations to the Superintendent of Public Debt within thirty days of this Direction.

4.3 In respect of every continuing director/s, the Chief Executive Officer of the Primary Dealer Company shall obtain and submit affidavits and declarations to the Superintendent of Public Debt annually thirty days prior to the Annual General Meeting of the respective Primary Dealer Company if such Directors are nominated for re-appointment.

4.4 In respect of every continuing Chief Executive Officer of a Primary Dealer Company, the Chairman of the Board of Directors of the Primary Dealer Company shall obtain and submit an affidavit and a declaration to the Superintendent of Public Debt annually thirty days prior to the commencement of the calendar year, if such officer is nominated for continuation in the Chief Executive position or nominated for appointment to another position.

4.5 In respect of every continuing officer, the Chief Executive Officer of Primary Dealer Company shall obtain and submit affidavits and declarations to the Superintendent of Public Debt annually thirty days prior to the commencement of the calendar year, if such officers are nominated for continuation in respective positions or nominated for appointment to another position.

5. Approval of the Superintendent of Public Debt

5.1 The Superintendent of Public Debt may, having regard to the matters specified in Paragraph 3 above, approve or refuse to approve the appointment or continuation of any person as the case may be as a director or an officer of a Primary Dealer Company.

5.2 The Superintendent of Public Debt shall notify the Primary Dealer Company of such approval or refusal within thirty days from the receipt of duly completed documents referred to in 4 above giving reasons therefore and it shall be the duty of the Chairman of the Board of Directors or the Chief Executive Officer of Primary Dealer Company to communicate such notification to the director or the chief executive officer or the officer concerned, as the case may be, and implement same.

6. Determination by the Superintendent of Public Debt at any time

6.1 Where the Superintendent of Public Debt, having regard to the matters specified in Paragraph 3 above, is satisfied at any time that a person appointed or continued is not fit and proper as a director or an officer for continuation, may determine that the person is not fit and proper to be a director or an officer of a Primary Dealer Company and Paragraph 5.2 above shall be applicable thereafter.

7. Subsequent ineligibility to be notified

7.1 Every Chairman of the Board of Directors or the Chief Executive Officer of Primary Dealer Company, as the case may be, shall notify the Superintendent of Public Debt of any reasonable suspicions or findings to the effect that any director or an officer is not a fit and proper person to hold office in the respective Primary Dealer Company within fourteen days of it being aware of such suspicion or findings.
7.2 If circumstances vary, change, render invalid, make inapplicable or falsify the information contained in an affidavit or declaration submitted by a director or an officer, such person shall, within fourteen days, notify the Superintendent of Public Debt.

8. Appeal to the Monetary Board

8.1 A person aggrieved by the refusal or determination of the Superintendent of Public Debt under Paragraph 5.1 or 6.1 above may within fourteen days of receipt of the communication sent by the Chairman of the Board of Directors or the Chief Executive Officer of the Primary Dealer Company, as the case may be, make an appeal giving reasons in writing in justifiable manner to the Monetary Board.

8.2 The Monetary Board may, after considering reasons given by the Superintendent of Public Debt and the objections of the aggrieved party, decide either to confirm or overrule the refusal made by the Superintendent of Public Debt.

9. In this Direction, unless the context otherwise requires:-

9.1 “Primary Dealer Company” includes Primary Dealer Companies which are appointed in terms of the Local Treasury Bills Ordinance No. 8 of 1923 and Registered Stock and Securities Ordinance No. 7 of 1937 that, maintain capital base over and above Rs. 300 million under the existing Directions issued by the Superintendent of Public Debt, and excludes Licensed Commercial Banks which are appointed as Primary Dealers.

9.2 “Officers performing executive functions” in a Primary Dealer Company include:

(a) Chief Executive Officer/General Manager
(b) Chief Risk Officer
(c) Chief Accountant
(d) Chief Internal Auditor
(e) Compliance Officer
(f) Head of Information Technology
(g) Company Secretary
(h) Head of Front Office
(i) Head of Middle Office
(j) Head of Back Office
(k) Any other officer holding office as “key management personnel”

Annex I

Name of Primary Dealer Company: .................................................................

Affidavit to be Submitted by Directors and Officers Performing Executive Functions in Primary Dealer Companies

I, .......................................................................................................................................................... (fullname) holder of National Identity Card No. / Passport No........................................................................................................................................ of ........................................... (address) being a [Buddhist / Hindu / Christian / Catholic / Muslim make oath and state] as follows:

1. I am the [affirmant / deponent] above named and I am............................................................. (designation) of ......................................................................................... (name of the Primary Dealer Company).

2. I [affirm/state] that I possess the following academic and / or professional qualification’s:

..............................................................................................................................................................

3. I [affirm/state] that the effective experience that I possess in banking, finance, business or administration or of any other relevant discipline is as follows:

..............................................................................................................................................................

4. I [affirm / state] that I am not subjected to any disqualification given under Paragraph 3 of the Direction on the fitness and propriety of Directors and Officers performing executive functions in Primary Dealer Companies and to any disqualification referred to in Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 and Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009.

The averments contained herein were read over to the [affirmant / deponent] who having understood the contents hereof and having accepted same as true, affirmed / swore to and placed his /her signature at ......................... on this............................. day of............................

Affix Stamps as applicable

Before me

JUSTICE OF THE PEACE/COMMISSIONER FOR OATHS
Annex II

Name of Primary Dealer Company: .................................................................

**Declaration to be submitted by Directors and Officers performing executive functions**
(with enclosures as appropriate as of ..............................................)

1. **Personal Details**
   1.1 Full Name: ............................................................................................................
   1.2 Date of birth: ...........................................................................................................
   1.3 National Identity Card Number: .............................................................................
   1.4 Passport Number: .................................................................................................
   1.5 Permanent address: ............................................................................................... 
   1.6 Present address: ......................................................................................................

2. **Appointment to the Primary Dealer Company**
   2.1 Date of appointment to the board / present position:
      (Please attach a certified copy of draft appointment letter in the case of an officer performing executive functions):
   2.2 Designation: ..........................................................................................................
   2.3 Local or expatriate: ..............................................................................................
   2.4 Annual remuneration (with details): ........................................................................
   2.5 Annual value of benefits derived by director or officer performing executive functions and/or his/her family from company assets.
      (Example by use of company land, building, vehicles, etc).
      2.5.1 Expenses borne by the company on account of the maintenance of assets referred to in 2.5 or for reimbursement of any expenses (credit card bills, utility bills etc.)
   2.6 Purchased value and book value of such assets and the location of immovable assets.

3. **Personal Details of Relatives**
   3.1 Full name of spouse: .............................................................................................
   3.2 National Identity Card Number: .............................................................................
   3.3 Passport Number: .................................................................................................
   3.4 Details of dependent children
      Full Name NIC No. Passport No.
      3.4.1 ....................................................................................................................
      3.4.2 ....................................................................................................................

4. **Background and Experience**
   Name/s of licensed bank/s or registered finance company/ies or any other company/ies, in which he/she is or has been a director or has been employed as an officer performing executive functions:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Period of office</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. **Shareholdings in Primary Dealer Companies and their Related Companies**
   1. Share ownerships in Primary Dealer Companies and their related companies, if any, subject to Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 and Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, presently held:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>No of shares</th>
<th>Percentage holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. **Business Transactions**
   Any business transaction the director or officer performing executive functions presently has with the Primary Dealer Company or its related companies, if any.
### Part III

#### Central Bank of Sri Lanka Annual Report - 2013

#### Major Administrative Measures Adopted by the Monetary Board in 2013

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Date of transaction</th>
<th>Amount as at .................. (Rs Mn)</th>
<th>Classification (performing/nonperforming)</th>
<th>Type and value of encumbered securities (Rs Mn)</th>
<th>% of the Primary Dealer company’s Capital Funds</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Limit</td>
<td>Out-standing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Outright transactions with the Primary Dealer Company**

**Reverse Repurchase facilities obtained from the Primary Dealer Company**

**Repurchase Transactions made with the Primary Dealer Company**

1/ “Business transaction” includes outright, repurchase or reverse repurchase transactions

#### 7. Appointments, Shareholdings and Business Transactions of Relatives

7.1 Any relative presently employed as a director or an officer performing executive functions in any Primary Dealer Company.

<table>
<thead>
<tr>
<th>Name of the Primary Dealer Company</th>
<th>Full Name of the relative</th>
<th>Position held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7.2 Direct or indirect share ownership in the Primary Dealer Company, if any, presently held by any relative.

<table>
<thead>
<tr>
<th>Full name of the relative</th>
<th>No. of Shares</th>
<th>Percentage holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
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<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

7.3 Any business transaction, a relative currently has with the Primary Dealer Company, if any.

<table>
<thead>
<tr>
<th>Full name of the relative</th>
<th>Nature of the business transaction</th>
<th>Date of transaction</th>
<th>Limit as at .................. (Rs Mn)</th>
<th>Outstanding As at ............ (Rs Mn)</th>
<th>Type and value of encumbered securities (Rs Mn)</th>
<th>% of Primary Dealer Company’s paid-up capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

#### 8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director or officer performing executive functions in the Primary Dealer Company.

**DECLARATION:**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the Primary Dealer Company and the Superintendent of Public Debt Department of the Central Bank of Sri Lanka duly informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by any Statute from being appointed to the above post.

Date: ____________________________

Signature of Director or Officer Performing Executive Functions in the Primary Dealer Company

**To be Completed by the Chief Executive Officer with Reference to Officers Performing Executive Functions**

Additional explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing executive functions in the Primary Dealer Company.

Date: ____________________________

Signature of the Chief Executive Officer and the official stamp

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Central Bank of Sri Lanka Annual Report - 2013  Part III - 83
To be Completed by the Chairman of the Board of Directors with Reference to the Chief Executive Officer

Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing the function of the chief executive officer.

Date: .................................................................

Signature of the Chairman of the Board of Directors

Ref: 08/24/008/0021/001

To: Chief Executive Officers of Primary Dealer Institutions

APPOINTMENT OF PRIMARY DEALERS AS CORPORATE DEBT DEALERS

1. The Central Bank had decided to permit Primary Dealers (PDs) to:
   a) invest up to a limit of 5 per cent of the total investments in quoted shares, quoted debentures or bonds and quoted commercial papers; and
   b) act as brokers in quoted corporate bonds or debentures.
2. Accordingly, Primary Dealers can now apply for the necessary approvals of the Securities and Exchange Commission of Sri Lanka (SEC) for engage in corporate debt market activities.
3. Primary Dealers which engage in corporate debt activities are required to maintain separate records on such operations and submit a monthly return to the Public Debt Department in the Format given in Annex I.

N W G R D Nanayakkara
Superintendent of Public Debt

Annex I

<table>
<thead>
<tr>
<th>Statement on Investments in listed shares and debt instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book Value</td>
</tr>
<tr>
<td>Rs. Mn</td>
</tr>
<tr>
<td>1 Value of the total Investments (total portfolio) as at the Reporting Date</td>
</tr>
<tr>
<td>2 Quoted Investments</td>
</tr>
<tr>
<td>Quoted Shares</td>
</tr>
<tr>
<td>Quoted Debentures</td>
</tr>
<tr>
<td>Quoted Bonds</td>
</tr>
<tr>
<td>Quoted Commercial Papers</td>
</tr>
<tr>
<td>Other Instruments</td>
</tr>
<tr>
<td>3 Value of total quoted investments as a percentage of the value of the total investments (total portfolio) (%)</td>
</tr>
</tbody>
</table>

Ref : 08/24/008/0022/001

DIRECTION OF THE MONETARY BOARD ON FUNDS REMAINING UNCLAIMED IN THE CUSTOMER ACCOUNTS MAINTAINED BY THE DEALER DIRECT PARTICIPANTS

This Direction is issued under Section 10 (6) and Section 10 (7) of the Local Treasury Bills Ordinance No. 8 of 1923 and Section 21(E) (6) and Section 21(E) (7) of the Registered Stock and Securities Ordinance No. 7 of 1937 and will be effective from 2nd September 2013.

Colombo
02 September 2013

N W G R D Nanayakkara
Superintendent of Public Debt

1. In terms of Section 10 (6) of the Local Treasury Bills Ordinance No. 8 of 1923 and Section 21 E (6) of the Registered Stock and Securities Ordinance No. 7 of 1937, upon receipt by a dealer direct participant of any amount by way of payment from the Central Bank in respect of Scripless Treasury Bills or Scripless Treasury Bonds held in a customer account, the dealer direct participant shall pay such amount to the customer or to any other party entitled to such payment by law or in terms of a written agreement to which the dealer direct participant and the customer are party.
2. In terms of Section 10 (7) of the Local Treasury Bills Ordinance No. 8 of 1923 and Section 21E (7) of the Registered Stock and Securities Ordinance No. 7 of 1937, if a dealer direct participant is unable for any reason to effect payment to a customer or
to a party entitled to payment as aforesaid within the time specified in directions issued by the Central Bank, the dealer direct participant shall within such period as may be specified in such directions, transfer the sum remaining unpaid to a prescribed account of the Central Bank and shall provide the Central Bank with such information as may be required by the Central Bank with regard to the payment and the customer or other party, as the case may be.

3. Accordingly, if the Dealer Direct Participants (DDPs) are unable to effect payment of any amount received by way of payment from the Central Bank in respect of Scripless Treasury Bills or Scripless Treasury Bonds within 90 days of such receipt to a customer or to any other party entitled to such payment by law or in terms of a written agreement to which the DDP and the customer are party, the DDP within a period of 7 days after the lapse of the 90-day period referred to above shall transfer such unpaid sum to the following account held at the Domestic Operations Department of the Central Bank of Sri Lanka, and notify it in writing to the Superintendent of Public Debt in the format given in Annex -1.

Account Number: 4682
Name of the Account: Government Securities Unclaimed Account

4. Any claim made by the customer after transferring the funds in accordance with direction 3 above shall be directed to the Superintendent of Public Debt by DDP after satisfying itself about the identity of the customer and the lawfulness and validity of the claim.

5. The Superintendent of Public Debt after receiving the claim in accordance with direction 4 above shall pay to the respective DDP the amount so claimed.

6. DDPs shall maintain documents necessary to substantiate the information submitted in the report mentioned in (3) above for a period of at least ten years from the date of submission.

Annex I

Details of unclaimed/undisbursed funds transferred to the Central Bank of Sri Lanka

<table>
<thead>
<tr>
<th>Amount (Rs.)</th>
<th>Date of Transfer</th>
<th>Customer’s last name with other names in full</th>
<th>Customer’s Identification (NIC, Passport No., Date of Birth etc)</th>
<th>ISIN No. Of Security</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ref : 08/24/008/0020/001

DIRECTION ON CUSTOMER CHARTER FOR PRIMARY DEALERS AND THEIR CUSTOMERS

This Direction is issued under Regulation 11 of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 dated 24.06.2009 and Regulation 11 of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 dated 24.06.2009 made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937, respectively, and will be effective from 07 November 2013.

Colombo 07 November 2013
N W G R D Nanayakkara
Superintendent of Public Debt

1. Customer service has great significance in the Government Securities market. The Primary Dealer system in Sri Lanka today is the largest organized outreach for delivery of debt instruments and is also serving as an important conduit for delivery of financial services. While the coverage of the Primary Dealer system has been expanding day by day, the Central Bank of Sri Lanka is of the view that the quality and content of dispensing of customer service is required to be further improved to ensure meeting the demands and expectations of the investors in Government Securities. Therefore, it has become a necessity to put in place a formal Customer Charter to govern the relationship between Primary Dealers and their customers.

2. The Primary Dealers are hereby directed to adhere to the Customer Charter given in the Annex 1(a), (b) and (c) to this Direction.

3. Primary Dealers are required to publish the Sinhala, Tamil and English versions of the Customer Charter prominently in their websites, and make copies available for customers on request in their preferred language and educate the customers if and when necessary.

A detailed document is available at www.cbsl.gov.lk

Ref : 08/24/003/0014/001

DIRECTION ON SHORT SELLING OF TREASURY BILLS AND TREASURY BONDS BY PRIMARY DEALERS

This Direction is issued under Regulation 11 of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 dated 24.06.2009 and Regulation 11 of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 dated
24.06.2009 made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937, respectively, and will be effective from 26.12.2013.

Colombo
26 December 2013

N W G R D Nanayakkara
Superintendent of Public Debt

1. Short selling is an essential feature for the smooth and efficient market making in government securities as it provides operational flexibility for efficient price discovery while enhancing the market liquidity by enhancing the secondary market activities. Central Bank of Sri Lanka (CBSL) is of the view that allowing short selling of Treasury bills and Treasury bonds in the secondary market would encourage active participation of Primary Dealers at primary auctions.

2. In view of the above, Primary Dealers are allowed to engage in Short Selling in Treasury bills and Treasury bonds under the following terms and conditions;

(a) Only the Primary Dealers who have successful bids in Treasury bills or Treasury bonds primary auctions conducted and confirmed by CBSL, can engage in short selling;
(b) Short selling can only be carried out during the period starting from the announcement of successful bids at the primary auctions in Treasury bills or Treasury bonds by CBSL, to the end date of settlement of such successful bids;
(c) ISIN wise total of Treasury bills or Treasury bonds short sales at any given point in time during the time period mentioned in 2.(b) above shall be `equal to’ or `less than’ the amount of successful bids for Treasury bills or Treasury bonds accepted and duly confirmed by CBSL at the respective Treasury bill or Treasury bond auction;
(d) Delivery of Treasury bills or Treasury bonds relating to the short selling of securities by the Primary Dealer referred to in 2.(a) above, shall only be made from the securities credited by CBSL to the Primary Dealer’s account at the LankaSecure Scripless Securities Depository System;
(e) Primary Dealers shall record all short sales in the LankaSecure on the trade date;
(f) Primary Dealers shall not net the short sale amounts for the purpose of arriving at the risk weighted assets for the calculation of Risk Weighted Capital Adequacy Ratio;
(g) Primary Dealers shall introduce suitable internal controls to ensure strict compliance with the above mentioned prudential requirements;
(h) Short sale positions of Treasury bills and Treasury bonds shall be reported weekly to the Public Debt Department of CBSL in the Format given in Annex 1.

3. Direction on Short Selling of Securities dated 6 January 2004 issued by the Superintendent of Public Debt is hereby rescinded.

Annex I

Weekly Report on Short Sale Position

<table>
<thead>
<tr>
<th>ISIN</th>
<th>Amount confirmed by CBSL as successful bids at Primary Auctions Face Value (Rs)</th>
<th>Trade date</th>
<th>Settlement date</th>
<th>Face Value (Rs)</th>
<th>Book Value (Rs)</th>
</tr>
</thead>
</table>

Operating Instructions No : RDD/PR/2010/03 (A-02)

Regional Development Department
Central Bank of Sri Lanka
21 January 2013

To : All PFIs

Dear Sir /Madam,

THE PROSPERITY LOAN SCHEME (SAUBHAGYA) – AMENDMENTS TO THE MAXIMUM LOAN SIZE AND ELIGIBLE SUB-PROJECTS

This is to inform you that the following Sections / sub sections of the Operating Instructions dated 22 March 2010 and amendments to it dated 01 April 2011 (RDD/PR/2010/03 (Amendment)) and Instructions given under the minutes of the meeting dated 17.01.2013 of the Prosperity Loan Scheme (Saubhagya) are amended as stated below and effective from 21 January 2013.

Section 3
3.2 Loan Limits

Loans granted to Small and Medium Scale Enterprises (SMEs), for exceptional cases, are eligible to receive refinance from CBSL up to a maximum of Rs. 25 million per sub project. The Branch Manager who recommends sub loan amount over Rs. 500,000/- for a sub project should forward a project appraisal along with the application for registration.
Section 4
4. Eligible Projects

The sub-projects coming under the following categories are eligible for consideration for refinance under this Loan Scheme.
(a) Micro, small and medium scale enterprises (MSMEs)
(b) MSMEs affected by any disaster
(c) Any other income generating activity including agricultural and livestock projects.

Yours faithfully,
M J S Abeysinghe
Director of Regional Development

Operating Instructions No: RDD/CSDDLS/2013/01

To : General Manager/CEO
Bank of Ceylon
People’s Bank
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Pradeshiya Sanwardhana Bank.
Sanasa Development Bank Ltd
National Development Bank PLC
DFCC Bank
Lankaputra Development Bank Ltd

COMMERCIAL SCALE DAIRY DEVELOPMENT LOAN SCHEME (CSDDLS)

1.1 Introduction

Sri Lanka aims at reaching milk self sufficiency in the near future. This is a challenging task taken into consideration the current milk production in the country. Translating into numbers milk self sufficiency requires tripling the current production level of around 253 million litres. At current domestic production levels two thirds of domestic consumption of milk and milk products are imported at an average annual cost of USD 251 million which accounts for 1.8 per cent of the total import expenditure. The reaching of milk self sufficiency therefore will save the much needed foreign exchange and also will help achieving price stability, one of the key objectives of the Central Bank of Sri Lanka (CBSL). Further, it has the potential to provide extensive and gender balanced employment.

The saving of foreign exchange and provision of employment will have a considerable positive impact on the price and economic stability of the country. Moreover, the nature of the dairy industry has the potential to support balanced economic growth as many of the provinces whose relative contribution to GDP is low can provide ample space for the dairy industry.

Many factors associated with the milk, milk products and dairy industry such as international prices, the amount of foreign exchange required for imports, employment in terms of its levels and gender balance, existing capacity levels for expansion and nutrition are directly affecting the price and economic stability objectives and balanced growth objectives of CBSL. Therefore, certain level of intervention by the CBSL to provide an impetus to develop dairy industry in the country will help address many issues which are directly linked to the key objectives of the country notably the saving foreign exchange and providing employment contributing to price and economic stability objective of the CBSL.

As a means of achieving such objectives CBSL introduce this credit scheme for commercial scale dairy industry. This scheme is implemented by the Regional Development Department (RDD) of the CBSL with the support of the Participating Financial Institutions (PFIs). This scheme is named as the Commercial Scale Dairy Development Loan Scheme (CSDDLS).

The scheme facilitates the medium to large scale dairy developers to obtain credit facilities for commercialized dairy activities at a concessionary rate of interest of 8 percent per annum for the final borrowers where as an interest subsidy will be paid at 6 per cent per annum biannually to PFIs on account of loans granted under this scheme.

1.2 Objectives of the CSDDLS

i. Increasing the milk production by around 75 million liters per annum.
ii. Establishing at least 1,000 mega farms with minimum of 25 cows per farm.
iii. Encouraging medium scale entrepreneurs to engage in commercial scale dairy farming activities covering activities of dairy farming to dairy processing.
iv. Encouraging Plantation Companies to engage in dairy development activities to improve the underutilized land resources.
v. Encouraging commercialization of activities of the milk supply chain particularly dairy farming, dairy cooperatives, processors and domestic dairy product marketers.

1.3 Eligibility Criteria for Applicants
The dairy farmer who fulfilling following requirements are eligible to obtain loans under this scheme;

1.3.1 The borrower shall be a citizen of Sri Lanka.
1.3.2 Be an individual or group of individuals or a registered company in Sri Lanka.
1.3.3 Regional Plantation Companies.
1.3.4 Should have a business plan acceptable to the PFI.
1.3.5 Should be able to provide the business plan, project appraisal report and other documents requested by the PFI.
1.3.6 Should be able to manage the dairy project/dairy related project to maintain the project profitably.
1.3.7 Be able to provide the collateral required by the PFI.
1.3.8 Should have a satisfactory repayment capacity.

1.4 Eligible Purposes for Financing
Following categories are eligible for obtaining loans from PFIs.

i. Purchase of Cows.
ii. Establishment of cattle sheds, buildings, irrigation system (sprinkler, pipeline), well or agro-well.
iii. Fodder cultivation.
iv. Establishment of new farms.
v. Farm development.
vi. Construction of bio gas units.
vii. Expansion of existing farm.
viii. Production of dairy based products / Milk processing.
ix. Purchase of machinery and equipment such as tractor, water pump, refrigerator, cream separator, milking machine and grass chopper.
x. Transport and storage to preserve milk and milk based products.
xii. Any other innovative activity directly related to dairy development or promoting the culture of drinking liquid milk.
xii. Any other innovative methods recommended by Veterinary Surgeon/ livestock officer for improvement of production and quality of products.

2. Participating Financial Institutions (PFIs)

i. Bank of Ceylon.
ii. People’s Bank.
iii. Commercial Bank of Ceylon PLC.
iv. Hatton National Bank PLC.
v. Sampath Bank PLC.
vi. Seylan Bank PLC.
viii. Sanasa Development Bank Ltd.
ix. National Development Bank PLC.
x. DFCC Bank.
xi. Lankaputra Development Bank Ltd.

3. Overall Management of the Credit Scheme
Regional Development Department of CBSL will be responsible for the management and implementation of the credit scheme.

4. Area of Operation
All Island.

5. Minimum Activity:
A dairy farm with at least 25 cows.

6. Loan Volume
6.1 Maximum Loan limit is Rs. 25 million.
6.2 Equity contribution of the borrower.
The Borrowers’ equity contribution will be 15 percent of the total project cost in cash or in kind.
7. Interest Rate

7.1 The CBSL will provide the PFI an interest subsidy on the outstanding loan amount disbursed by the PFI at the rate of 6 per cent per annum biannually.

7.2 Interest Rate to the borrower: Interest rates on loans to borrowers will be 8 per cent per annum.

7.3 Date of Commencement: the scheme will be commenced on the date of this Operating Instructions No. RDD/CSDDLS/2013/01 dated 10th May 2013.

8. Period of Loan Repayments

Maximum time period for loan repayments will be 5 years inclusive of grace period of 06 months, if required.

9. Grace Period and Rescheduling

Grace period, if required, should be determined by the PFI after consulting the borrower on the nature of the project. However, the loan repayment period should not exceed 5 years. If any requirement arises to reschedule the loan for a period exceeding 5 years, prior approval has to be obtained from CBSL.

10. Security Requirements

PFIs are free to obtain suitable collateral to minimize the risk involved in disbursement of loans as determined by the PFIs. In the case of dairy farm the cows may be considered as security and it is a responsibility of the borrower to insure the cows if the loan is granted for purchasing of cows.

11. Role of the PFIs

The PFIs are requested to promote the scheme among the prospective borrowers and identify suitable entrepreneurs with viable projects to finance. The expected role of the PFIs in the implementation of the scheme is twofold as given below.

11.1 Role of the Head Offices of PFIs.

Each PFI should;

i. Nominate a senior official within the Head Office to co-ordinate and supervise loan operations with the branch offices and with the RDD of CBSL.

ii. Designate an appropriate number of branches in the operational districts of the scheme for the provision of loans and make such branch staff aware on the implementation of the scheme.

iii. Prepare detailed guidelines for Branch Managers on identification of borrowers, loan processing, delivery of credit, supervision and follow up and recovery of loans within the stipulated period.

iv. Set up annual performance credit targets of the scheme for districts and branch levels and review the progress of delivery quarterly.

v. Ensure that designated branches are adequately staffed with sufficient number of field officers for evaluation and supervision of such projects and recovery of loans.

vi. Conduct regular spot inspections of projects financed by its branches to review the physical progress and to ensure that the purpose of the project is served and prepare inspection reports for submission to RDD of CBSL.

vii. Ensure that the designated branches submit regular reports on the implementation of the progress and recovery performance to the CBSL, through the Head Office. The PFI Head Office should consolidate such data and submit to the RDD of CBSL, on quarterly basis.

viii. Promote the credit scheme through meetings or discussions, or any other suitable ways with the prospective borrowers.

12. Functions of PFI branches

12.1 Inspection of Projects

The branch manager of the relevant branch should carry out an inspection of the project after receipt of an application for a loan and should be satisfied with the following criteria in respect of the project:

i. Financial viability.

ii. Technical feasibility.

iii. Market feasibility for the products.

iv. Environmental harmony.

v. Management capacity of the borrower.

12.2 Appraisal of Projects by PFI Branches

The borrower should submit a project proposal report to PFI branch manager. The branch shall examine the project site and need to appraise the proposal to ensure the viability of the proposed project. The appraisal report should be submitted to RDD of CBSL.
12.3 Registration of Borrowers

12.3.1 The PFI branch manager shall prepare a complete loan registration application form as described in Annex I. The PFI branch manager should obtain a project proposal/appraisal report from the prospective borrower (Sample for a dairy farm is in Annex III). If the manager is satisfied with the viability of the project proposal, the completed Loan registration application form as described in Annex I should be submitted to Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01 through the respective Head Office of PFI for registration. A copy of the detailed appraisal report submitted by the borrower should be sent to Director, RDD of CBSL for clearance.

12.3.2 RDD of CBSL will issue a letter containing inquiry number and the view of the Director, RDD of CBSL.

12.3.3 After the registration of the borrower, PFI is allowed to process the loan and grant the facility to the borrower. The PFI is required to forward the interest subsidy application (Annex IIa & IIb) to RDD of CBSL within 30 days from granting of the loan. If the PFI needs to grant the loan to same beneficiary whose registration is cancelled, fresh registration application should be forwarded to CBSL for new registration.

12.3.4 PFI branch manager should insist the borrower to maintain proper books and accounts in order to evaluate the project and facilitate the borrower to understand the profitability of the project at any given time.

12.4 Release of Loan

12.4.1 Release of loan installments will be in stages in accordance with the requirement of the project steps as prescribed in the appraisal report.

12.4.2 In the case of purchasing plant and machinery and equipment, it is required by the branch manager to take every possible effort to make the payment to the supplier directly.

12.4.3 Manager of the PFI branch should continue to carry out field inspections of the projects after the release of each installment of the loan and maintain records on such visits.

12.5 Monitoring of Projects

12.5.1 The Branch Managers should carry out inspections of the projects in regular intervals after the disbursement of the loans. PFIs are requested to supervise the projects and recover the loans within the stipulated period.

12.5.2 The Branch Manager should be aware that the CBSL shall, in so far as may be necessary for the purpose of this scheme, have the right to inspect the books of accounts and other records of the PFI pertaining to any loan granted under this scheme and also to carry out field inspections when necessary.

12.6 Accounts and Financial Statements

12.6.1 Each PFI should maintain appropriate accounts and records to indicate inter-alia, loan appraisals, approvals, disbursements and recoveries.

12.6.2 PFIs are required to maintain separate accounts for the utilization of loan proceeds.

12.7 Responsibility of the PFI

12.7.1 The PFI is responsible for identification of borrowers and evaluation of the projects.

12.7.2 The PFI branch officers should visit the project site to appraise the viability of the project before releasing the installments of the loan.

12.7.3 The final decision of all cases of loan sanction rests with the respective authorities of the PFI. The branch should maintain close and constant contact with borrower.

13. Compliance with the Rules of Environment Conservation

It is a responsibility of the borrower to obtain an environmental feasibility report from the relevant authority when necessary. In such an event, the environmental feasibility report relevant to the project should be affixed to the loan application.

14. Role of the RDD, CBSL

The RDD CBSL will establish a system for:

14.1 Continuous monitoring of the progress of loan processing and providing necessary assistance / instructions for PFIs in implementation and supervision of credit scheme.
14.2 Organizing training programmes to educate the staff of branches designated by the PFI.
14.3 Evaluating proposals submitted by PFIs and express the view of the RDD.
14.4 Registration and release of interest subsidy.

15. Recovery of Loan

15.1 Grace Period
Borrowers are required to pay interest of the loan during the grace period if there is a grace period. After the grace period is over, the Branch Manager should take actions to recover the loan installment with the interest capitalized if the case may be, in accordance with the repayment programme originally set out in the Appraisal Report and in the Loan Contract.

15.2 Reporting of Progress:
The CBSL expects the PFIs to be active in recovering of loans granted under the project.
15.2.1 The Head Office of PFIs should report their progress on project activities according to the prescribed form attached as Annex IV on a quarterly basis.

15.3 Post Credit Supervision and Follow up Actions
The PFI branch should undertake periodic inspections in respect of the projects financed by the branch where the PFI branch is not satisfied with the work carried out and/or finds that the loans have not been used for the purpose prescribed in the appraisal projects, the PFI branch shall take immediate action to:
15.3.1 suspend the release of the rest of the installments of loan.
15.3.2 take immediate recovery action on the outstanding amount of the loans and
15.3.3 report to the RDD, CBSL.

16. Loan Disbursement, Interest Subsidy Payment and Reporting of Information

16.1 After the prior inspection for a loan application, if the Branch Manager is satisfied, he/she should forward Annex I to the CBSL through the Head Office for registration either by e-mail or by post.
16.2 RDD will register the loan applications received from PFIs and inform the registration number to the respective branches through their Head Offices.
16.3 Loans will be disbursed after the receipt of registration number. Loan disbursement should be reported to the CBSL. A comprehensive data base will be maintained by the CBSL in this regard. This information is essential for analyzing progress, calculating interest subsidy repayments etc.
16.4 Every PFI should inform the details of loan disbursements within one month after the registration of every loan application, and, if failed to do so, the details stored under that registration number will be automatically deleted in the system assuming that no loan has been granted under that registration number.
16.5 Applications for interest subsidy should be submitted through the Head Office of the PFI to RDD, CBSL. PFIs are required to use the formats as described in Annex Ila and Annex IIb to claim interest subsidy.
16.6 The Head Office of PFIs should summarize the branch-wise information and forward to RDD along with the interest subsidy applications.
16.7 RDD will calculate and release interest subsidy biannually.
16.8 Officers of the CBSL have direct access to field inspections/visits in the field as and when necessary.

17. Other
17.1 Central Bank reserves the right to revise the terms and conditions in respect of this scheme as and when necessary.

Yours faithfully,
M J S Abeyesinghe
Director of Regional Development
Operating Instructions No. RDD/RF/2013/08

Regional Development Department
Central Bank of Sri Lanka
17 June 2013

To : Bank of Ceylon
People’s Bank
Hatton National Bank
Commercial Bank
Seylan Bank
SANASA Development Bank
Union Bank
Pan Asia Bank
DFCC Bank
National Development Bank
Pradeshiya Sanwardena Bank
Sampath Bank

Dear Sir/Madam,

RESUMPTION OF ECONOMIC ACTIVITIES IN THE EASTERN PROVINCE REVOLVING FUND – PHASE III
(REAEP-RF-PH III)

1. Introduction
The above loan scheme has been introduced by the Central Bank of Sri Lanka (CBSL) for the purpose of resumption of economic activities in perennial crop cultivation, livestock, fisheries, trade, tourism and other self-employment projects in the Eastern Province of Sri Lanka. Credit under the scheme will be provided to eligible sub-borrowers through Participatory Financial Institutions (PFIs) i.e. Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) selected for the implementation of the scheme.

2. Overall Management of the Project
The Regional Development Department (RDD) of the CBSL will be responsible for implementation of the loan scheme.

3. Loan Scheme
3.1 Total fund allocated : Recoveries collected from REAEP-RF-Ph II the loan scheme For Resumption of Economic Activities in the Eastern Province Revolving Fund - Phase II
3.2 Loan : 90 percent of the estimated cost of the project Subject to a maximum limit of Rs.500,000/= 
3.3 Refinance : The CBSL will refinance the loan amount disbursed by PFIs.
3.4 Rate of interest on refinance : 4 percent per annum loans to PFIs
3.5 Rate of interest for sub-loans : 9 percent per annum
3.6 Grace period : Maximum of 6 months commencing from the date of disbursement of the first instalment subject to the nature of the sub-project.
3.7 Repayment period of sub-loans : Maximum of 5 year period including 6 months grace period, depending on the nature of the sub-project.
3.8 Date of implementation : The scheme will be effective from 01st July 2013
3.9 Areas of operation : All districts in the Eastern Province.

4. Eligible Projects
Any legally accepted income generating activity coming under the following sectors are eligible for consideration of finance under this Loan Scheme:
(a) Perennial crop cultivation
(b) Livestock development
(c) Fisheries and related activities
(d) Trade, tourism and other self-employment projects.

5. General Eligibility Conditions for Sub-borrowers
The Eligible Sub- borrower should -
5.1 be a permanent resident living in the Eastern Province;
5.2 be able to provide equity contribution not less than 10 percent of the estimated cost of the project towards starting/restarting the project. The equity can be in the form of cash or kind such as labour and managerial skill etc.;
5.3 be able to satisfy the PFI that the proposed project has a sound cash flow and a good repayment capacity;
5.4 be able to provide collateral if any, as determined by the PFI.

6. Participating Financial Institutions
The following LCBs and LSBs, which are operating their branches in the Eastern Province, have been selected as Participating Financial Institutions (PFIs):
- Bank of Ceylon
- People’s Bank
- Hatton National Bank
- Commercial Bank
- Seylan Bank
- SANASA Development Bank
- Union Bank
- Pan Asia Bank
- DFCC Bank
- National Development Bank
- Pradeshiya Sanwardena Bank
- Sampath Bank

Any new PFI selected for implementation of the Scheme will be notified by the CBSL from time to time.

7. Registration of Sub-borrowers
7.1 The branch manager should prepare a complete registration form in respect of each loan applicant as described in Annex I.
7.2 The original copy of this registration form should be sent to the following address for registration of the loan applicant.
   The Director, Regional Development Department, Level 07, Tower 04, The Central Bank of Sri Lanka, No: 30, Janadhipathi Mawatha, Colombo 01.
7.3 Every registered loan applicant will be allocated a designated Enquiry Number by the Central Bank. The Enquiry Numbers relevant to registered loan applicants will be notified to the Head Office of relevant PFI by the Central Bank.

8. Release of Loan
8.1 Release of sub-loan could be made in stages on the basis of an agreed disbursement schedule and subject to actual progress of the project for which the sub-loan is sanctioned. The manager of the PFI branch is required to carry out an inspection of the sub-project after the release of each installment of sub-loan.
8.2 Sub-loans for financing the purchase of equipment, tools, machinery and raw materials should be released direct to the suppliers.

9. Application for Sub-loans
9.1 Eligible sub-borrowers should apply for sub-loans on application forms designed by respective PFIs.
9.2 Sub-loan application should be submitted to the branch of the PFI closest to the applicant or location of the project.
9.3 The maximum amount of sub-loan shall be 90 percent of total estimated cost of the sub-project as specified in paragraph 3.2.
9.4 The sub loans may be secured with any collateral acceptable to the PFIs.

10. Applications for Refinance
10.1 Applications for refinance should be submitted by the Head Office of the PFI to the RDD of the Central Bank of Sri Lanka. The refinance application should be accompanied by the following documents.
   (i) Application for Refinance (Appendix I)
   (ii) Statement of Loan Disbursements (Appendix II)
   (iii) Demand Promissory Note (Appendix III) (with relevant stamp duty)
   (iv) Delivery Letter (Appendix IV)
   (v) Credit Institution’s Assignment (Appendix V)
   (vi) Disbursement Letter (Appendix VI)
10.2 Applications for refinance of subsequent disbursements of sub-loan installments should also be accompanied by all the above mentioned documents.

11. Disbursement of Refinance
11.1 Subsequent to issuance of Enquiry Number in respect of each loan applicant, as described in paragraph 7.3, the PFIs are allowed to grant loans to the respective applicants and shall forward a refinance application with necessary documents as described in paragraph 10.1 quoting the respective Enquiry Number relevant to each borrower. It is important that all correspondence with RDD relevant to refinance carry the Enquiry Number wherever applicable. Branches of PFIs are advised to use this number on their ledger sheets for the purpose of identification of the sub-loan.
11.2 Upon approval of the refinance application, the RDD will release refinance on first come first served basis and will inform
the particulars of the release of refinance to respective Head Office of the PFI.
(a) Refinance claims should be submitted to RDD within 60 days of the disbursement of Sub-loans.
(b) RDD undertakes to ensure that refinance loan is granted within 30 days of the receipt of the duly completed
refinance application.

12. Post Credit Supervision

12.1 The bank should undertake periodic inspections of the investments financed by the PFI branches to as certain that the
borrowers are engaged in the activities identified under the project.

12.2 In respect of acquisition of assets such as equipment, machinery, tools, raw materials and agricultural inputs for sub-loans, the
field officer of the branch should verify the supply of same to the borrower by the supplier to whom payment was made direct
on behalf of the borrower soon after the loan was released and obtain an acknowledgement from the borrower for the file.

12.3 A letter of guarantee issued by the supplier for due performance of the machinery and implements and equipment
supplied to the borrower should be held by the branch during the warranty periods. The borrower should be required to
bring to the notice of the lending branch the manufacturing defects during the warranty period so that the branch could
take up the matter with the supplier immediately for any corrective action, if necessary.

12.4 The field officer of the branch is required to carry out an inspection after release of every instalment to verify the utilization of the sub-
loan for the intended purpose. A utilization verification report should be submitted by the field officer in respect of each instalment
released. The second and subsequent instalments should be released upon submission of utilization verification reports.

12.5 The field officer of the branch should visit the sub-projects regularly with a view to maintaining close contact with the sub-borrowers
for recovery of sub-loans. These visits are intended to verify the progress of investments and whether the borrowers continue to be in
possession of items financed by the PFI and the investment yields the income as envisaged at the time of application.

13. Recovery Action

13.1 The borrowers, who have the capacity and are willing to pay during the grace period may be permitted to do so.

13.2 In case of slippage in projects or defaults in the service of sub-loans arising from reasons which are clearly justifiable in the
opinion of the PFI, the PFI may grant a reasonable extension period not exceeding 2 years with appropriate adjustments in
the repayment programme with the prior approval of the CBSL. In such cases, the RDD of the CBSL may grant PFIs the same
extension period on the corresponding refinance loan upon receipt of new repayment programme from the PFI.

14. Repayment to the CBSL

14.1 Capital and interest payments on refinance loan will be payable half yearly by the PFIs to the CBSL on 30th June and
31st December of each year commencing from the end of the grace period and as per the interest rates mentioned in
the paragraph 3.4.

14.2 If any interest payable during the grace period is not paid on its due date, such interest may at the option of the PFI
concerned be capitalized until payment there of is made.

15. Role of the PFIs

Each PFI shall designate a full time senior officer as the administrator of the loan scheme at its Head Office who will be responsible
for co-ordinating and supervising the PFIs’ sub-loan operations. The functions allocated to each PFI are as follows:

15.1 Designate the appropriate branches for the grant of sub-loans, in consultation with the CBSL. These branches will be
assigned code numbers by the CBSL to facilitate the administration of the loan scheme.

15.2 Prepare detailed guidelines for branch managers on sub-loan processing and take action to recover sub-loans.

15.3 Maintain a separate ledger by each branch of PFI in respect of loans granted under the scheme.

15.4 Ensure regular spot inspections of the enterprises to review the physical progress of sub-projects before disbursement of instalments.

15.5 Ensure the availability of adequate field officers for the designated branches for supervision of the progress on the
utilisation of the loan and recovery of sub-loans.

15.6 Ensure that the branches implementing the scheme submit regular progress reports in respect of implementation, recovery
of loans, etc. to the Head Office of the PFI.

15.7 Submit progress reports on the loan scheme to the RDD of the CBSL quarterly by the Head Office of the PFI.

16. Role of the CBSL

The CBSL will establish a system for –

16.1 continuous monitoring of the progress of sub-loan processing and provision of necessary assistance to PFIs in
implementing the loan scheme and supervising credit;
16.2 monitoring and evaluation of benefits accruing to sub-borrowers with a view to observing the impact of the loan scheme in relation to its planned objectives and if necessary, adopting measures to improve benefits to be received by sub-borrowers.

16.3 monitoring and evaluating the performance of the PFIs in the project area; and

16.4 organizing training programmes to educate the staff of branches designated by the PFI.

17. Other Matters

17.1 The CBSL has the right to revise the terms and conditions in respect of refinance scheme as and when necessary.

Yours faithfully,

M.J.S. Abeyesinghe

Director of Regional Development

Ref : 24/10/001/0005/001

15 May 2013

Chairmen
All Licensed Finance Companies and Specialized Leasing Companies

Dear Sir/Madam,

ISSUE OF GUIDELINE NO.1 OF 2013
ADOPTION OF SRI LANKA ACCOUNTING STANDARDS (LKAS) 32, 39 AND SRI LANKA FINANCIAL REPORTING STANDARDS (SLFRS) 7 BY LICENSED FINANCE COMPANIES AND SPECIALIZED LEASING COMPANIES

We enclose herewith a copy of the above guideline issued by the Monetary Board of the Central Bank of Sri Lanka with effect from 15.05.2013.

Please take action to submit copies of this guideline to all members of the Board of Directors and all relevant officers performing executive functions and submit to the undersigned an acknowledgement signed by all relevant officers by 28.05.2013.

Further, please ensure that all senior managers, internal/external auditors and compliance officers are informed of this guideline.

Yours faithfully,

Actg. Director

Department of Supervision of Non-Bank Financial Institutions

cc : Chief Executive Officers of all LFCs and SLCs

Guideline No.01 of 2013 on adoption of Sri Lanka Accounting Standards (LKAS) 32, 39 and Sri Lanka Financial Reporting Standards (SLFRS) 7 by Licensed Finance Companies and Specialized Leasing companies hereinafter referred to as Non-Bank Financial Institutions (NBFIs)

1. Regulatory Reporting

NBFIs shall continue to submit all periodical information including web based statutory returns to the Central Bank of Sri Lanka (CBSL) in accordance with the existing Determinations, Directions, Guidelines, Circulars, Rules and Instructions issued whilst NBFIs shall publish annual audited financial statements with application of LKAS 32, LKAS 39 and SLFRS 7, with effect from the annual periods beginning on or after 01.01.2012 until further notice.

2. Reconciliation

NBFIs are required to maintain adequate data/records to reconcile deviations between the account balances published under LKAS/SLFRS and the balances reported to the CBSL under the existing regulatory framework at any time.

3. Declaration of Dividends or Repatriation of Profits

With effect from 15.05.2013, approval of the Director of Department of Supervision of Non-Bank Financial Institutions (D/SNBFI) shall be obtained prior to declaration of interim/final dividends or repatriation of profits, if any, as a measure of prudence to ensure NBFIs maintain sufficient capital. For the proposed dividend payments, NBFIs shall,

(a) Send reconciliation to D/SNBFI on profit before dividends computed under the CBSL prudential directions and LKAS/SLFRS. This reconciliation should be approved by the Board of Directors and audit committee of the respective NBFI. This reconciliation should be prepared for the period, from the beginning of the financial year and preceding calendar month prior to announcement of the proposed dividend.
(b) Send a computation on prudential ratios stated in the Finance Companies (Liquid Assets) and (Risk Weighted Capital Adequacy) Directions after adjusting for the proposed dividend based on the financial information submitted to the CBSL under existing prudential directions. Computation should be carried out for the preceding calendar month prior to announcement of the proposed dividend. This needs to be approved by the Board of Directors and audit committee of NBFI.

FINANCE BUSINESS ACT, NO. 42 OF 2011

Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act, No. 42 of 2011.

Nivard Ajith Leslie Cabraal
Colombo
7 June 2013

Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

FINANCE COMPANIES (STRUCTURAL CHANGES)
DIRECTION NO. 01 OF 2013

Citation
1. This Direction may be cited as the Finance Companies (Structural Changes) Direction No.01 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No. 42 of 2011 and shall come into operation from the date of this Direction.

Structural Changes which require approval of the Monetary Board of the Central Bank of Sri Lanka
2. No finance company to which a licence has been issued shall, without the prior approval in writing of the Monetary Board of the Central Bank of Sri Lanka:–
   2.1 Form any subsidiary, subsidiary or associate of a subsidiary or associate company;
   2.2 Sell whole or part of its business;
   2.3 Commence a new business activity which is not directly related to finance business, hire purchase, leasing or pawning;
   2.4 Acquire whole or part of the business of any institution or company;
   2.5 Amalgamate, consolidate or merge with any institution or company;
   2.6 Change the name of the company;
   2.7 Restructure the management of the company.

Structural Changes which require approval of the Director
3. No finance company to which a licence has been issued shall, without the prior approval in writing of the Director:
   3.1 Outsource any of its functions other than Mail, Courier services, Catering services, Housekeeping and Janitorial services, Security of premises, Payroll and Secretarial functions;
   3.2 Enhance or reduce its share capital;
   3.3 Enhance its investment in share capital of a subsidiary or an associate company;
   3.4 Sell whole or part of the business of a subsidiary or an associate company;
   3.5 Change its Articles of Association;
   3.6 Transfer or sell any of its assets of a book value of more than Rupees Five Million (Rs.5,000,000/-), at a price less than the prevailing market value;
   3.7 Change the designation of any member of the Board of Directors and Chief Executive Officer.

Limitation on transfer/sale of assets
4. No finance company shall transfer or sell any of its assets for any consideration other than for a monetary consideration which should pass in favour of the transferor.

Resignations of any member of the Board of Directors and Chief Executive Officers
5. No member of the Board of Directors and Chief Executive Officer shall without the prior approval of the Director, resign from the company.

Definitions
6. In this Direction,
   6.1 “Finance business”, “Subsidiary company” and “Associate company” shall have the same meaning as contained in the definition in section 74 of the Finance Business Act, No. 42 of 2011.
   6.2 “Prevailing market value” shall mean the estimated price determined by a licensed valuer for which an asset should exchange between a willing buyer and a willing seller in an arm’s length transaction.
   6.3 “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

Revocation of Directions
7. The Finance Companies (Structural Changes) Direction No. 5 of 2005 and the Finance Companies (Transfer of Assets) Direction No. 4 of 1991 are hereby revoked.
FINANCE BUSINESS ACT, NO. 42 OF 2011

Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act, No. 42 of 2011.

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Colombo
26 July 2013

FINANCE COMPANIES (WRITING OFF OF ACCOMMODATIONS)
DIRECTION NO. 2 OF 2013

Citation
1. This Direction may be cited as the Finance Companies (Writing Off of Accommodations) Direction No.2 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No. 42 of 2011 and shall come into operation from the date of this Direction.

Write off of accommodation
2. No finance company shall write off any accommodation granted by it to any of the under noted persons or institutions without the prior approval in writing of the Director of Department of Supervision of Non-Bank Financial Institutions:–
   2.1 Any of its directors or any relative of such director;
   2.2 Any undertaking in which any of its directors has an interest as a director, partner, manager, agent, investor, guarantor or a shareholder;
   2.3 Any of its subsidiary, associate, subsidiary or associate of a subsidiary or of its holding company;
   2.4 Corporate or unincorporated companies where the directors of the finance company hold directorships, shares or other investments;
   2.5 Any person who is an employee, consultant or advisor of the finance company.

Definitions
3. In this Direction, “relative” shall have the same meaning as contained in the definition in section 74 of the Finance Business Act, No. 42 of 2011.

Revocation of Directions
4. The Finance Companies (Writing Off of Loans and Advances) Direction No. 3 of 1991 is hereby revoked.

FINANCE BUSINESS ACT, NO. 42 OF 2011

Direction issued by the Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act, No. 42 of 2011.

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Colombo
26 July 2013

FINANCE COMPANIES (DEBT INSTRUMENTS)
DIRECTION NO. 3 OF 2013

Citation
1. This Direction may be cited as the Finance Companies (Debt Instruments) Direction No. 3 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011, and shall come into operation from the date of this Direction.

Debt instruments
2. 2.1 This Direction shall be applicable to debt instruments issued by a finance company to borrow money. A debt instrument shall mean, a bond, debenture, commercial paper, promissory note or any other debt instrument as may be determined by the Director.
   2.2 Every issue of debt instruments shall be for cash considerations or any other consideration determined by the Monetary Board.
   2.3 A finance company may issue debt subject to the provisions of this Direction, Finance Companies (Interest Rates) Direction and Finance Companies (Liquid Assets) Direction.

Maturity of debt instruments
3. The date of redemption of any debt instrument should not be less than one month and should not exceed sixty months from the date of issue of such debt instrument.

Funding Maturities
4. 4.1 Issue of debt instruments with maturities of one year or less,
   i  Shall be through private placements; and,
   ii  Shall be of a value not less than rupees one million (1,000,000/-)
4.2 Issue of debt instruments with maturities over one year,
   i Shall list on the Colombo Stock Exchange subject to the debt listing rules of Securities and
      Exchange Commission of Sri Lanka; and,
   ii Shall apply and obtain written approval of the Director, prior to the issue of debt instrument.

5. The maximum annual rate of interest/discount/coupon which may be paid for debt instruments issued by
   a finance company shall be subject to the provisions of the Finance Companies (Interest Rates) Direction.

6. Every finance company shall maintain liquidity for debt instruments subject to the provisions of the
   Finance Companies (Liquid Assets) Direction.

7. Every finance company that borrows money shall issue a debt instrument to every person
   who invests in such debt instrument, which for all purposes shall be deemed to be an
   acknowledgement of acceptance of such sum of money by the finance company.

   7.1 Every such debt instrument shall be signed by at least two officers, who are authorized by the
       Board of Directors for the purpose of issuing of debt instruments.

   7.2 Every debt instrument shall contain the following:

      i Serial number;
      ii Name and registered address of the finance company;
      iii Date of issue;
      iv Name, National Identity Card number or Passport number and the address of the investor;
      v Amount of money received in words and figures;
      vi The annual rate of interest payable and the basis of payment;
      vii Date on which the debt instrument is redeemable; and,
      viii Names and designations of the authorized officers.

8. In addition to the requirements imposed under the Financial Transactions Reporting Act, No.6 of
   2006 and any rules issued thereunder, every finance company shall maintain separate register for
   each type of debt instruments including the following particulars:–

      i Serial number;
      ii Name, address, contact details and National Identity Card number or Passport number of
         each investor or in the case of corporate investors, name, registered address, principal place
         of business, company registration number;
      iii Amount of money received;
      iv Date of redemption of the debt instrument;
      v Interest rates and the basis of payment of interest (monthly/quarterly/bi-annual, annual or at
         redemption); and,
      vi Date and amount of each payment (interest and/or principal).

9. Every advertisement published directly or indirectly soliciting debt from the public by a finance
   company shall contain:

      i That such company has been licensed by the Monetary Board of the Central Bank of Sri
         Lanka under the Finance Business Act, No. 42 of 2011;
      ii The date of incorporation of the company;
      iii Credit rating for the company and the debt instrument assigned by a credit rating agency
         acceptable to the Central Bank of Sri Lanka;
      iv Periodicity of payment of interest, the annual coupon rate and maturities of such debts; and,
      v Terms and conditions subject to which such debts are accepted.

   9.2 A finance company shall not use any term which will lead to unfair and unethical competition
       among other financial institutions when advertising under this section. Where the Director
       is of the opinion that any advertisement published/transmitted/broadcasted/displayed
       under this section, does not comply with the provisions of this section or contains information
       which is likely to mislead the public, the Director may direct the finance company to publish
       /transmit/broadcast/display a revised version or discontinue such advertisement in the
       manner specified by the Director within a reasonable period of time.

   9.3 A finance company shall apply for and obtain the written approval of the Director, prior to the
       publication or display of any advertisement soliciting subscription to a debt issue. A finance
       company shall forward to the Director a copy of any advertisement, in print or electronic form,
       at least 3 working days prior to the publication/display of such advertisement.
Definitions

10. In this Direction:–

i “Board of Directors” means the Board of Directors of the finance company.

ii “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

iii “Financial institution” means a bank licensed under the Banking Act, No.30 of 1988 or a finance company which is licensed under the Finance Business Act, No.42 of 2011 or a finance leasing establishment registered under the Finance Leasing Act, No.56 of 2000.

iv “Private placement” means, the issue of any debt instrument, without the issue of a prospectus or advertising through the mass media, including the internet, posts, facsimile, electronic mail, leaflets, banners, posters or booklets or through any kind of propaganda carried out by any means whatsoever.

FINANCE BUSINESS ACT, NO. 42 OF 2011

Direction issued by the Monetary Board under Section 12 of the Finance Business Act, No. 42 of 2011.

Nivard Ajith Leslie Cabraal

Colombo

Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

26 July 2013

FINANCE COMPANIES (LIQUID ASSETS)

DIRECTION NO. 4 OF 2013

1. This Direction may be cited as the Finance Companies (Liquid Assets) Direction No.4 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011, and shall come into operation with effect from the date of this direction.

2. Every finance company shall maintain a minimum holding of liquid assets as defined in Section 74 of the Finance Business Act, No. 42 of 2011 which shall not, at the close of the business on any day, be less than the total of :

i Ten (10) per cent of:–

a. The outstanding value of the time deposits received by the finance company and accrued interest payable at the close of the business on such day; and

b. The face value of non-transferable certificates of deposit issued by the finance company and accrued interest payable at the close of the business on such day; and

ii Fifteen (15) per cent of the outstanding value of savings deposits accepted by such company and accrued interest payable at the close of the business on such day.

3. In addition to the requirement in section (2), every finance company shall maintain a minimum holding of liquid assets as defined in Section 74 of the Finance Business Act, No. 42 of 2011 which shall not, at the close of the business on any day, be less than five (5) per cent of the total outstanding borrowings and any other payable that may be determined by the Director excluding borrowings that are included in the capital funds of the finance company and borrowings which are secured by the mortgage of any asset of the company provided that the total value of such borrowing shall not exceed the market value of the asset, with effect from 01.01.2014 and not less than ten (10) per cent with effect from 01.07.2014.

4.1 Every finance company shall at all times maintain assets in the form of Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities equivalent to seven and a half (7.5) per cent of the average of its month end total deposit liabilities and borrowings of the twelve months of the preceding financial year. Such holdings of the Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities should not be considered for computation of Investment Fund Account utilization.

4.2 The Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities referred to in section 2 and 3 above will constitute a part of liquid assets referred to in paragraph 4.1 above.

4.3 The Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities held by a finance company in compliance with the provisions of paragraph 4.1 above shall be kept in the custody of one or more licensed commercial banks or one or more primary dealer companies.
Reporting
5. Every finance company shall report the liquid assets to the Director through the Web Based Reporting System on or before the seventh (7) day of the following month.

Definitions
6. In this Direction:–
   i “Time deposit” shall have the same meaning as in Finance Companies (Deposits) Direction
   ii “Total deposit liabilities” consist of outstanding value of the time deposits, outstanding face value of non-transferable certificates of deposit and outstanding value of savings deposits
   iii “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
   iv “Borrowings” shall mean funds obtained by way of loans/overdrafts, amounts due to related companies, or issuance of redeemable and cumulative preference shares, securitisations, bonds, debentures, promissory notes, commercial paper, any other dues and any other form of borrowings as may be determined by the Director.
   v “Licensed Commercial Bank” means a Licensed Commercial Bank within the meaning of Banking Act, No. 30 of 1988
   vi “Primary Dealer Company” means a Primary Dealer Company within the meaning of Local Treasury Bills Ordinance (Primary Dealers) Regulations No. 1 of 2002 made under section 16 of the Local Treasury Bills Ordinance (Chapter 420) as last amended by Act No. 31 of 1995 and Registered Stock and Securities Ordinance (Primary Dealers) Regulation No. 1 of 2002 made under section 55 of the Registered Stock and Securities Ordinance (Chapter 420) as last amended by Act No. 32 of 1995.

Revocation
7. Finance Companies (Liquid Assets) Direction No. 1 of 2009 is hereby revoked.

FINANCE BUSINESS ACT, NO. 42 OF 2011

Direction issued by the Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act, No. 42 of 2011.

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Colombo
26 July 2013

FINANCE COMPANIES (INTEREST RATES)
DIRECTION NO. 5 OF 2013

Citation
1. 1.1 This direction may be cited as the Finance Companies (Interest Rates) Direction No. 5 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011.
   1.2 The provisions of this direction shall be applicable for any time deposit, non-transferable certificate of deposit and debt instrument accepted or renewed and issued from the date of this direction.

Maximum interest rate for a time deposit
2. 2.1 The annual rate of interest which may be paid by a finance company on a time deposit shall not exceed the maximum upper limit of interest rates set out below:-

<table>
<thead>
<tr>
<th>Time deposit maturity period</th>
<th>Maximum upper limit of interest rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year or less</td>
<td>The quarterly weighted average yield rates of 364 day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits plus 2.00 percentage points</td>
</tr>
<tr>
<td>Over one year – 3 years</td>
<td>Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits plus 2.50 percentage points</td>
</tr>
<tr>
<td>Over 3 years – 5 years</td>
<td>Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits plus 3.00 percentage points</td>
</tr>
</tbody>
</table>

2.2 In the case where a time deposit is accepted from or renewed by a person who is over fifty five (55) years of age at the time of making such deposit or renewal of such deposit (hereinafter referred to as a “Senior Citizen”), a finance company may pay an additional interest not exceeding one percentage point above the maximum upper limit of interest rates as per paragraph (2.1).

Maximum interest rate for a saving deposit
3. 3.1 The maximum annual interest rates, which may be paid by a finance company on any savings deposit, shall not exceed the weighted average yield rate of 91-day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize saving deposit.
3.2 In the case where a savings deposit is maintained by a Senior Citizen, a finance company may pay an additional interest not exceeding one percentage point above the maximum upper limit of interest rates as per paragraph (3.1).

4. The rate of discount which may be allowed by a finance company on the issue of a non-transferable certificate of deposit of which the price is less than the redeemable value at maturity shall not exceed the maximum annual yield on the instrument set out below:

<table>
<thead>
<tr>
<th>Non-transferable certificate of deposit maturity period</th>
<th>Maximum upper limit of yield rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year or less</td>
<td>The quarterly weighted average yield rates of 364-day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits plus 2.00 percentage points</td>
</tr>
<tr>
<td>Over one year–3 years</td>
<td>plus 2.50 percentage points</td>
</tr>
<tr>
<td>Over 3 years –5 years</td>
<td>plus 3.00 percentage points</td>
</tr>
</tbody>
</table>

5. The maximum annual rate of interest/discount/coupon which may be paid by a finance company on a debt instrument shall not exceed the maximum upper limit of interest rates/coupon rates for maturity periods set out below:

<table>
<thead>
<tr>
<th>Debt instruments maturity period</th>
<th>Maximum annual rate of interest/discount/coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year or less</td>
<td>prior to issue debt instrument plus 3.50 percentage points</td>
</tr>
<tr>
<td>Floating rate</td>
<td>The quarterly weighted average yield rate of 364-day Treasury Bills announced by Director to the finance company at the preceding quarter prior to the commencement of each interest/coupon period plus 4.25 percentage points</td>
</tr>
<tr>
<td>Over one year–3 years</td>
<td>plus 5.00 percentage points</td>
</tr>
<tr>
<td>Over 3 years –5 years</td>
<td>fixed rate</td>
</tr>
<tr>
<td>Fixed rate</td>
<td>prior to the announcement date of the debt instrument to the public or discount date plus 4.25 percentage points</td>
</tr>
<tr>
<td>Over one year–3 years</td>
<td>plus 5.00 percentage points</td>
</tr>
<tr>
<td>Over 3 years –5 years</td>
<td></td>
</tr>
</tbody>
</table>

6. Director shall announce the quarterly weighted average yield rates of 91 day and 364-day Treasury Bills applicable for each quarter ending 31st March, 30th June, 30th September and 31st December.

6.2 The quarterly weighted average yield rates applicable to such interest/discount/coupon payment periods shall be notified by the finance company to the Colombo Stock Exchange and the Trustee prior to the commencement of each coupon payment period.

7. Every finance company shall furnish details of the interest rates paid/discounts/coupon rates applied for time deposits, savings deposits, non-transferable certificates of deposit and debts instruments by such finance company in each month, on or before the 7th day of the following month as per the instructions given by the Director.

8. In this Direction,

8.1 “Time deposit” means any deposit accepted by a finance company with an agreement to repay after a specified period of time; and

8.2 “Debt instrument” means a bond, debenture, commercial paper, promissory note or any other debt instrument as may be determined by the Director.

8.3 “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

9. The Finance Companies (Interest Rates) Direction, No. 06 of 2012 is hereby revoked.
FINANCE BUSINESS ACT, NO. 42 OF 2011
Direction issued by the Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act, No. 42 of 2011.

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Colombo 17 September 2013

FINANCE COMPANIES (CORPORATE GOVERNANCE - AMENDMENT) DIRECTION NO. 6 OF 2013

Citation 1. This Direction may be cited as the Finance Companies (Corporate Governance-Amendment) Direction No. 6 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No. 42 of 2011, and shall come into operation from the date of this Direction.

Amendments 2. Paragraph 5 of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 is amended hereby as follows:

By repeal of subparagraph (2) thereof and the substitution therefor, the following:
A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company.

3. Paragraph 10 of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 is amended hereby as follows:

(1) By repeal of subparagraph 2(b) thereof and the substitution therefor, the following:
A report by the Board on the finance company’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

(2) By repeal of subparagraph 2(c) thereof and the substitution therefor, the following:
The external auditor’s certification on the effectiveness of the internal control mechanism referred to in subparagraph (2) (b) above, in respect of any statements prepared or published from the date of this Direction.

(3) By repeal of subparagraph 2(j) thereof and the substitution therefor, the following:
The external auditor’s certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.

FINANCE LEASING ACT, NO. 56 OF 2000
Direction issued under section 34 of the Finance Leasing Act, No. 56 of 2000.

H B D Karunarathne
Actg. Director

17 September 2013

FINANCE LEASING (CORPORATE GOVERNANCE-AMENDMENT) DIRECTION, NO 1 OF 2013

Citation 1. In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “Director”) is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as “specialized leasing companies”), and shall come into operation from the date of this Direction.

Amendments 2. Paragraph 5 of the Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 is amended hereby as follows:

By repeal of subparagraph (2) thereof and the substitution therefor, the following:
A director of a relevant establishment shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the relevant establishment.

3. Paragraph 10 of the Finance Leasing (Corporate Governance) Direction, No. 4 of 2009 is amended hereby as follows:

   (1) By repeal of subparagraph 2(b) thereof and the substitution therefor, the following:
   A report by the Board on the relevant establishment’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

   (2) By repeal of subparagraph 2(c) thereof and the substitution therefor, the following:
   The external auditor’s certification on the effectiveness of the internal control mechanism referred to in subparagraph (2) (b) above, in respect of any statements prepared or published from the date of this Direction.

   (3) By repeal of subparagraph 2(i) thereof and the substitution therefor, the following:
   The external auditor’s certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.

FINANCE BUSINESS ACT, NO. 42 OF 2011

The Rule made by the Monetary Board of the Central Bank of Sri Lanka under section 16 of the Finance Business Act, No. 42 of 2011.

Colombo
18 December 2013

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

FINANCE COMPANIES (ANNUAL LICENCE FEES)
RULE NO. 1 OF 2013

Citation
1. This Rule may be cited as the Finance Companies (Annual Licence fees) Rule No.1 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011.

Licence fee for the first year
2. The licence fee payable by a finance company in the year of licensing shall be Rs. 1,000,000/- from the date of this Rule and shall be paid to the Central Bank of Sri Lanka on or before the date of licensing.

Annual licence fee
3. Every finance company shall pay an annual licence fee applicable for the year 2014 and every subsequent year to the Central Bank of Sri Lanka on or before 31st January of the respective year, as set out below based on the total assets as follows;

<table>
<thead>
<tr>
<th>Total assets as at end of the previous calendar year</th>
<th>Annual Licence Fee (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs.1 billion or below</td>
<td>300,000/-</td>
</tr>
<tr>
<td>Above Rs.1 billion up to Rs.5 billion</td>
<td>750,000/-</td>
</tr>
<tr>
<td>Above Rs.5 billion up to Rs.10 billion</td>
<td>1,000,000/-</td>
</tr>
<tr>
<td>Above Rs.10 billion up to Rs.20 billion</td>
<td>1,500,000/-</td>
</tr>
<tr>
<td>Over Rs.20 billion</td>
<td>2,000,000/-</td>
</tr>
</tbody>
</table>

Revocation
4. The Finance Companies (Annual License Fees) Rule No.2 of 2012 is hereby revoked.