

# **PART III**



## PART III

### MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 2016

#### OPERATING INSTRUCTIONS, CIRCULARS, DIRECTIONS AND NOTICES

	Ref. No.	Page	
<b>Bank Supervision</b>			
1	Reporting on Cyber Security Events	02/17/150/0095/001	1
2	Display of Interest Rates, Exchange Rates, Service Charges, Fees and Commissions	02/17/500/0012/001	2
3	Banking Act Determinations No. 01 of 2016 Annual Licence Fee of Licensed Commercial Banks and Licensed Specialised Banks		2
4	Secondary Market Trading of Government Securities and Reporting by Licensed Commercial Banks and Licensed Specialised Banks	02/17/800/0007/002	2
5	Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks		3
<b>Domestic Operations</b>			
6	The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary)	1969/17	4
7	Consolidated Operating Instructions on Market Operations	35/03/016/007/001	5
<b>Exchange Control</b>			
8	Directions Under Exchange Control Act No. 01 of 2016: Directions Issued to Authorized Dealers on Non Resident Foreign Currency (NRFC) Accounts		17
9	Directions Under Exchange Control Act No. 02 of 2016: Directions Issued to Authorized Dealers on Resident Foreign Currency (RFC) Accounts		19
10	Directions Under Exchange Control Act No. 03 of 2016: Directions Issued to Authorized Dealers on Resident Non-Nationals' Foreign Currency (RNNFC) Accounts		21
11	Directions Under Exchange Control Act No. 04 of 2016: Directions Issued to Authorized Dealers on Foreign Exchange Earners' Accounts (FEEA)		23
12	The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): Notice Under the Exchange Control Act	1950/29	26
13	The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): Notice Under the Exchange Control Act	1950/40	28
14	The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): Notice Under the Exchange Control Act	1957/23	30
15	Directions Under Exchange Control Act No. 05 of 2016: Directions Issued to Authorized Dealers on Non Resident Foreign Currency (NRFC) Accounts		30
16	Directions Under Exchange Control Act No. 06 of 2016: Directions Issued to Authorized Dealers on Resident Foreign Currency (RFC) Accounts		31
17	Directions Under Exchange Control Act No. 07 of 2016: Directions Issued to Authorized Dealers on Resident Non-Nationals' Foreign Currency (RNNFC) Accounts		31

	Ref. No.	Page
18		31
19		32
20	1960/66	33
21		34
22		35
23		36
24		36
25		36
26	1970/8	38
27	1970/49	38
28	1970/50	39
29		39
30		39
31	1986/42	42
32	1986/43	42
<b>Financial Intelligence Unit</b>		
33	1951/13	43
34	37/05/002/0016/016	58
<b>Payments and Settlements</b>		
35	34/07/029/0001/002	58
36	34/07/029/0001/002	59
37	34/07/029/0001/002	59
38	34/07/029/0001/002	60

	Ref. No.	Page
<b>Public Debt</b>		
39 Secondary Market Trading and Reporting	08/21/005/035/001	61
<b>Regional Development</b>		
40 Operating Instructions for the Implementation of the Microfinance Component of National Agribusiness Development Programme (NADEP)	RDD/NADeP/2016	61
41 Amendment to the Operating Instructions of the Commercial Scale Dairy Development Loan Scheme (CSDDLs)	RDD/CSDDLs/2013/01 (A-03)	71
42 Operating Instructions Self Employment Promotion Initiative Loan Scheme Phase II	RDD/SEPI/2016/01	71
43 Revision of Minimum Loan Limit under National Agribusiness Development Programme (NADeP)	RDD/NADeP-2016/01 (Amendment)	80
44 Operating Instructions - "Tharuna Diriya" Youth Empowerment & Employment Project Operated under National Agribusiness Development Programme (NADeP)	RDD/NADeP/ YOUTH2016/01	81
45 Amendment to the Operating Instructions of the New Comprehensive Rural Credit Scheme (NCRCS)	RDD/NCRCS/2011	86
46 Under the "Out-Grower Farmers Loan Scheme" of the National Agribusiness Development Programme (NADeP)	RDD/NADeP/Value Chain Develop/2016/01	87
47 Amendment to the Operating Instructions of Tharuna Diriya Youth Empowerment & Employment Project Operated under National Agribusiness Development Programme (NADeP)	RDD/NADeP/Youth2016/01 (Amendment)	95
<b>Supervision of Microfinance Institutions</b>		
48 Microfinance Act Directions No. 01 of 2016 Minimum Core Capital		95
49 Microfinance Act Directions No. 02 of 2016 Statutory Reserve		96
50 Microfinance Act Directions No. 03 of 2016 Deposits		96
51 Microfinance Act Directions No. 04 of 2016 Maintenance of Minimum Liquid Asset Ratio		97
52 Microfinance Act Directions No. 05 of 2016 Assessment of Shareholders		98
53 Microfinance Act Directions No. 06 of 2016 Assessment of Fitness and Propriety of Directors and Chief Executive Officer / General Manager		100
54 Microfinance Act Directions No. 07 of 2016 Regulatory Framework for Accommodations		104
55 Microfinance Act Directions No. 08 of 2016 Reporting Requirements		107
56 Microfinance Act Rules No. 01 of 2016 Licensing Criteria		107
57 Microfinance Act Rules No. 02 of 2016 Licence Fee		119
<b>Supervision of Non-Bank Financial Institutions</b>		
58 Finance Business Act Direction No. 01 of 2016 Opening, Closure and Relocation of Business Places		119
59 Finance Business Act Direction No. 02 of 2016 Maximum Interest Rates on Deposits and Debt Instruments		125
60 Finance Leasing Act Direction No. 01 of 2016 Opening, Closure and Relocation of Business Places		126



Ref: 02/17/150/0095/001

25 January 2016

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

**REPORTING ON CYBER SECURITY EVENTS**

All licensed banks are requested to submit the reports on Cyber Security Events (CSE) as follows with immediate effect:

- a. CSE-I as at Annex within one working day from the detection of any CSE.
- b. CSE-II as at Annex within 15 days from the end of each quarter.
- c. Details of all CSE detected by the bank from 01.01.2015 in same format as in (b.) above, if not already submitted.

The above details shall be e-mailed to [dbsd@cbsl.lk](mailto:dbsd@cbsl.lk) or delivered in confidential cover to the Director of Bank Supervision.

Yours faithfully,  
**Director of Bank Supervision**

To: Director of Bank Supervision

CSE-I

**REPORT ON CYBER SECURITY EVENTS**

Name of Bank:

Reporting time period:

Type of incident <sup>(a)</sup>	Summary of incident	Date of detection	Physical location/branch (if applicable)	Estimated/actual impact of the incident (Financial and Operational) <sup>(b)</sup>	Internal reporting authority <sup>(c)</sup>	Law enforcement authorities involved (if applicable)

.....  
 Name Signature of the Authorized Officer

- (a) Type of incident: Intrusion/hacking, Malware, Malicious code, Virus, Phishing, Denial of service, Social engineering, Unauthorized system usage, Other (specify)
- (b) Please provide the amount in case of financial impact and description in case of operational impact.
- (c) To whom the event has been internally escalated.

[Email to [dbsd@cbsl.lk](mailto:dbsd@cbsl.lk) or deliver in confidential cover to the Director of Bank Supervision.]

To: Director of Bank Supervision

CSE-II

**QUARTERLY REPORT ON CYBER SECURITY EVENTS**

Name of Bank:

Reporting time period:

Type of incident <sup>(a)</sup>	Summary of incident	Time period of incident	Date of detection	Physical location/branch (if applicable)	Impact of the incident (Financial and Operational) <sup>(b)</sup>	Internal reporting authority <sup>(c)</sup>	Involved law enforcement authorities (if applicable)

.....  
 Name and designation of authorised officer

- (a) Type of incident: Intrusion/hacking, Malware, Malicious code, Virus, Phishing, Denial of service, Social engineering, Unauthorized system usage, Other (specify)
- (b) Please provide the amount in case of financial impact and description in case of operational impact.
- (c) To whom the event has been internally escalated.

[Email to [dbsd@cbsl.lk](mailto:dbsd@cbsl.lk) or deliver in confidential cover to the Director of Bank Supervision.]

Ref: 02/17/500/0012/001

01 February 2016

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

**DISPLAY OF INTEREST RATES, EXCHANGE RATES, SERVICE CHARGES, FEES AND COMMISSIONS**

Reference our previous Circular dated 06 June 2011 on the above subject.

All licensed banks are required to display fees charged from customers, for fund transfers through LankaSettle System, Sri Lanka Inter Bank Payment System and Common Electronic Fund Transfer Switch in all branches and publish same in banks' web sites in the following suggested format, commencing 10 February 2016. These fees so disclosed shall be the fees determined and communicated by the Central Bank of Sri Lanka from time to time.

Description	Fee (Rs.)
Fund transfers through the LankaSettle System	
Fund transfer through the Sri Lanka Inter Bank Payment System (SLIPS)	
Common Electronic Fund Transfer Switch (CEFTS)	
- Fund transfers through internet banking	
- Fund transfers through mobile banking	
- Fund transfer through over-the-counter	
- Fund transfers through [Name of the Bank] ATMs	
- Fund transfers through ATMs of other CEFTs members	

Mr. A A M Thassim  
**Director of Bank Supervision**

Banking Act Determinations No. 01 of 2016

25 July 2016

**ANNUAL LICENCE FEE OF  
 LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

Determination made by the Monetary Board of the Central Bank of Sri Lanka under Sections 8 and 76D(6) of the Banking Act, No. 30 of 1988, as amended.

In terms of Sections 8(1) and 76D(6) of the Banking Act, the Monetary Board has determined that every licensed commercial bank and licensed specialised bank shall pay the licence fee in respect of the calendar year 2017 to the Central Bank of Sri Lanka on or before 31st day of January of 2017, based on the total assets of such bank as at end of 2016 as set out in the table below.

Total Assets as at the end of 2016 (Rs. Bn)	Licence Fee (Rs. Mn)
Above 750	30.0
Above 500 to 750	25.0
Above 200 to 500	22.0
Above 125 to 200	16.5
Above 75 to 125	11.0
25 to 75	5.5
Less than 25	2.2

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

Ref: 02/17/800/0007/002

01 September 2016

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

**SECONDARY MARKET TRADING OF GOVERNMENT SECURITIES AND REPORTING BY LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

In order to promote the secondary market for government securities by enhancing transparency in dealings and price discovery, all licensed commercial banks and licensed specialised banks shall comply with the following commencing 15 September, 2016:



- 2 Use the Bloomberg Trading Platform (Fixed Income Quotes - FIQ) available for Sri Lanka to:
  - i) Conduct all outright trades with other banks and primary dealers; and
  - ii) Report yield rates and volumes of all outright trades carried out over-the-counter in excess of Rs.50 million, within 30 minutes of each such trade.
- 3 In the case of trades carried out through brokers, selling-side banks shall report under 2(ii) above.

Director of Bank Supervision

Superintendent of Public Debt

Banking Act Directions No. 01 of 2016

29 December 2016

**CAPITAL REQUIREMENTS UNDER BASEL III  
FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

In terms of powers conferred by Sections 19(7)(a) and 76G(7) of the Banking Act No. 30 of 1988, the Monetary Board has determined the minimum capital ratios for licensed commercial banks (LCBs) and licensed specialised banks (LSBs) having regard to the guidelines issued by the Bank for International Settlements in June 2006, December 2010 and revised in June 2011.

1. Empowerment
  - 1.1 In terms of Section 102 of the Monetary Law Act, the Monetary Board may from time to time by Order prescribe the minimum capital ratios which the capital of LCBs and LSBs shall bear to the total volume of their assets or to any specified category of such assets.
  - 1.2 In terms of Sections 46(1) and 76J(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, regarding the manner in which any aspect of the business of such banks is to be conducted.
2. Scope of Application
  - 2.1 These Directions shall be applicable to every LCB and LSB:
    - (i) Incorporated in Sri Lanka on a solo and consolidated basis
    - (ii) Branches of banks incorporated or established outside Sri Lanka on a standalone basis
3. Minimum Capital Requirements and Buffers
  - 3.1 Commencing 01 July 2017, every LCB and LSB shall maintain, at all times, the minimum capital ratios and buffers as prescribed in Schedule I hereto in respect of total risk weighted assets.
  - 3.2 The effective dates for implementation and ratios are indicated in Tables 1 and 2 below.

<b>Table 1 – Banks with Assets Less than Rs. 500 billion</b>			
<b>Components of Capital</b>	<b>01.07.2017</b>	<b>01.01.2018</b>	<b>01.01.2019</b>
Common Equity Tier 1 including Capital Conservation Buffer	5.75%	6.375%	7.00%
Total Tier 1 including Capital Conservation Buffer	7.25%	7.875%	8.50%
Total Capital Ratio including Capital Conservation Buffer	11.25%	11.875%	12.50%

<b>Table 2 – Banks with Assets of Rs. 500 billion and Above</b>			
<b>Components of Capital</b>	<b>01.07.2017</b>	<b>01.01.2018</b>	<b>01.01.2019</b>
Common Equity Tier 1 including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Banks	6.25%	7.375%	8.50%
Total Tier 1 including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Banks	7.75%	8.875%	10.00%
Total Capital Ratio including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Banks	11.75%	12.875%	14.00%

4. Maintain Adequate Capital above the Minimum Capital Requirement
- 4.1 Every LCB and LSB shall, at all times maintain adequate capital to cover its exposures to all risks considering the requirements specified in the Regulatory Framework on Supervisory Review Process (SRP) in schedule II hereto.
- 4.2 Every LCB and LSB shall develop and implement a sound Internal Capital Adequacy Assessment Process (ICAAP) in accordance with the requirements specified in Regulatory Framework on SRP.
- 4.3 All LCBs and LSBs shall submit a Board approved ICAAP Document to the Director of Bank Supervision within five months from the end of its financial year.
5. Disclosure Requirements
- 5.1 Commencing 1 July 2017, every LCB and LSB shall disclose key information in relation to regulatory capital, liquidity and risk management with the published financial statements as specified in Schedule III with comparative information on both solo and consolidated basis.
6. Steps to Secure Compliance
- 6.1 In the event any bank needs to augment its capital to meet the above regulatory capital ratios, such bank shall comply with these Directions commencing 01 July 2017.
- 6.2 Where an LCB or an LSB has failed to comply with these Directions, such LCB or LSB shall not pay dividends or repatriate profits or adopt any other measure that will further deteriorate the regulatory capital position of such LCB or LSB until such compliance is effected and confirmed by the Director of Bank Supervision.
7. Revocation of Directions and Circulars
- The following Directions and Circulars are hereby revoked.
- (i) Circulars No. 02/04/002/0105/001 and 02/04/002/0151/001 dated 20 March 2001 on Publication of Capital Adequacy Statements in the Annual Report
- (ii) Circular No. 02/04/003/0400/002 dated 16 December 2004 on Shipping Guarantees Issued by Banks
- (iii) Circular dated 26 December 2007 on the Adoption of Basel II Capital Adequacy Framework beginning 2008
- (iv) Banking Act Directions No. 9 and 10 of 2007 on Maintenance of Capital Adequacy Ratio
- (v) Disclosure requirements in Section H of the Banking Act Directions No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks
- (vi) Banking Act Directions No. 9 and 10 of 2011 on Amendment to Directions on Maintenance of Capital Adequacy Ratio
- (vii) Circular No. 02/17/500/0086/001 dated 07 December 2012 on ICRA Lanka Limited - Recognition as an External Credit Assessment Institution
- (viii) Banking Act Directions No. 5 of 2013 on Supervisory Review Process (Pillar 2 of Basel II) for Licensed Commercial Banks and Licensed Specialised Banks
- (ix) Revised Guidelines dated 31 March 2014 on Computation of Risk Weighted Amount for Operational Risk – Implementation of the Standardised Approach
- (x) Circular No. 02/17/600/0029/001 dated 31 March 2014 on Implementation of the Standardised Approach on Computation of Risk-Weighted Amount for Operational Risk under Basel II Capital Adequacy Framework issued to LCBs and LSBs

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

Footnote - Schedules I, II and III of this Direction are available at [http://www.cbsl.gov.lk/pics\\_n\\_docs/09\\_lr/\\_docs/directions/bsd/BSD\\_2016/Banking\\_Act\\_Directions\\_No\\_01\\_2016\\_capital\\_requirements\\_basel\\_III\\_e.pdf](http://www.cbsl.gov.lk/pics_n_docs/09_lr/_docs/directions/bsd/BSD_2016/Banking_Act_Directions_No_01_2016_capital_requirements_basel_III_e.pdf)

**The Gazette of the Democratic Socialist Republic of Sri Lanka**

**EXTRAORDINARY**

No 1969/17 - WEDNESDAY JUNE 01, 2016

(Published by Authority)

**PART 1 : 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).

Lakshman Arjuna Mahendran  
**Chairman,  
 Monetary Board of the Central Bank  
 of Sri Lanka.**

Colombo  
 31st May, 2016.

**MONEY BROKING REGULATIONS****Amendment to the Money Broking Regulations No. 1 of 2013**

- |     |   |  |
|-----|---|--|
| 1.1 | These Regulations shall be cited as Money Broking Regulations No. 1 of 2016.  | 1. Citation                              |
| 2.1 | Money Broking Regulations No. 1 of 2013 published in Gazette Extraordinary No. 1796/21 of 08 February, 2013 is hereby amended as follows :  | 2. Amendment to the principle regulation |
|     | (1) by the repeal of regulation 20 and substitution therefor of the following new regulation :  |  |
|     | 20.1 Authorised money broking company shall upload information on each quote/bid provided to them by transacting parties and each transaction intermediated through a money broking company, not later than 30 minutes of such transaction through the on-line interface provided to such money broking companies by the Central Bank of Sri Lanka. |  |
|     | 20.2 The Chief Executive Officer and/or the Officer-in-Charge of the dealing room of the money broking company shall be responsible for uploading the specified information stated herein within the specified time period.   |  |
|     | 20.3 Information on bids/quotes and transactions sent by faxes shall be entertained only in the event of a failure of the on-line bidding system. However, such information should be uploaded into the system once the system is revived.  |  |
| 3.1 | This amendment shall come into effect from 01st June, 2016.   | 3. Effective date                        |

**Circular No. 35/03/016/007/001**

26 October 2016

To: All Participating Institutions

**Consolidated Operating Instructions on Market Operations**

Since the commencement of active open market operations in 2003, a number of operating instruction circulars on market operations have been issued from time to time. With a view to reducing number of such circulars, enhancing clarity and to suit current market conditions it was decided to consolidate all such circulars on market operations into one document.

Accordingly, ten operating instructions have been consolidated while incorporating certain changes requested by the market participants. These changes relate to the cut off time of standing facilities and instruments under open market operations.

All participating institutions are hereby required to comply with the attached consolidated operating instructions on market operations with effect from 01 November 2016.

P W D N R Rodrigo  
**Director/ Domestic Operations**

- 1.0 The Operating Instructions relating to Market Operations of the Central Bank of Sri Lanka (CBSL) are outlined in this consolidated circular which shall come into effect on 01 November 2016.
- 2.0 This has reference to the following Operating Instructions Circulars issued by the CBSL;

	<b>Circular Number</b>	<b>Date Issued</b>	<b>Title</b>
01	35/01/005/0006/04	27 January 2004	Operating Instructions on Open Market Operations of the Central Bank of Sri Lanka In Scripless Government Securities dated
02	35/01/005/0006/08	3 May 2004	Operating Instructions on Open Market Operations of the Central Bank of Sri Lanka in Scripless Government Securities
03	35/01/005/0006/17	12 March 2008	Operating Instructions on Issuing Central Bank Securities in Scripless Form Under Open Market Operations of the Central Bank of Sri Lanka
04	35/01/005/0006/18	21 May 2008	Operating Instructions on Long Term Repo Transactions (LTRP) Under the Auction System

05	35/01/005/0006/24	19 March 2009	Operating Instructions On Term Reverse Repurchase Transactions Under The Auction System
06	35/01/005/0006/26	21 May 2009	Open Market Operations Of The Central Bank Of Sri Lanka
07	35/01/005/0006/27	30 October 2009	Operating Instructions On Fx Swap Transactions Under The Auction System
08	35/01/005/0006/28	06 November 2009	Operating Instructions On Issuing Central Bank Securities In Scripless Form Under Open Market Operations Of The Central Bank Of Sri Lanka
09	35/01/005/0006/32	24 July 2013	Operating Instructions on Open Market Operations of the Central Bank of Sri Lanka in Scripless Government Securities
10	35/01/005/0006/33	2 January 2014	Operating Instructions on Open Market Operations of the Central Bank of Sri Lanka

- 3.0 All Licensed Commercial Banks, Primary Dealers and Employees Provident Fund (EPF)(hereinafter referred to as Participating Institutes, PIs) are hereby informed that with effect from 01 November 2016, all the above mentioned circulars shall be withdrawn and replaced with this circular (hereinafter referred to as Consolidated circular).

### SECTION 1: INTRODUCTION

- 4.0 CBSL will conduct market operations with PIs, in order to maintain the stability of interbank interest rates within an interest rate corridor, the Standing Rate Corridor (SRC). The SRC is defined in terms of the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) which form the lower bound and the upper bound of the SRC, respectively. The SRC will be reviewed by the CBSL on a monthly basis and the required changes shall be announced accordingly.
- 5.0 On the basis of an assessment of daily market liquidity positions, forecasts of the daily market liquidity and market developments and the policy environment, Market Operations Committee (MOC) of the CBSL shall decide whether to absorb liquidity from or to inject liquidity to the market, the amount, the type and the tenure of instruments.
- 6.0 A. Under Open Market Operations (OMO), PIs shall have access to the following instruments;
- a. Short-Term Auctions
    - a. Short-Term Repo Auctions (STRP)
    - b. Short-Term Reverse Repo Auctions (STRRP)
  - b. Long-Term Auctions
    - a. Long-Term Repo Auctions (LTRP)
    - b. Long-Term Reverse Repo Auctions (LTRRP)
  - c. Outright Auctions
    - a. Outright Sale Auctions
    - b. Outright Purchase Auctions
  - d. Transactions related to Central Bank Securities (CBSL Securities)
    - a. Issuing of CBSL Securities under the Auction System
    - b. Retirement of CBSL Securities under the Auction System
    - c. CBSL Securities Buy-back facility
  - e. Forex Swap Transactions
    - a. Buy-Sell SWAPs
    - b. Sell-Buy SWAPs
- B. Under the standing facility, PI shall have access to the following instruments.
- a. Standing Deposit Facility (SDF)
  - b. Standing Lending Facility (SLF)

### SECTION 2: COMMON INSTRUCTIONS TO PIS

- 7.0 The CBSL will announce decision of the MOC to the market through the Online Electronic Bidding System (OEBS) and/or the Money Market screen or any other effective means of communication. The auction system shall be used to conduct OMO except the Standing Facility. PIs shall submit their deals/bids through the respective systems available in the OEBS except in a situation outlined in the paragraph below.

- 8.0 In an event a PI is unable to access the OEBS only due to a technical failure, such a PI is advised to submit their respective deals/bids via telephone to the OMO division of the Domestic Operations Department (DOD) before the close of the respective auction or before the cutoff time of the Standing Facility, as applicable. A letter of confirmation of such deals/bids signed by two authorized officers shall be submitted via fax or email within 15 minutes after the close of the respective auction or the cutoff time, as applicable, highlighting the nature of such technical failure. Such confirmation should include the names and designations of authorized officers. Each such deal/bid shall contain all the relevant information to enable the DOD to enter the transaction manually. CBSL shall then consider such communication as a request to enter a manual deal/bid on behalf of the PI on the basis of the information provided by them. An incorrect or incomplete information to enter the manual bid, shall result in such request being rejected by the CBSL. Bids received (by telephone and/or by fax or email) after the stipulated cutoff times in this clause shall not be entertained under any circumstance. The original of the fax should be sent to DOD before the close of business on the same day.
- 9.0 All Repurchase (Repo) and Reverse Repurchase (Reverse Repo) auction transactions carried out between a PI and the CBSL in terms of the provisions set-out in sections 4 and 5 of this Consolidated Circular are subject to the provisions of the Master Repurchase and Reverse Repurchase Agreement entered into between such PI and the Monetary Board of the CBSL. The terms used in these Operating Instructions shall have the same meanings assigned to them in the Master Repurchase and Reverse Repurchase Agreement.
- 10.0 All SDF and SLF transactions carried out between a PI and the CBSL in terms of the provisions set-out in section 3 of this Consolidated Circular are subject to the provisions of the Master Standing Facility Agreement entered into between such PI and the Monetary Board of the CBSL. The terms used in these Operating Instructions shall have the same meanings assigned to them in the Master Standing Facility Agreement.
- 11.0 The CBSL reserves the right to amend, revise or vary any term and/or condition or any part thereof of this Consolidated Circular with prior notice to PIs.
- 12.0 In the event of any inconsistency or conflict between this Consolidated Circular and the Master Repurchase and Reverse Repurchase Agreement and/or Master Standing Facility Agreement, this Consolidated Circular shall prevail.
- 13.0 For all rupee transactions, the minimum value of a deal/bid shall be Rupees one million (Rs. 1,000,000.00) and deals should be in multiples of Rupees one million.
- 14.0 In an event a PI is unable to view or print the confirmation(s) referred to in the following sections, only due to a technical failure in accessing the OEBS, Payments and Settlement Department (PSD) of CBSL may fax a copy of the confirmation(s) to the PI on request.
- 15.0 When entering an SLF deal or a Reverse Repo bid at the auction, the face value of the security/securities to be allocated to the CBSL for each such SLF deal/Reverse Repo bid, shall be calculated by the system automatically based on the CBSL official buying price/s of the respective security/securities. Such official prices are recorded in LankaSecure and can also be retrieved from the OEBS.
- 16.0 PIs can assign any number of International Security Identification Numbers (ISIN) (multiple ISINs) for a given SLF deal or for a Reverse Repo bid. If a SLF deal or a Reverse Repo bid involves securities carrying more than one ISIN, each such ISIN shall be treated as a separate deal/bid.
- 17.0 Recovery of damages
- a. Failure of a PI to honour a bid/deal on the settlement date  

The acceptance by the CBSL of a deal/bid of a PI is binding on the PI and if a PI fails to honor a deal/bid in full, due to unavailability of adequate funds in the settlement account or the adequate quantities of the assigned security in their own accounts, before the close of business of LankaSecure on the settlement date, such PI shall be liable to pay damages to the CBSL in a sum equivalent to the interest component of the respective transaction. Such damages shall be debited to the PI's settlement account with the CBSL on the next business day.
  - b. Default of a PI on the maturity date  

In the event of a PI failing to maintain sufficient funds in its settlement account to pay the sell back value before the close of business of LankaSecure on the maturity date (sell back date) a PI shall pay a sum equivalent to the interest component of the respective transaction and CBSL shall convert such transaction to an outright purchase. In case of such conversion, if the current CBSL official price is higher than the purchase price of such securities, PI shall be liable to pay to the CBSL a sum equivalent to the difference between the current CBSL official price and the original purchase price of the securities or vice versa.

- c. The total sum arising from b. above shall be debited to the PI's settlement account with the CBSL on the following business day.
  - d. In the event a PI fails to honor a bid/deal or default more than once the CBSL may suspend a PI from engaging in transactions.
- 18.0 Once the auction is closed, no amendments shall be made to the bids placed by a PI at the auction under any circumstance.
  - 19.0 Apart from the regular auctions, the CBSL may decide to hold additional auctions during the day, as it deems necessary.
  - 20.0 The CBSL reserves the right to accept or reject a deal/bid of a PI.
  - 21.0 The official buying and selling prices of Treasury bills and Treasury bonds shall be calculated by the CBSL on a daily basis based on the current market prices and developments.
  - 22.0 If the Government declares a sudden bank holiday and if the maturity date in respect of any transaction fall on such holiday, any obligation of a party to such transaction arising on such day shall be fulfilled by such party on the immediately following business day.
  - 23.0 A summary along with time schedule of OMO instruments are in the Annexure.
  - 24.0 All transactions except for SDF will be on Delivery versus Payment (DVP) basis.
  - 25.0 In the event of an auction and there being bids at the cut off interest rate in excess of the amount offered, the available quantum shall be allocated among such bidders on a 'pro rata' basis. Accordingly, the bids at the cut off interest rate may partially be accepted.
  - 26.0 Close of Business shall deem to be the time specified for the close of business in the daily operating schedule in the volume 04 of the LankaSettle system rules version 2.1 or its latest version. Generally, the close of business of LankaSecure is 16:30 hrs. However, ad hoc adjustments to the operating schedule may be adopted by the Payment and Settlement Department, at its sole discretion, from time to time to deal with unforeseen contingencies. In such event, CBSL will adjust the close of business time and inform the participants as necessary.
  - 27.0 PIs are not required to submit any settlement instructions.
  - 28.0 Substitution of securities which were submitted in connection with SLF, STRRP and LTRRP transactions shall not be permitted.
  - 29.0 Securities transferred to the Domestic Operations Repurchase (DOP) Account of a PI shall not be traded by the PI.

### **SECTION 3 : STANDING FACILITY**

- 30.0 The standing facility shall be an overnight facility where PIs can avail the SDF to deposit funds at the CBSL or may use the SLF to borrow funds from the CBSL by providing eligible collateral. The amount so deposited or borrowed under the standing facility may be at their own discretion.

#### **3.1 Standing Deposit Facility (SDF)**

- 31.0 The PIs who wish to use the SDF are required to enter the deal electronically by submitting through OEBS and shall confirm the same to OMO Division of the DOD by telephone or fax not later than 1515 hours.
- 32.0 The applicable interest rate for the SDF shall be the Central Bank SDFR and the "interest component" shall be calculated for the duration of the respective deposit.
- 33.0 PSD of the CBSL will directly debit the PI's settlement account (RTGS account) for the value they wish to place at the SDF not later than 1600 hours on the same day.
- 34.0 A confirmation of SDF deal will be issued by the PSD to the PI electronically through the OEBS not later than 1600 hours on the same day.
- 35.0 Confirmation of Debit SWIFT message, that is a FIN 900, will be sent to the respective account holder confirming the debit into their account for the value they placed at the SDF.
- 36.0 On the maturity date, PSD will credit the PI's settlement account with the original deposit value plus the interest component, not later than 0830 hrs.
- 37.0 Confirmation of Credit SWIFT message, that is a FIN 910, will be sent to the respective account holder confirming the credit into their account not later than 0830 hours on the maturity date.

### 3.2 Standing Lending Facility (SLF)

- 38.0 The SLF operates on the principles of Reverse Repurchase transactions. Under the SLF, the CBSL shall purchase Government securities (Treasury Bill(s) and/or Treasury Bond(s)) from PIs at an agreed price (Purchase Price) with an agreement to sell it back on an agreed date at an agreed price (Repurchase Price/Sell back price).
- 39.0 The sell back value shall consist of purchase price plus the interest component for the respective deal.
- 40.0 The applicable interest rate for the SLF shall be the Central Bank SLFR and the “interest component” shall be calculated for the duration of the respective lending.
- 41.0 The PIs who wish to use the SLF are required to enter the deal electronically by submitting the amount required and the details of the securities through OEBS and shall confirm the amount to OMO Division of the DOD by telephone or fax not later than 1515 hours.
- 42.0 PSD will settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount requested) against the receipt of purchased securities in to the Domestic Operations Reverse Repurchase (DRP) Account of the CBSL in LankaSecure not later than 1615 hours on the same day.
- 43.0 A confirmation of SLF deal will be issued by the PSD to the PI electronically through the OEBS not later than 1615 hours on the same day indicating the amount accepted, the ISIN(s), face values, yield rate and the maturity date.
- 44.0 On the maturity date (sell back date), CBSL shall transfer the purchased securities back to the PI’s own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (repurchase price) of the securities.

## SECTION 4 : SHORT-TERM AUCTIONS

- 45.0 The Short-Term (ST) auctions shall be in the form of Repo and Reverse Repo transactions. The tenure of ST auction shall be overnight to one week. The exact tenure and the amount offered shall be decided by the MOC as stated in the paragraph 5.0 of this Operating Instructions. The settlement shall be on same day settlement (T+0) basis.
- 46.0 CBSL shall announce the decision of the MOC by 0930 hours on the same day. The announcement shall include the type of auction on offer (ST Repo or ST Reverse Repo), the amount offered and the maturity date (tenure). Auction will be conducted from 1100 hours to 1130 hours.
- 47.0 Each PI is restricted to a maximum of 3 bids and the total value shall be restricted to the amount offered at the respective auction. Each bid shall contain the amount they wish to invest/borrow and the corresponding bidding interest rate.

### 4.1 Short-Term Repo (STRP) Auctions

- 48.0 A PI who wishes to invest under the STRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. Any bid at or above the SLFR will be rejected.
- 49.0 The allotment shall be made based on the ascending order of the bidding interest rates quoted by the successful bidder.
- 50.0 Results of the STRP auction shall be announced by 1200 hours via the OEBS giving the total bids received, amount accepted and the Weighted Average Interest Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS by 1200 hours.
- 51.0 For each successful bid, securities shall be allocated at the CBSL official selling prices for the allotted amount at the STRP auction and a confirmation of STRP transaction shall be issued to each successful PI electronically via OEBS within one hour after the release of the results. The confirmation shall include the ISIN(s) and the respective face value(s) allocated, amount accepted and the repurchase value.
- 52.0 The settlement of the transactions will be through the Matched Trade Feed (MTF) facility available at LankaSettle. PSD shall settle the transaction on or before 1315 hours by transferring the allocated securities in to the DOP Account of the respective PI in LankaSecure against the receipt of funds (amount accepted) for the sale value of securities to the Settlement Account of the CBSL.
- 53.0 Successful PIs shall ensure that sufficient funds are available in their settlement account to enable the PSD to debit the sales value of securities (amount accepted) in full by 1315 hours.
- 54.0 On the maturity date (repurchase date), PSD will credit the repurchase value of the securities to the settlement account of the PI against the receipt of the sold securities to the securities own account or Domestic Operations Borrowed (DOB) account of the CBSL in LankaSecure, on or before 0830 hours.

- 55.0 The repurchase value shall consist of sales price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).
- 56.0 Pls shall ensure the availability of the Securities Purchased from the CBSL in their DOP Account in LankaSecure on the maturity date (repurchase date) by 0830 hours to enable the reversal of the STRP transaction in full.

#### 4.2 Short-Term Reverse Repo (STRRP) Auctions

- 57.0 A PI who wishes to borrow from the STRRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. Pls are required to submit the security details ISIN(s) together with their bids. Any bid at or below the SDFR will be rejected.
- 58.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidder.
- 59.0 Results of the STRRP auction shall be announced by 1200 hours via the OEBS giving the total bids received, amount accepted and the Weighted Average rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS by 1200 hours.
- 60.0 A confirmation of STRRP transaction will be issued to each successful PI electronically via OEBS within one hour after the release of the results. The confirmation shall include the ISIN(s) and the respective face value(s) allocated (recalculated face values if the bid is partially accepted), amount accepted and the sales price.
- 61.0 The settlement of the transactions shall be processed on or before 1315 hours on the same day through the MTF facility available at LankaSettle. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount accepted) against the receipt of purchased securities into the DRP Account of the CBSL in LankaSecure.
- 62.0 On the maturity date (sell back date), CBSL shall transfer the purchased securities back to the PI's own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (repurchase price) of the purchased security/securities.
- 63.0 The sell back value shall consist of purchase price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

### SECTION 5 : LONG TERM AUCTIONS

- 64.0 Long Term auctions shall be in the form of Repo and Reverse Repo transactions. The tenure of a long term auction shall be more than 1 week.
- 65.0 CBSL shall announce the decision of the MOC to conduct a long term auction by 0930 hours on the auction day or one business day in advance to the auction date. The announcement shall include the type of auction on offer (LTRP or LTRRP), the amount offered, the maturity date (tenure), auction date and the settlement date.
- 66.0 Each PI is restricted to a maximum of 6 bids and the total bid/s value shall be restricted to the amount offered at the respective auction. Each bid shall contain the amount they wish to invest/borrow and the corresponding bidding interest rate. Auction will be conducted from 1300 hours to 1400 hours. Settlement day will be the following business day.

#### 5.1 Long Term Repo (LTRP) Auctions

- 67.0 A PI who wishes to invest in the LTRP auction is required to submit their bid/s on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 68.0 The allotment shall be made based on the ascending order of the bidding interest rates quoted by the successful bidder.
- 69.0 Results of the LTRP auction shall be announced after 30 minutes from the auction cutoff time on the auction date via the OEBS giving the total bids received, amount accepted and the Weighted Average Interest Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS by 1430 hours.
- 70.0 For each successful bid, securities shall be allocated at the CBSL official term selling prices for the allotted amount at the LTRP auction and a confirmation of LTRP transaction shall be issued to each successful PI electronically via OEBS within one hour after the release of the results. The confirmation shall include the ISIN/s and the respective face value/s allocated, amount accepted and the repurchase value, and the maturity date.



- 71.0 On the settlement date, the settlement of the transactions shall be through the MTF facility available at LankaSettle. PSD shall settle the transaction on or before 0830 hours on the settlement date by transferring the allocated securities (purchased securities) into the DOP Account of the respective PI in LankaSecure against the receipt of funds (amount accepted) for the sale value of securities (purchase price) to the Settlement Account of the CBSL.
- 72.0 Successful PIs shall ensure that sufficient funds are available in their settlement account to enable the PSD to debit the sales value of securities (amount accepted) in full by 0830 hours on the settlement date.
- 73.0 On the maturity date (repurchase date), PSD will credit the repurchase value of the securities to the settlement account of the PI against the receipt of the sold securities to the own or DOB account of the CBSL in LankaSecure, on or before 0830 hours.
- 74.0 The repurchase value shall consist of sales price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

## 5.2 Long Term Reverse Repo (LTRRP) Auctions

- 75.0 A PI who wishes to borrow from the LTRRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. PIs are required to submit the security details ISIN(s) together with their bids.
- 76.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidder.
- 77.0 Results of the LTRRP auction shall be announced after 30 minutes from the auction cutoff time on the auction date via the OEBS giving the total bids received, amount accepted and the Weighted Average rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS after 30 minutes from the auction cutoff time.
- 78.0 A confirmation of LTRRP transaction will be issued to each successful PI electronically via OEBS within one hour after the release of the results. The confirmation shall include the ISIN/s and the respective face value/s allocated (recalculated face values if the bid is partially accepted), amount accepted and the sales price.
- 79.0 On the settlement date, the settlement of the transactions shall be processed through the MTF facility available at LankaSettle at or before 1145 hours. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount requested) against the receipt of purchased securities in to the DRP Account of the CBSL in LankaSecure.
- 80.0 On the maturity date (sell back date), CBSL shall transfer the purchased securities back to the PI's own security account at LankaSecure, not later than 1100 hours, against the receipt of funds in to the settlement account of the CBSL for the sell back value (repurchase price) of the purchased security/securities.
- 81.0 The sell back value shall consist of purchase price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

## SECTION 6 : OUTRIGHT AUCTIONS

- 82.0 The CBSL may decide to conduct outright auction/s to sell Treasury-bills and/or bonds outright from its holdings or to purchase them outright from the secondary market.
- 83.0 CBSL shall announce the decision of the MOC to conduct an outright auction by 0930 hours on the auction day or one business day in advance to the auction date. The announcement shall include the type of auction on offer (outright sale or purchase), the amount offered (the face value of the securities), the maturity date, days to maturity, auction date and the settlement date. The settlement date for outright transactions will be the following business day.
- 84.0 Each PI is restricted to a maximum of 6 bids which are accepted between 1300 hours to 1400 hours and the total bid/s value shall be restricted to the amount offered at the respective auction. Each bid shall contain the face value of the securities they wish to buy/sell, the required maturity period of Treasury-bills/bonds to be purchased/ sold, Coupon rate and coupon date in the case of Treasury bonds purchases, the corresponding bidding interest rate (yield rate) and the expected price.

## 6.1 Outright Sale Auctions

- 85.0 A PI who wishes to purchase T-bills/bonds on offer from the outright sale auction is required to submit their bid/s on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 86.0 The allotment shall be made based on the ascending order of the bidding interest (yield) rates quoted by the successful bidder.
- 87.0 Results of the outright sale auction shall be announced after 30 minutes from the auction cutoff time via the OEBS giving the total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction along with the relevant sales price of the securities where applicable, through the OEBS after 30 minutes from the auction cutoff time on the auction date.
- 88.0 On the settlement date, the settlement of the transactions shall be through the MTF facility available at LankaSettle. PSD shall settle the transaction on or before 0830 hours on the settlement date by transferring the securities sold into the own account of the respective successful bidder (PI) in LankaSecure against the receipt of funds for the sale value of securities (discounted value of the securities sold) to the Settlement Account of the CBSL.
- 89.0 The discounted value of securities sold shall be calculated on the basis of the bidding interest rate (yield rate) of Treasury bills/bonds as the case may be, quoted by the respective successful bidder (PI) and the maturity date of the Treasury bill/bond.

## 6.2 Outright Purchase Auctions

- 90.0 A PI who wishes to sell T-bills/bonds of the maturities indicated (offered) by the CBSL at the outright purchase auction, is required to submit their bid/s on the auction date electronically through OEBS by selecting the appropriate auction announcement.
- 91.0 The allotment shall be made based on the descending order of the bidding interest (yield) rates quoted by the successful bidder.
- 92.0 Results of the outright purchase auction shall be announced after 30 minutes from the auction cutoff time via the OEBS giving the total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction along with the relevant purchase price of the securities, through the OEBS after 30 minutes from the auction cutoff time on the auction date.
- 93.0 The settlement of the transactions shall be processed on or before 0830 hours on the settlement date through the MTF facility available at LankaSettle. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase value of securities (discounted value of the securities purchased), against the receipt of the securities purchased in to the own securities account of the CBSL in LankaSecure.
- 94.0 The discounted value of securities shall be calculated on the basis of the bidding interest rate (yield rate) Treasury bills/bonds as the case may be, quoted by the respective successful bidder (PI) and the maturity date of the Treasury bill/bond.

## SECTION 7 : CENTRAL BANK (CBSL) SECURITIES

- 95.0 The CBSL may decide, as and when it deemed necessary, to issue CBSL securities and/or to early retire the already issued CBSL securities, under Section 91(1)(b) of the Monetary Law Act (Chapter 422), as part of Open Market Operations to absorb excess rupee liquidity.
- 96.0 CBSL may decide to;
- i. Issuing of CBSL Securities under the Auction System
  - ii. Retirement of CBSL Securities under the Auction System
  - iii. CBSL Securities Sell-back facility
- 97.0 The main features of these securities are as follows:
- i.) CBSL securities will be issued in scripless form.
  - ii.) CBSL Securities are negotiable.
  - iii.) The terms and regulations applied to the operations of Scripless Securities Settlement System (SSSS) and Central Depository System (CDS) will be applied on transferring and the settlement of CBSL securities.

- iv.) CBSL securities are marketable. However, these securities shall not be eligible as a collateral for Intra-day liquidity facility (ILF), SLF or reverse repurchase transactions with the CBSL.
- v.) Similar to government Treasury bills, CBSL securities shall also be issued on a discount basis.
- vi.) PIs are eligible to purchase these securities from the Central Bank. The general public may purchase CBSL Securities from the secondary market through commercial banks or primary dealers.
- vii.) Similar to government securities, the primary issue of these securities is subject to the applicable withholding tax on interest income.
- viii.) The tenure (maturity period) of CBSL securities shall be decided by the CBSL.

### 7.1 Issuing of CBSL Securities under the Auction System (Short Term and Long Term)

- 98.0 CBSL shall announce the decision of the MOC to conduct an auction to issue CBSL securities on the auction day or one business day in advance to the auction date. The auction announcement shall include the type of auction (Short-term or Long-Term), amount offered (face value) and the maturity period of the securities to be sold, date and the time of the auction and the settlement date.
- 99.0 CBSL may decide to issue either short tenure or longer tenure CBSL securities. Short-tenure CBSL securities shall be from 1 day up to 1 week while longer tenure securities shall be issued for more than one week.
- 100.0 The auction will be conducted through the OEBS under the option for outright sale auction. A PI who wishes to purchase CBSL securities from the auction, is required to submit their bid/s giving the amount (face value of securities expected to purchase) and the bidding interest (yield) rate on the auction date, during the time indicated in the auction announcement, electronically through the OEBS by selecting the appropriate sale auction announcement.
- 101.0 Each PI is restricted to a maximum of 6 bids for each maturity and the total bid/s value shall be restricted to the amount offered at the respective auction.
- 102.0 The bidding interest (yield) rates quoted by PI, shall be the yield rate with the withholding tax (WHT).
- 103.0 The allotment shall be made based on the ascending order of the bidding interest (yield) rates quoted by the successful bidder.
- 104.0 Results of the auction shall be announced after 30 minutes from the close of the auction via the OEBS giving the total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction along with the relevant sales price (including WHT) of the securities, through the OEBS after 30 minutes from the close of the auction on the auction date.
- 105.0 The sale price (including WHT) of each successful bid shall be calculated by discounting the face value of securities at the bidding interest (yield) rates quoted by the respective PI adjusted for the WHT (after tax rate) for the maturity period of the securities.
- 106.0 A confirmation of the deal/s shall be issued by the PSD to the PI electronically through the OEBS within one hour after the release of the results confirming the amount accepted, ISIN(s), face values, and the maturity date.
- 107.0 The settlement of the transactions shall be made through the MTF facility available at LankaSettle. On the settlement date, PSD shall settle the transactions at the respective settlement times specified in clause 108 below, by transferring the face value of securities sold in to the own account of the respective PI in LankaSecure against the receipt of funds for the sale value of securities (discounted value of the securities sold/price with WHT) to the Settlement Account of the CBSL.
- 108.0 The settlement times shall be as follows;
  - i. For short-tenure CBSL security auctions, the settlement shall be made within 2 hours after the close of the respective auction on the auction date.
  - ii. For long tenure CBSL security auctions, the settlement time shall be made on or before 0830 hours on the respective settlement date.
- 109.0 On the maturity date, the system will automatically initiate the maturity settlement by transferring securities to the own securities account of the CBSL and maturity proceeds (face value of the securities) to the settlement account of the PI who held relevant securities on the immediately preceding business day prior to the maturity date, on or before 0830 hours.

## 7.2 Issue of CBSL Securities at a Pre-determined rate

- 110.0 The CBSL may issue, CBSL securities to PIs at a pre-determined yield rate.
- 111.0 The maturity period, the yield rate (with withholding tax) and the settlement date of CBSL securities to be issued at a pre-determined rate will be decided by the MOC and announced through on-line electronic bidding system / Money Market Monitoring System or/and any other means of communication, inviting PIs to purchase them between 1100 hours to 1430 hours on each business day entering into a deal with the OMO Division of DOD.
- 112.0 The PIs who wish to purchase CBSL securities at the pre-determined rates are required to inform the OMO Division of the DOD by telephone or fax message, the amount required to purchase (face value) not later than 1430 hours of the same day.
- 113.0 PIs are requested to submit the amount required to purchase (face value) to the electronic bidding system (under standing facility, outright sale option) on or before 1500 hours.
- 114.0 PIs whose deals were accepted could view such acceptance through the on-line electronic bidding system (under standing facility outright sale option) by 1500 hours on the same day.
- 115.0 In those cases where the settlement is on the deal date itself, Matched Trade Feed file will be submitted to LankaSecure on or before 1500 hours of the deal date. If the settlement is on a following day, a Matched Trade Feed file will be submitted to LankaSecure on or before 0830 hours on the settlement date.
- 116.0 The system will settle the transaction by transferring securities sold to the respective Own Accounts of the PIs against the receipt of funds to the Settlement Account of the CBSL for the discounted value of the securities sold.
- 117.0 The sale value (sale price including withholding tax) will be calculated by discounting the face value of securities sold by the applicable interest rate adjusted for the withholding tax (after tax rate) for the maturity period of the security.
- 118.0 On the maturity date, the system will automatically initiate the settlement by transferring securities to the CBSL own account and maturity proceeds to RTGS A/c of PIs that held relevant securities on the business day prior to the maturity date.
- 119.0 The Central Bank reserves the right to change the yield rate and the maturity period of CBSL securities to be issued under a pre-determined rate as and when it is deemed necessary and such changes will be notified to PIs through on-line electronic bidding system/Money Market Monitoring System or any other means of communication on or before 0930 hours on the day it will become effective.

## 7.3 Early Retirement of CBSL Securities under the Auction System

- 120.0 The MOC may decide, as and when it is deemed necessary, to retire CBSL securities prior to the respective maturity date/s through an auction.
- 121.0 CBSL shall announce the decision of the MOC to conduct an auction to retire (purchase) CBSL securities prior to the maturity date, on the auction day or one business day in advance to the auction date. The auction announcement shall include the amount offered (face value), the maturity date(s) and the ISIN(s) of the securities to be purchased, date and the time of the auction and the settlement date.
- 122.0 A PI who wishes to sell the respective CBSL securities at the auction, is required to submit their bid/s giving the amount (face value of securities expected to sell) and the bidding interest (yield) rate on the auction date, between 1300 hours and 1400 hours, electronically through the OEBS by selecting the appropriate auction announcement under outright purchase auction option. The settlement time shall be made on or before 0830 hours on the next business day.
- 123.0 Each PI is restricted to a maximum of 6 bids for each maturity (ISIN) and the total bid(s) value shall be restricted to the amount offered at the respective auction.
- 124.0 The allotment shall be made based on the descending order of the bidding interest (yield) rates quoted by the successful bidder.
- 125.0 Results of the auction shall be announced after 30 minutes after the close of the auction via the OEBS giving the total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid(s)) of the auction and the relevant purchase price of the CBSL securities, through the OEBS after 30 minutes after the close of the auction on the auction date.
- 126.0 The settlement of the transactions shall be processed on or before 0830 hours on the settlement day through the MTF facility available at LankaSettle. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase value of securities (discounted value of the CBSL securities purchased), against the receipt of the CBSL securities into the own securities account of the CBSL in LankaSecure.
- 127.0 The purchase price of the CBSL securities shall be calculated by discounting the value of each successful bid (face value of securities to be purchased) at the rate quoted by the respective PI for the remaining days to maturity of the securities.

#### 7.4 CBSL Securities Sell-Back Facility and early retirement at a predetermined rate

- 128.0 The CBSL provides following facilities for the Pls in relation to CBSL securities;
- a. to sell-back their holdings of CBSL securities to the CBSL prior to maturity at the CBSL SLFR.
  - b. CBSL will retire (purchase) CBSL securities prior to the maturity at a predetermined rate
- 129.0 In the event of 128 (a), Pls are permitted to sell-back their holdings of CBSL securities prior to the maturity dates of the respective CBSL security to the CBSL in case they are in need of liquidity at a discount at an interest rate comparable with the CBSL SLFR for the remaining period of maturity. In the event of 128 (b) CBSL will announce that it intends to retire (purchase) CBSL securities at a predetermined rate giving rate, maturity dates and ISIN of the CBSL securities to be retired prior to maturity
- 130.0 The Pls who wish to use the above facilities are required to inform the OMO Division of the DOD by telephone or fax stating the amount (face value of the CBSL securities) expected to sell-back not later than 1515 hours.
- 131.0 The PI shall confirm the deal (amount required to sell and the ISIN) electronically by submitting the same through the OEBS by selecting outright purchase option under the standing facility not later than 1515 hours on the same day. The settlement shall be on the same day (T+0) settlement basis.
- 132.0 A confirmation of the deal shall be issued by the PSD to the PI electronically through the OEBS not later than 1615 hours on the same day confirming the amount accepted, ISIN(s), face values, and the yield rate.
- 133.0 The purchase value (purchase price) of the CBSL securities shall be calculated by discounting the face value of the CBSL securities at the CBSL SLFR in the event of 128 (a) and at a predetermined rate in the event of 128 (b), for the remaining days to maturity of the securities.
- 134.0 The settlement of the transactions shall be through the MTF facility available at LankaSettle. PSD shall settle the transaction on or before 1615 hours on the same day, by crediting the settlement account of the PI for the purchase value of securities (discounted value of the CBSL securities purchased), against the receipt of the securities purchased in to the own securities account of the CBSL in LankaSecure.

#### SECTION 8 : FOREIGN EXCHANGE SWAP (FX SWAP) TRANSACTIONS

- 135.0 The procedures, guidelines, terms and conditions in this section apply only to Licenced Commercial Banks (LCB).
- 136.0 The MOC of the CBSL may decide to conduct Fx SWAP transactions as an instrument in monetary policy operations either to absorb or inject liquidity from or to the market. Fx SWAP transactions are those that involve the purchase of one currency against another at an initial date with an agreement to reverse that transaction at a future date at an agreed rate. As long as the nature of the transaction is concerned, Fx SWAPs are similar to Repos, but with collateral being the foreign currency in place of Government Securities.
- 137.0 All Fx SWAP transactions are carried out only between LCBs and the CBSL. The CBSL shall engage in two types of Fx SWAPs under the OMO;
- i. Sell-Buy FxSWAPs ; and
  - ii. Buy-Sell Fx SWAPs
- 138.0 The terms and conditions and the operating procedures for both Sell-Buy and Buy-Sell Fx SWAP transactions are as outlined in this section.
- 139.0 The tenure of both Sell-Buy and Buy-Sell Fx SWAP transactions shall be limited to a maximum of 365 days.
- 140.0 CBSL shall announce the decision of the MOC to conduct a Sell-Buy or Buy-Sell Fx SWAP auction, by 0930 hours on the auction day or one business day in advance to the auction date. The announcement shall include the amount offered, date of auction, tenure and the settlement date of the 1st leg and the maturity date of the 2nd leg.
- 141.0 An LCB who wishes to enter into Fx SWAP agreement with the CBSL is required to submit their bids on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 142.0 The Fx SWAP auction shall be opened for bids from 1300 hours – 1400 hours on the auction date.
- 143.0 Bids are accepted only in US dollars (USD) until further notice.
- 144.0 A Licenced commercial bank can submit up to a maximum of six bids for each tender. The minimum value of a bid shall be US dollars (USD) one million (\$ 1,000,000.00) and bids shall be in multiples of US dollars (USD) one hundred thousand (\$ 100,000). Each bid shall contain the amount in US dollars (USD) and swap points (variable rate tenders).
- 145.0 SWAP points shall be entered into the OEBS in rupee terms with two decimal points.
- e.g. 0.20 = twenty cents.

- 146.0 The allotment shall be made based on the SWAP points quoted by the successful bidder.
- 147.0 In the event of there being bids at the cutoff SWAP points in excess of the amount offered, the available quantum of Sell-Buy or Buy-Sell Fx SWAP shall be allocated among such bidders on a 'pro rata' basis. Accordingly, the bids at the cut off SWAP points may partially be accepted.
- 148.0 Results of the Fx SWAP auction shall be announced after 30 minutes from the close of auction on the auction date via OEBS giving the total bids received, amount accepted and the Weighted Average SWAP points.
- 149.0 Each bidder shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid(s)) of the auction along with the allotted value of the Fx SWAP through the OEBS after 30 minutes from the close of auction on the auction date.
- 150.0 A confirmation of the Fx SWAP transactions shall be issued to each successful PI electronically via OEBS within one hour after the release of the results confirming the amount accepted, tenure, maturity date, and the SWAP points.
- 151.0 The International Operations Department (IOD) of the CBSL shall carry out the respective Sell-Buy or Buy-Sell Fx SWAP transactions in physical form and shall send deal confirmations to each successful bidder.
- 152.0 Settlement procedure for Sell-Buy or Buy-Sell Fx SWAP transactions shall be identical to the settlement of other similar foreign exchange Fx SWAP transactions.

**Director/Domestic Operations  
Department**

**Annexure**

**Time schedule and summary of OMO instruments \***

Instrument						
Details	Short Term Repo/Reverse Repo auctions	Long Term Repo/Reverse Repo Auctions	Outright Sale/Purchase Auction	Foreign Exchange SWAP	Standing Facility	Central Bank Securities
Security	Treasury Bills and Treasury Bonds			Foreign Exchange	Treasury Bills and Treasury Bonds	CBSL Securities
Auction Announcement**	T+0	T-1 or T+0			-	Short term - T+0 Long term/New Issue - T-1 Retirement - T+0 or T-1
Auction Time	1100 -1130 hrs	1300 - 1400 hrs			Cutoff time 1515 hrs	Issue - 1100-1430 hrs Retirement - 1300-1400 hrs
Result Announcement	30 min after the auction cutoff time				1615	30 min after the auction cutoff time
No. of Maximum Bids	3	6	6	6	Unlimited	6
Settlement on OEBS	T+0	T+1			T+0	by 1500 hrs
Settlement time	T+0 by 1315 hrs	Repo - T+1 by 0830 hrs  Reverse Repo - T+1 by 1145 hrs	T+1 by 0830 hrs	T+1	SDF - by 1600 hrs  SLF - by 1615 hrs	by 0830 hrs  Sell back facility - T+0 by 1615 hrs Retirement - T+1 by 0830 hrs
Maturity date reversal	Repo - by 0830 hrs Reverse Repo - by 1100 hrs	Repo - by 0830 hrs Reverse repo - by 1100 hrs	-	by close of business	SDF - by 0830 hrs SLF - by 1100 hrs	by 0830 hrs
Counterparty***	LCB, PD and EPF			LCB	LCB, PD and EPF	LCB, PD and EPF
Tenor	1-7 days	More than 7 days	-	Upto 1 Year	Overnight	Upto 1 Year

\* Purpose of this table is only to provide a guide to instruments. PIs are required to refer to the specific auction announcement when bidding

\*\* 0930 hrs on auction date when T+0

\*\*\* Licensed Commercial Banks (LCBs), Primary Dealers (PDs) and Employees' Provident Fund (EPF)

**Directions Under Exchange Control Act No.01 of 2016**

20 January 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON  
NON RESIDENT FOREIGN CURRENCY (NRFC) ACCOUNTS**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain NRFC Accounts subject to the following conditions.

**1.1 Eligible Persons**

- (a) Nationals of Sri Lanka who are residents outside Sri Lanka.
- (b) Nationals of Sri Lanka who have returned to Sri Lanka from employment abroad within 90 days of such return.
- (c) Non-nationals of Sri Lankan origin, who are residents outside Sri Lanka.
- (d) Individuals who have opened Migrant Blocked Accounts (MBA).
- (e) Individuals who maintain NRFC accounts.
- (f) Minors resident outside Sri Lanka who are nationals of Sri Lanka or of Sri Lankan origin.

**1.2 Opening and Maintaining the Accounts**

- (a) NRFC accounts can be opened and maintained in the form of current, savings or term deposit accounts in any designated foreign currency in the Domestic Banking Unit. However, a cheque book shall not be issued against a current account.
- (b) These accounts may be held jointly with another eligible person.
- (c) The following information and documents should be obtained before opening an account.
  - i. Full name, nationality and foreign address
  - ii. Passport number, date of issue and validity period
  - iii. Date of departure from Sri Lanka
  - iv. Citizenship/nature of visa granted by a foreign Government.
- (d) New NRFC accounts may be opened for an individual utilizing funds transferred from existing NRFC accounts maintained by such individual with an Authorized Dealer or a permitted entity, irrespective of the currency type.
- (e) When transferring funds from one NRFC account to another NRFC account including in the instance of opening a new NRFC account, the Authorized Dealer which transfers funds shall issue a confirmation to the receiving Authorized Dealer or the permitted entity, that the funds so transferred were originated from an NRFC account.
- (f) In the event an NRFC account is to be opened by a minor, such accounts should be opened by crediting inward remittances received from their guardians/parents who are non-residents or transferring funds from existing NRFC accounts of guardians/parents.

**1.3 Permitted Credits**

- (a) Inward remittances received from abroad through the banking system.
- (b) Foreign currency brought in to the country by the account holder on declaration to the Authorized Dealer.
- (c) Funds transferred from other NRFC accounts.
- (d) Funds transferred from an Inward Remittances Distribution Account (IRDA).
- (e) Funds transferred from an MBA of the same account holder.
- (f) Funds transferred from a Securities Investment Account (SIA) of the same account holder.
- (g) Funds transferred from a Special Foreign Investment Deposit Account (SFIDA) of the same account holder.
- (h) Capital and capital gains received from foreign investments into an Outward Investment Account (OIA), if the original investment had been made by debiting an NRFC account.
- (i) Unutilized balance remaining in the Foreign Travel Card (FTC) of the same account holder, up to the amount the FTC had been loaded from the NRFC account.
- (j) Interest payable in foreign currency on funds held in the respective NRFC account.

### 1.4 Permitted Debits

- (a) Any outward remittances made outside Sri Lanka.
- (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (c) Transfer of funds to other NRFC or Resident Foreign Currency accounts (RFC) irrespective of the holder of accounts.
- (d) Transfer of funds to SIA of the same account holder.
- (e) Transfer of funds for uploading a FTC.
- (f) Withdrawal in foreign currency notes up to USD 10,000 or its equivalent in any other foreign currency for any purposes.
- (g) Transfer of funds to foreign currency accounts maintained by persons in Sri Lanka who are permitted to accept foreign currency.

### 1.5 Monthly Returns

- (a) Authorized Dealers are required to furnish a Report as per Annex I on a monthly basis to this department on or before the 15th day of the following month by email to ecdm@cbsl.lk.
  - (b) Authorized Dealers are required to implement a system within the bank in order to generate/extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.
- 2 Operating Instructions and Directions issued under the Exchange Control Act specifying requirements related to NRFC Accounts listed in Annex II are hereby rescinded.
  - 3 The revocation of previous Operating Instructions and Directions shall not affect any rights accrued on or penalties or liabilities incurred, under the Directions listed in Annex II prior to their revocation.

**Controller of Exchange**

**Annex I to the Directions No. 01 of 2016**

#### Monthly Statement of Non Resident Foreign Currency Accounts

Name of the Bank: .....

Reporting month & year: .....

Type of Foreign Currency	Opening Balance		Total Credits			Total Debits			Closing Balance	
	No. of Accounts	Amount	Inward remittances from abroad	Others	Total	Outward remittances made outside Sri Lanka	Others	Total	No. of Accounts	Amount
Australian Dollar										
Canadian Dollar										
Pounds Sterling										
Swiss Franc										
Danish Kroner										
Euro										
Chinese Renminbi										
Hong Kong Dollar										
Japanese Yen										
New Zealand Dollar										
Norwegian Kroner										
Singapore Dollar										
Swedish Kroner										
United States Dollar										

We certify that the above information extracted/generated from the books of accounts of the bank as accurate.

.....  
Name of Authorized Officer

.....

Signature

Date.....

.....  
Name of Compliance Officer

.....

Signature

Date.....



**List of Operating Instructions and Directions that are rescinded in terms of paragraph 2 of these Directions**

1. Ref. No. EC/08/88 (D) dated 5 May 1988
2. Ref. No. EC/18/89 (D) dated 31 August 1989
3. Ref. No. EC/14/90 (D) dated 6 March 1990
4. Ref. No. EC/76/90 (D) dated 6 December 1990
5. Ref. No. EC/17/91 (D) dated 20 March 1991
6. Ref. No. EC/74/91 (C&F) dated 14 October 1991
7. Ref. No. EC/64/92 (D) dated 9 July 1992
8. Ref. No. 06/04/09/2007 dated 15 June 2007
9. Ref. No. 06/04/18/2008 dated 3 December 2008
10. Ref. No. 06/04/03/2009 dated 24 February 2009
11. Ref. No. 06/04/05/2009 dated 1 October 2009
12. Ref. No. 06/04/07/2009 dated 12 November 2009
13. Ref. No. 06/04/08/2011 dated 28 October 2011
14. Ref. No. 06/04/04/2012 dated 11 July 2012
15. Ref. No. 06/04/06/2012 dated 9 August 2012
16. Ref. No. 06/04/11/2012 dated 31 December 2012
17. Ref. No. 06/04/05/2013 dated 2 January 2013
18. Ref. No. 06/04/22/2013 dated 12 June 2013

**Directions Under Exchange Control Act No.02 of 2016**

20 January 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON RESIDENT  
FOREIGN CURRENCY (RFC) ACCOUNTS**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain RFC Accounts subject to the following conditions.

**1.1 Eligible Persons**

- (a) Individuals resident in Sri Lanka.
- (b) Individuals who maintain RFC accounts.
- (c) Minors resident in Sri Lanka.

**1.2 Opening and Maintaining the Accounts**

- (a) RFC accounts can be opened and maintained in the form of savings or term deposit accounts in any designated foreign currency in the Domestic Banking Unit.
- (b) These accounts shall be opened with an initial deposit of not less than USD 100 or its equivalent in other designated foreign currencies.
- (c) New RFC accounts may be opened utilizing funds transferred from existing RFC/Non Resident Foreign Currency (NRFC) accounts maintained by same account holder irrespective of the currency type.
- (d) When transferring funds from one RFC/NRFC account to another RFC account including in the instance of opening a new RFC account, the Authorized Dealer who transfers funds shall issue a confirmation to the receiving Authorized Dealer or the permitted entity, that the funds so transferred were originated from an RFC/NRFC account.
- (e) In the event an RFC account is to be opened by a minor, such accounts shall be opened by crediting inward remittances received from their guardians/parents who are non-residents or transferring funds from existing RFC/NRFC accounts of guardians/parents.

**1.3 Permitted Credits**

- (a) Inward remittances received from abroad through the banking system.

- (b) Foreign currency brought in to the country by the account holder on declaration to the Authorized Dealer.
- (c) Funds transferred from other RFC/NRFC accounts.
- (d) Funds transferred from an Inward Remittances Distribution Account (IRDA).
- (e) Capital and capital gains received from foreign investments into an Outward Investment Account (OIA), if the original investment had been made by debiting an RFC account.
- (f) Unutilized balance remaining in the Foreign Travel Card (FTC) of the same account holder, up to the amount the FTC had been loaded from the RFC account.
- (g) Interest payable in foreign currency on funds held in the respective RFC accounts.

#### 1.4 Permitted Debits

- (a) Any outward remittances made outside Sri Lanka.
- (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (c) Transfer of funds to other RFC accounts irrespective of the holder of accounts.
- (d) Transfer of funds for uploading a FTC.
- (e) Withdrawal in foreign currency notes up to USD 10,000 or its equivalent in any other foreign currency for any purposes.
- (f) Transfer of funds to foreign currency accounts maintained by persons in Sri Lanka who are permitted to accept foreign currency.

#### 1.5 Monthly Returns

- (a) Authorized Dealers are required to furnish a Report as per Annex I on a monthly basis to this department on or before the 15th day of the following month by email to ecdm@cbsl.lk.
  - (b) Authorized Dealers are required to implement a system within the bank in order to generate/extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.
- 2 Operating Instructions and Directions issued under the Exchange Control Act specifying requirements related to RFC accounts, as given in Annex II are hereby rescinded.
  - 3 The revocation of previous Operating Instructions and Directions shall not affect any rights accrued on or penalties or liabilities incurred, under the Directions listed in Annex II prior to their revocation.

**Controller of Exchange**

**Annex I to the Directions No. 02 of 2016**

#### Monthly Statement of Resident Foreign Currency Accounts

Name of the Bank: .....

Reporting month & year: .....

Type of Foreign Currency	Opening Balance		Total Credits			Total Debits			Closing Balance	
	No. of Accounts	Amount	Inward remittances from abroad	Others	Total	Outward remittances made outside Sri Lanka	Others	Total	No. of Accounts	Amount
Australian Dollar										
Canadian Dollar										
Pounds Sterling										
Swiss Franc										
Danish Kroner										
Euro										
Chinese Renminbi										
Hong Kong Dollar										
Japanese Yen										
New Zealand Dollar										
Norwegian Kroner										

Singapore Dollar										
Swedish Kroner										
United States Dollar										

We certify that the above information extracted/generated from the books of accounts of the bank as accurate.

.....

Name of Authorized Officer

.....

Signature

Date.....

.....

Name of Compliance Officer

.....

Signature

Date.....

**Annex II**

### List of Operating Instructions and Directions that are rescinded in terms of paragraph 2 of these Directions.

- 1 Ref. No. EC/52/91(D) dated 1 August 1991
- 2 Ref. No. EC/60/91(D) dated 13 August 1991
- 3 Ref. No. EC/83/91(D) dated 24 October 1991
- 4 Ref. No. EC/115/91(D) dated 12 December 1991
- 5 Ref. No. EC/13/92(D) dated 6 February 1992
- 6 Ref. No. EC/22/92(D) dated 27 February 1992
- 7 Ref. No. EC/65/92(D) dated 9 July 1992
- 8 Ref. No. EC/32/93(D) dated 3 March 1993
- 9 Ref. No. EC/38/93(D) dated 16 March 1993
- 10 Ref. No. EC/07/99(D) dated 14 December 1999
- 11 Ref. No. 06/04/19/2008 dated 3 December 2008
- 12 Ref. No. 06/04/05/2009 dated 1 October 2009
- 13 Ref. No. 06/04/07/2009 dated 12 November 2012
- 14 Ref. No. 06/04/04/2012 dated 11 July 2012
- 15 Ref. No. 06/04/06/2012 dated 9 August 2012
- 16 Ref. No. 06/04/12/2012 dated 31 December 2012
- 17 Ref. No. 06/04/16/2013 dated 12 June 2013
- 18 Ref. No. 06/04/04/2014 dated 28 May 2014

**Directions Under Exchange Control Act No.03 of 2016**

20 January 2016

### **DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON RESIDENT NON-NATIONALS' FOREIGN CURRENCY (RNNFC) ACCOUNTS**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain RNNFC Accounts for non-nationals who are resident in Sri Lanka, either on temporary or permanent resident visas, subject to the following conditions:

#### **1.1 Opening and Maintaining the Accounts**

These accounts can be opened and maintained in the form of current, savings or term deposits in any designated foreign currency in the Domestic Banking Unit. However, a cheque book shall not be issued against a current account.

#### **1.2 Permitted Credits**

- (a) Inward remittances received from abroad through the banking system.
- (b) Amounts in Sri Lanka Rupees authorized by the Controller of Exchange for remittance abroad, converted at the rate of exchange obtained on the day of credit.
- (c) Funds transferred from an account maintained in an Off-shore Banking Unit by the employer of the account holder.
- (d) Monthly salary in Sri Lanka Rupees transferred from an account maintained by the employer of the account holder converted into foreign currency at the exchange rate of the day of credit subject to the conditions that:

- Authorized Dealer shall verify the employment contract and the visa of the account holder; and
  - the monthly amount of rupee conversion shall not exceed the amount of the salary mentioned in the employment contract.
- (e) Any other employment benefits in Sri Lanka Rupees converted into foreign currency at the exchange rate of the day of credit after verifying the documentary evidence.
- (f) Funds transferred from a Securities Investment Account (SIA) of the same account holder.
- (g) Capital and capital gains received from foreign investments into an Outward Investments Account (OIA), if original investment had been made by debiting an RNNFC account.
- (h) Unutilized balance remaining in the Foreign Travel Card (FTC) of the same account holder, up to the amount the FTC had been uploaded from the RNNFC account.
- (i) Interest payable in foreign currency on funds held in the respective RNNFC account.

### 1.3 Permitted Debits

- (a) Any outward remittances made outside Sri Lanka.
- (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (c) Transfer of funds for uploading a FTC.
- (d) Withdrawal in foreign currency notes up to USD 10,000 or its equivalent in any other foreign currency for any purposes.
- (e) Transfer of funds to foreign currency accounts maintained by persons in Sri Lanka who are permitted to accept foreign currency.
- (f) Transfer of funds to the credit of the account maintained by the employer of the account holder in the event an overpayment has been made by such employer, or any other payment due to such employer, as per the 1.2(c), 1.2(d) and 1.2 (e) above.

### 1.4 Monthly Returns

- (a) Authorized Dealers are required to furnish a Report as per Annex I on a monthly basis to this department on or before the 15th day of the following month by email to [ecdm@cbsl.lk](mailto:ecdm@cbsl.lk).
- (b) Authorized Dealers are required to implement a system within the bank in order to generate/extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.
- 2 Operating Instructions and Directions issued under the Exchange Control Act specifying requirements related to RNNFC Accounts, as given in Annex II are hereby rescinded.
- 3 The revocation of previous Operating Instructions and Directions shall not affect any rights accrued on or penalties or liabilities incurred, under the Directions listed in Annex II prior to their revocation.

**Controller of Exchange**

**Annex I to the Directions No. 03 of 2016**

#### Monthly Statement of Resident Non-Nationals' Foreign Currency Accounts

Name of the Bank: .....

Reporting month & year: .....

Type of Foreign Currency	Opening Balance		Total Credits			Total Debits			Closing Balance	
	No. of Accounts	Amount	Inward remittances from abroad	Others	Total	Outward remittances made outside Sri Lanka	Others	Total	No. of Accounts	Amount
Australian Dollar										
Canadian Dollar										
Pounds Sterling										
Swiss Franc										

Danish Kroner										
Euro										
Chinese Renminbi										
Hong Kong Dollar										
Japanese Yen										
New Zealand Dollar										
Norwegian Kroner										
Singapore Dollar										
Swedish Kroner										
United States Dollar										

We certify that the above information extracted/generated from the books of accounts of the bank as accurate.

.....

Signature of Authorized Officer

.....

Signature

Date.....

.....

Signature of Compliance Officer

.....

Signature

Date.....

## Annex II

### List of Operating Instructions and Directions that are rescinded in terms of paragraph 2 of this Direction

- 1 Ref. No. EC/19/80(D) dated 14 May 1980
- 2 Ref. No. EC/19/83(D) dated 11 May 1983
- 3 Ref. No. 06/04/07/2011 dated 18 August 2011
- 4 Ref. No. 06/04/07/2013 dated 2 January 2013
- 5 Ref. No. 06/04/05/2014 dated 28 May 2014

Directions Under Exchange Control Act No.04 of 2016

20 January 2016

### DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON FOREIGN EXCHANGE EARNERS' ACCOUNTS (FEEA)

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain FEEA subject to the following conditions:

#### 1.1 Eligible Persons

- (a) The following persons resident in Sri Lanka who earn foreign exchange
  - (i) An individual.
  - (ii) A sole proprietorship and a partnership registered in Sri Lanka.
  - (iii) A company incorporated in Sri Lanka.
  - (iv) A company incorporated outside Sri Lanka which is registered as an overseas company under the Companies Act, No. 07 of 2007.
  - (v) A State institution with the recommendation of the Secretary to the relevant line Ministry or appropriate Authority.
- (b) A person eligible to borrow in foreign currency from a person resident outside Sri Lanka under a permission granted by the Controller of Exchange.

1.2 A Non Governmental Organization shall not be permitted to open and maintain a FEEA.

#### 1.3 Types of Accounts

A FEEA can be opened in the form of current, savings or a term deposit in any foreign currency in the Domestic Banking Unit. However, a cheque book shall not be issued against a current account.

#### 1.4 Permitted Credits

- (a) Inward remittances received from abroad through the banking system and foreign currency drafts issued by banks outside Sri Lanka, in respect of investments made outside Sri Lanka, export of goods and services, entrepot trade, overseas projects undertaken by the account holder and goods supplied locally to a person resident outside Sri Lanka.
- (b) Foreign currency brought into the country by the account holder on declaration to Sri Lanka Customs, as applicable.
- (c) Foreign currency in the form of travellers' cheques, bank drafts or currency notes accepted by the account holder in terms of a permission granted by the Controller of Exchange for such acceptance.
- (d) Payments received in respect of goods sold and services rendered by the account holder to a person resident outside Sri Lanka where payments for such goods and services have been made through an Electronic Data Capture Terminal or Internet Payment Gateway (EDC/IPG), by using an Electronic Fund Transfer Card (EFTC) issued outside Sri Lanka, provided however that the authorized dealer shall credit such payment into a FEEA only upon written confirmation by the EDC/IPG provider stating that it contains payments made using an EFTC issued outside Sri Lanka.
- (e) Funds transferred from other FEEA and accounts maintained in the Offshore Banking Unit (OBU) in respect of supply of goods and services.
- (f) Proceeds of foreign currency loans received from Authorized Dealers.
- (g) Proceeds of foreign currency loans obtained from foreign lenders with permission of the Controller of Exchange.
- (h) Capital and capital gains received from foreign investments into an Outward Investment Account (OIA), if the original investment had been made by debiting an FEEA.
- (i) Funds transferred from the Foreign Currency Account for an Agent of Foreign Shipping Line/Airline (FCAASA) in respect of supply of fuel by a Bunker Operator licensed by the Ministry in charge of the subject of Petroleum Industry.
- (j) Funds transferred from FCAASA in respect of port terminal charges by a Port Terminal Operator as per Schedule 1 of the Directions bearing Ref. No. 06/04/25/01/2013 dated 21st October, 2013 as amended.
- (k) Funds transferred from FCAASA against inward remittances received from the foreign principal in respect of provision of goods and services directly to the foreign principal.
- (l) Funds transferred from an Inward Remittances Distribution Account (IRDA).
- (m) Insurance premia received by the account holder on foreign currency denominated policies issued to eligible customers and co-insurers and claims received from re-insurers and National Insurance Trust Fund (NITF) by insurance companies registered with the Insurance Board of Sri Lanka (IBSL).
- (n) Unutilized foreign currency obtained by the account holder debiting the FEEA for any purposes in terms of item (f) of paragraph 1.5 herein and for the purposes specified under item (k) of paragraph 1.5 herein.
- (o) Unutilized balance remaining in the Foreign Travel Card (FTC) of the same account holder, up to the amount the FTC had been loaded from the FEEA.
- (p) Funds transferred from a bank account abroad, maintained in terms of the notice published in the Government Gazette (Extraordinary) No. 1864/38 dated 28 May 2014 and the Direction bearing Ref. No. 06/04/03/2014 dated 28 May 2014, where the original outward remittance had been made by debiting the FEEA.

#### 1.5 Permitted Debits

- (a) Any outward remittances made outside Sri Lanka.
- (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (c) Transfers to other FEEA, and accounts maintained in the OBU with respect to purchase of goods and obtaining services by the account holder.
- (d) Payments of freight charges to the credit of an FCAASA.
- (e) Transfer of funds for uploading an FTC.
- (f) Withdrawal in foreign currency notes up to USD 10,000 or its equivalent in any other foreign currency for any purposes.
- (g) Transfer of funds to foreign currency accounts maintained by persons in Sri Lanka who are permitted to accept foreign currency.

- (h) Transfer of funds to an OIA of the same account holder.
- (i) Repayment of foreign currency loans obtained by the account holder from Authorized Dealers.
- (j) Payments of claims to eligible customers and co-insurers in respect of foreign currency denominated policies, premia to local or overseas re-insurers and NITF and brokerage by insurance companies registered with the IBSL.
- (k) Withdrawal in foreign currency notes not exceeding USD 50,000 at a time by gem and jewellery dealers for the purpose of purchasing cut and polished or rough gem stones and other raw materials abroad upon submission of confirmation obtained from the National Gem and Jewellery Authority.

### 1.6 Other Requirements

- (a) Documentary evidence shall be obtained at the time of opening a FEEA to determine the applicant's eligibility to open and maintain FEEA and the authorization by the relevant authority/ies, if any, to carry out the business of such applicant.
- (b) A FEEA shall not be overdrawn under any circumstances except by way of an overdraft facility granted under a Direction issued by the Controller of Exchange.
- (c) Under no circumstances Sri Lanka Rupees shall be converted into foreign currency and be credited into a FEEA.
- (d) Transfers between FEEA of the same account holder shall be permitted.

### 1.7 Monthly Returns

- (a) Authorized Dealers are required to furnish a Report as per Annex I on a monthly basis to this department on or before the 15th day of the following month by email to ecdm@cbsl.lk.
  - (b) Authorized Dealers are required to implement a system within the bank in order to generate/extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.
- 2 Operating Instructions and Directions issued under the Exchange Control Act specifying requirements related to FEEAs, as given in Annex II are hereby rescinded.
- 3 The revocation of previous Operating Instructions and Directions shall not affect any rights accrued on penalties or liabilities incurred, under the Directions listed in Annex II prior to the revocation.

**Controller of Exchange**

**Annex I to the Directions No. 04 of 2016**

#### Monthly Statement of Foreign Exchange Earners' Accounts (FEEA)

Name of the Bank: .....

Reporting month & year: .....

Category of the Account	Currency	Balances as at beginning of the month	Credits			Debits		Balance as at end of the month	Total Number of A/Cs as at end of the month
			Inward Remittances from abroad	Total Interest Credited	Other Credits	Outward Remittances made outside Sri Lanka	Other Debits		
Exporters									
Indirect Exporters									
Professional Services Providers									
Travel Agents									
Suppliers of Material Inputs									
Gem & Jewellery Dealers									
Insurers									
Foreign Employment Agencies									
Account holders under the general permission									

Special / Temporary Foreign Currency									
Borrowings in Foreign Currency									
Other (specify the category)									

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

We certify that the above information extracted/generated from the books of accounts of the bank as accurate.

.....

Name of Authorized Officer

.....

Signature

.....

Name of Compliance Officer

.....

Signature

**Annex II**

### **List of Operating Instructions and Directions that are rescinded in terms of paragraph 2 of this Direction**

- 1 Ref. No. 06/04/05/2012 dated 11 July 2012
- 2 Ref. No. 06/04/13/2012 dated 31 December 2012
- 3 Ref. No. 06/04/03/2013 dated 1 January 2013
- 4 Ref. No. 06/04/10/2013 dated 24 January 2013
- 5 Ref. No. 06/04/13/2013 dated 21 February 2013
- 6 Ref. No. 06/04/07/2014 dated 28 May 2014

### **The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY**

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### **PART 1 : SECTION (I) – GENERAL Central Bank of Sri Lanka Notices NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

#### **Permission in terms of Sections 5, 6 and 6A of the Exchange Control Act**

IN exercise of powers conferred by Sections 5, 6 and 6A of the Exchange Control Act read with Sections 3 and 48 of the said Act, permission is hereby granted to possess and retain foreign exchange as specified below.

#### **1 Possession and retention of foreign exchange**

- 1.1 The following persons resident in Sri Lanka are permitted to possess and retain foreign currency subject to the provisions of paragraph 2 below.
  - (a) An Authorized Dealer may possess and retain foreign exchange acquired in the normal course of business and within the terms of his authorization.
  - (b) An authorized person may possess and retain foreign currency received or acquired in the normal course of business and within the terms of his authorization.
  - (c) An individual may retain in his possession foreign currency in the form of currency notes, and/or travellers' cheques, the aggregate value of which does not exceed US\$ 10,000 or its equivalent in other foreign currencies, provided that such foreign currency represents -
    - (i) foreign currency purchased by him from an Authorized Dealer or an authorized person for travel abroad and brought back unutilized while returning to Sri Lanka; or
    - (ii) foreign currency received by him outside Sri Lanka as remuneration for services rendered by him to a person resident outside Sri Lanka; or



(iii) foreign currency notes withdrawn by the holders of Non Resident Foreign Currency Accounts (NRFC), Resident Foreign Currency Accounts (RFC), Resident Non-Nationals' Foreign Currency Accounts (RNNFC) and Foreign Exchange Earners' Accounts (FEEA) from their respective accounts.

(d) An individual may retain in his possession foreign currency accepted in respect of goods and services supplied by such person to a person resident outside Sri Lanka or 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.

1.2 An individual resident outside Sri Lanka may in Sri Lanka retain in his possession without limit foreign currency if such foreign currency was acquired by him whilst he was outside Sri Lanka or from foreign currency accounts maintained with Authorized Dealers/authorized persons.

## 2 Period for retention of foreign exchange by a person resident in Sri Lanka

2.1 An individual who obtains foreign currency from an Authorized Dealer or authorized person for a purpose mentioned in an application made by him to the Authorized Dealer or authorized person and does not use it for such purpose shall not retain such foreign currency for a period exceeding 90 days from the date of receipt of such foreign currency without converting into Sri Lanka Rupees.

2.2 An individual who obtains foreign currency from an Authorized Dealer or authorized person for a purpose mentioned in an application made by him to the Authorized Dealer or authorized person thereafter brings back to Sri Lanka said foreign currency or part thereof, such person shall not retain such foreign currency for a period exceeding 90 days from the date of repatriation without converting into Sri Lanka Rupees.

2.3 An individual who proceeds outside Sri Lanka for taking up employment, professional work or setting up a business, earns or receives foreign currency from such employment, profession or business and brings back to Sri Lanka, such person shall not be entitled to retain such foreign currency for a period exceeding 90 days from the date of its repatriation without converting into Sri Lanka Rupees or crediting into a foreign currency account opened and/or maintained by such person in accordance with Directions issued to Authorized Dealers under the Exchange Control Act for opening and maintaining of foreign currency accounts.

2.4 An individual who accepts payments in foreign currency in respect of goods and services supplied by such person to a resident outside Sri Lanka, such person shall not retain such foreign currency for a period exceeding 7 days from the date of accepting, without depositing in a FEEA in the name of the person who accepted such foreign currency or selling to a Licensed Commercial Bank.

2.5 Time period referred to in paragraphs 2.2 and 2.3 above do not apply to an individual resident in Sri Lanka who retains foreign currency in his possession in accordance with sub-paragraph (c) of paragraph 1.1 of this notice.

## 3 Interpretation for purposes of this notification

3.1 In this notice, unless the context otherwise requires -

- (a) **"Authorized Dealer"** shall mean, a commercial bank for the time being authorized under Section 4 of the Exchange Control Act for the purposes of the Act as an Authorized Dealer in relation to gold or any foreign currency;
- (b) **"authorized person"** shall mean, any person other than an Authorized Dealer for the time being authorized by the Central Bank under Section 5 of the Exchange Control Act;
- (c) **"foreign currency"** shall have the same meaning as given in the Exchange Control Act;
- (d) **"currency"** shall have the same meaning as given in the Exchange Control Act;
- (e) **"foreign exchange"** shall have the same meaning as given in the Exchange Control Act;
- (f) **"person resident in Sri Lanka"** or a **"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.15,007 dated 21st April, 1972.

4. The notice published in the *Government Gazette* (Extraordinary) No. 1516/19 dated 25<sup>th</sup> September 2007 is hereby rescinded.

T M J Y P Fernando,  
**Controller of Exchange.**

Central Bank of Sri Lanka  
Colombo  
20<sup>th</sup> January, 2016

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**PART 1 : SECTION (I) – 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 8 of the Exchange Control Act**

IN exercise of powers conferred by Sections 7 and 8 of the Exchange Control Act read with sections 3 and 48 of the said Act, permission is hereby granted for a person to make payments in foreign exchange to a person resident outside Sri Lanka using an Electronic Fund Transfer Card (EFTC) subject to the following terms and conditions.

1. A payment on an EFTC to a person resident outside Sri Lanka by a resident in Sri Lanka may be made only for the following purposes except in the event that card is issued against a Foreign Exchange Earners' Account (FEEA), Resident Foreign Currency Account (RFC), Resident Non Nationals' Foreign Currency Account (RNNFC) and a Non Resident Foreign Currency Account (NRFC).
  - (a) Payment to be made abroad by a card holder for services of a personal nature including travel, accommodation, medical, living and educational expenses.
  - (b) Payment for purchase of goods for personal use abroad.
  - (c) Payment for import of goods into Sri Lanka for personal use subject to the terms, conditions and limitations stipulated in the regulations issued under the Import and Export (Control) Act, No. 01 of 1969.
  - (d) Payment of registration fees, tuition fees, examination fees and annual subscription fees of a personal nature payable to a foreign professional body or an educational institution.
  - (e) Payment to be made in respect of insurance premium only for travel and health insurance of personal nature.
  - (f) Payment to be made in respect of overseas travel and accommodation of personal nature while in Sri Lanka.
2. The following persons are eligible to apply and obtain a debit card from an Authorized Dealer, provided such eligible persons are individuals.
  - (a) A citizen of Sri Lanka who has proceeded outside Sri Lanka for employment or setting up a business or profession, during the pendency of such employment, business or profession.
  - (b) A citizen of Sri Lanka who has made his or her permanent place of abode outside Sri Lanka and has opened a Non-Resident Blocked Account (NRBA) or a Migrant Blocked Account (MBA).
  - (c) A holder of a Diplomatic Foreign Currency Account (DFA) or a Diplomatic Rupee Account (DRA).
  - (d) A holder of a Non-Resident Non-National Foreign Currency Account (NRNFA).
  - (e) A holder of a Resident Guest Rupee Current Account (RGRCA).
  - (f) A holder of a Senior Foreign Nationals' Rupee Account (SFNRA).
  - (g) A holder of a Securities Investment Account (SIA).
  - (h) A holder of a Special Foreign Investment Deposit Account (SFIDA).
  - (i) A holder of a Foreign Currency Account for International Services Providers and their Employees (FCAISPE) in the capacity of an employee.
  - (j) A holder of a Foreign Exchange Earners' Account (FEEA).
  - (k) A holder of a Resident Foreign Currency Account (RFC).
  - (l) A holder of a Resident Non Nationals' Foreign Currency Account (RNNFC).
  - (m) A holder of a Non Resident Foreign Currency Account (NRFC).
3. When a debit card is issued to an individual listed under items (b) to (m) of paragraph 2, the debit card shall be issued against the monies lying to the credit of such account.
4. A debit card issued to an individual listed in paragraph 2 shall be used subject to the following terms and conditions.
  - (a) Any payment in Sri Lanka Rupees, in Sri Lanka is permitted.

- (b) Any payment to a person resident outside Sri Lanka for any purpose is freely permitted, where a debit card is issued against a:
- (i) DFA;
  - (ii) NRRNFA;
  - (iii) SIA;
  - (iv) SFIDA;
  - (v) FEEA;
  - (vi) RFC;
  - (vii) RNNFC;
  - (viii) NRFC;
- (c) Where a debit card is issued to following persons, a payment to a person resident outside Sri Lanka for a current international transaction is permitted.
- (i) A holder of an FCAISPE in the capacity of an employee;
  - (ii) A citizen of Sri Lanka who has proceeded outside Sri Lanka for employment or setting up in business or profession, during the pendency of such employment, business or profession.
5. An EFTC issued to a resident in Sri Lanka shall be surrendered to the card issuing bank if the card holder migrates or leaves Sri Lanka for employment abroad, except in the event that card is issued under items (a), (j), (k), (l) and (m) of paragraph 2.
6. In the event of withdrawal of foreign currencies using a debit card or obtaining a cash advance through a credit card, card holder shall keep evidence that such currencies have been utilized for the transactions permitted under paragraphs 1 and 4 (c) of this permission.
7. Any payment to a resident outside Sri Lanka by a resident in Sri Lanka through an EFTC for any purpose which falls outside the purview of paragraph 1 shall require the prior written permission of the Controller of Exchange.
8. For the purposes of this notice, unless the context otherwise requires:
- (i) **"Authorized Dealer"** shall have the same meaning as given in the Exchange Control Act.
  - (ii) **"Electronic Fund Transfer Card (EFTC)"** shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the Authorized Dealers for the purposes of being compliant with the provisions of the Exchange Control Act.
  - (iii) **"Debit Card"** shall mean, 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 card holder's account.
  - (iv) **"Credit Card"** shall mean, a payment card which involves a line of credit granted by the issuer to the card holder, 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.
  - (v) **"Personal"** shall mean, for the use of the holder of the card, his/her spouse, children and parents and does not include use for any commercial purpose.
9. Notices published in the *Government Gazette* (Extraordinary) Nos. 1411/5 dated September 19, 2005, 1789/34 dated December 20, 2012 and 1864/40 dated May 28, 2014 are hereby rescinded.

T M J Y P Fernando,  
**Controller of Exchange.**

Central Bank of Sri Lanka,  
Colombo,  
20<sup>th</sup> January, 2016.

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**PART 1 : SECTION (I) – GENERAL**

**Central Bank of Sri Lanka Notices**

**NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

**Permission in terms of Sections 7, 11, 22(1) and 30(5) of the Exchange Control Act**

IN exercise of powers conferred by Sections 7, 11, Sub-section (1) of Section 22 and Sub-section (5) of Section 30 of the Exchange Control Act (Chapter 423 of the CLE), permission is hereby granted to the following categories of persons for purchasing, transferring and making payments in respect of Sri Lanka Development Bonds (SLDBs) issued by the Government of Sri Lanka and for the export of Bonds by or to such categories of persons.

- (i) Primary Dealers appointed by the Central Bank of Sri Lanka under the Registered Stocks and Securities Ordinance No.7 of 1937 and the Local Treasury Bills Ordinance No. 8 of 1923;
- (ii) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka;
- (iii) Citizens of Sri Lanka who have made their permanent abode outside Sri Lanka;
- (iv) Citizens of Sri Lanka who have proceeded outside Sri Lanka to take up employment or to set up in business or in a profession;
- (v) Bodies corporate or unincorporate established under the laws of a country other than Sri Lanka;
- (vi) Companies registered to carry on insurance business in Sri Lanka under the provisions of the Regulation of Insurance Industry Act No. 43 of 2000 provided that all purchases of SLDBs are made against debits to Special Foreign Currency Accounts maintained with commercial banks by such insurance companies in terms of the approval granted by the Controller of Exchange.
- (vii) Holders of Non Resident Foreign Currency (NRFC) Accounts, Resident Foreign Currency (RFC) Accounts, Resident Non-Nationals' Foreign Currency (RNNFC) Accounts and Foreign Exchange Earners' Accounts (FEEA);
- (viii) Authorized Dealers appointed by the Minister of Finance under Section 4 of the Exchange Control Act;
- (ix) Licensed Specialized Banks and Licensed Finance Companies who have been permitted to accept deposits in foreign currency.
- (x) Citizens of Sri Lanka who have dual citizenship provided that those citizens substantiate that their permanent place of abode is outside Sri Lanka.

The Notices published in the Government Gazette (Extraordinary) Nos.1208/14 dated November 11, 2001 and 1559/16 dated of July 23, 2008 are hereby rescinded.

T M J Y P Fernando,  
**Controller of Exchange.**

Central Bank of Sri Lanka,  
Colombo,  
11<sup>th</sup> March, 2016.

**Directions Under Exchange Control Act No.05 of 2016**

23 March 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON  
NON RESIDENT FOREIGN CURRENCY (NRFC) ACCOUNTS**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain NRFC accounts with the following permitted credits and permitted debits in addition to those given in paragraphs 1.3 and 1.4, respectively, of Directions No.01 of 2016 dated 20 January 2016.

**1.3 Permitted Credits:**

- (k) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting such account.
- (l) Unutilized foreign currency obtained by the account holder debiting the NRFC account for any purpose in terms of item (f) of paragraph 1.4 of the Directions.

**1.4 Permitted Debits:**

- (h) Transfer of funds to any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in NRFC accounts.

**Controller of Exchange**

**Directions Under Exchange Control Act No.06 of 2016**

23 March 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON  
RESIDENT FOREIGN CURRENCY (RFC) ACCOUNTS**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain RFC accounts with the following permitted credits and permitted debits in addition to those given in paragraphs 1.3 and 1.4, respectively, of Directions No. 02 of 2016 dated 20 January 2016.

**1.3 Permitted Credits:**

- (h) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting such account.
- (i) Unutilized foreign currency obtained by the account holder debiting the RFC for any purposes in terms of item (e) of paragraph 1.4 of the Directions.

**1.4 Permitted Debits:**

- (g) Transfer of funds to any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in RFC accounts.

**Controller of Exchange****Directions Under Exchange Control Act No.07 of 2016**

23 March 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON  
RESIDENT NON-NATIONALS' FOREIGN CURRENCY (RNNFC) ACCOUNTS**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain RNNFC accounts with the following permitted credits and permitted debits in addition to those given in paragraph 1.2 and 1.3, respectively, of Directions No.03 of 2016 dated 20 January 2016.

**1.2 Permitted Credits:**

- (j) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting such account.
- (k) Unutilized foreign currency obtained by the account holder debiting the RNNFC for any purposes in terms of item (d) of paragraph 1.3 of the Directions.
- (l) Funds transferred from Foreign Exchange Earners' Account (FEEA) being payments of salaries and other benefits to non-nationals employed in Sri Lanka with work visa.

**1.3 Permitted Debits:**

- (f) Paragraph 1.3 (f) of the Direction bearing No. 03 of 2016 dated 20.01.2016 is repealed with "Transfer of funds to the credit of the account maintained by the employer of the account holder in the event an overpayment has been made by such employer, or any other payment due to such employer, as per 1.2 (c), 1.2 (d), 1.2 (e) and 1.2 (l) of the Directions".
- (g) Transfer of funds to any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in RNNFC accounts.
- (h) Transfer of funds to a SIA of the same account holder.

**Controller of Exchange****Directions Under Exchange Control Act No.08 of 2016**

23 March 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON  
FOREIGN EXCHANGE EARNERS' ACCOUNTS (FEEA)**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain FEEA with the following permitted credits and permitted debits in addition to those given in paragraphs 1.4 and 1.5, respectively, of Directions No. 04 of 2016 dated 20 January 2016.

**1.4 Permitted Credits:**

- (q) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting such account.
- (r) Funds transferred from Resident Non-Nationals' Foreign Currency Accounts (RNNFC) being over payments of salaries and other benefits.
- (s) Foreign currency drafts issued by banks in Sri Lanka on behalf of account holders of FEEA in respect of sale of goods and obtaining services by the account holder.

**1.5 Permitted Debits:**

- (c) Paragraph 1.5 (c) of the Direction bearing No. 04 of 2016 dated 20.01.2016 is replaced with "Payments to holders of other FEEA and accounts maintained in the Offshore Banking Units (OBUs) with respect to purchase of goods and obtaining services by the account holder".
- (l) Transfer of funds to any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in FEEA accounts.
- (m) Transfer of funds to RNNFC account being salaries and other benefits to non-nationals employed in Sri Lanka with work visa.

**Controller of Exchange****Directions Under Exchange Control Act No.09 of 2016**

23 March 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS AND PRIMARY DEALERS APPOINTED AS DESIGNATED AGENTS FOR SRI LANKA DEVELOPMENT BONDS**

In terms of Sections 3, 5 and 17 of the Exchange Control Act, permission is hereby granted to Authorized Dealers (ADs) and Primary Dealers who have been appointed by the Superintendent of Public Debt of the Central Bank of Sri Lanka (Superintendent of Public Debt) as designated agents for the purpose of purchasing and marketing Sri Lanka Development Bonds (SLDBs) issued by the Government of Sri Lanka (Government) as follows.

- 1.1 To maintain the following two special foreign currency accounts in US Dollars with an AD for the purpose of acquiring, holding and transferring SLDBs.
  - (a) A US Dollar interest bearing account titled 'Sri Lanka Development Bonds Investment Account' (SLDBIA) maintained on behalf of the Government to credit funds payable to the Government, which are received from the categories of investors specified in paragraph 2 below, who directly purchase SLDBs from the Government.
  - (b) A US Dollar account titled 'Dollar Account for Bond Investment' (DABI) which may be maintained on an interest bearing basis for the purpose of purchasing SLDBs from the Government and dealing in SLDBs with the categories of investors specified in paragraph 2 below. In the case of ADs, the maintenance of this account is not mandatory.
- 1.2 Designated Agents who are primary dealers to purchase US Dollars from an AD subject to the condition that such purchases are limited to the extent necessary to purchase SLDBs from the Government or from a holder of SLDBs, where any sums procured are not necessary for the purchase of SLDBs, the primary dealer shall forthwith sell the foreign exchange to an AD.

**2. Categories of eligible investors of SLDBs:**

- (a) Primary Dealers appointed by the Central Bank of Sri Lanka under the Registered Stocks and Security Ordinance No. 7 of 1937 and the local Treasury Bills Ordinance No. 8 of 1923.
- (b) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka.
- (c) Citizens of Sri Lanka who have made their permanent place of abode outside Sri Lanka.
- (d) Citizens of Sri Lanka who have proceeded outside Sri Lanka to take up employment or to set up in business or to engage in a profession.
- (e) Bodies corporate or unincorporate established under the laws of a country other than Sri Lanka.
- (f) Companies who have entered into agreements in terms of Section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978 with full exemption from the provisions of the Exchange Control Act provided that all purchases of SLDBs are made against debits to foreign currency accounts maintained only for the purpose of crediting earnings from export of such companies.
- (g) Companies registered to carry on insurance business in Sri Lanka under the provisions of the Regulation of Industry Act No. 43 of 2000 provided that all purchases of SLDBs are made against debits to Special Foreign Currency Accounts maintained with ADs by such insurance companies in terms of the approval granted by the Controller of Exchange.

- (h) Holders of Non-Resident Foreign Currency (NRFC) Accounts, Resident Foreign Currency (RFC) Accounts, Resident Non-Nationals' Foreign Currency (RNNFC) Accounts and Foreign Exchange Earners' Accounts (FEEA).
- (i) Authorized Dealers appointed by the Minister of Finance under Section 4 of the Exchange Control Act.
- (j) Licensed Specialized Banks and Licensed Finance Companies who have been permitted to accept deposits in foreign currency.
- (k) Citizens of Sri Lanka who have dual citizenship provided such individuals substantiate that their permanent place of abode is outside Sri Lanka.

### 3. Sri Lanka Development Bond Investment Account (SLDBIA)

The credits and debits to this account shall be confined to the following:

#### 3.1 Credits

- (a) Funds received in US Dollars from investors specified in paragraph 2 above for the purchase of SLDBs from the Government.

#### 3.2 Debits

- (a) Transfer of funds to the 'Public Debt Subscription US Dollar Account (PDSDA)' maintained by the Superintendent of Public Debt with the Central Bank of Sri Lanka, being payment to the Government for purchasing SLDBs by investors specified in paragraph 2 above, strictly in accordance with instructions given by the Superintendent of Public Debt.
- (b) Transfer of funds to investors specified in paragraph 2 above being refund and payments for any other purpose, on the instructions of the Superintendent of Public Debt.

### 4. Dollar Account for Bond Investment (DABI)

The credits and debits to the account should be confined to the following;

#### 4.1 Credits

- (a) US Dollars procured and assigned for the purpose of purchasing SLDBs
- (b) Funds received from investors specified in paragraph 2 above on the sale of SLDBs to them.
- (c) Amounts received as repayment of principal and interest on SLDBs held by the account holder.

#### 4.2 Debits

- (a) Transfer of funds to PDSDA being payments to the Government for the acquisition of SLDBs.
  - (b) Payments to sellers of SLDBs from whom SLDBs are purchased by the account holder in the secondary market.
  - (c) Transfer of funds to PDSDA being any other sums payable to the Superintendent of Public Debt, such as fees payable for sub-division and consolidation of bonds.
  - (d) Sale of foreign exchange in the account in excess of the account holder's requirements to purchase SLDBs, to an AD.
- 5 Previous Directions issued to Designated Agents on Sri Lanka Development Bonds Ref. No. 06/04/11/2001 dated 30th October 2001 and Ref. No.06/04/03/2004 dated 16th July 2004 specifying the requirements relating to purchasing and marketing Sri Lanka Development Bonds are hereby cancelled.
- 6 The revocation of previous Directions referred to in paragraph 5 above shall not affect any rights accrued on or penalties or liabilities incurred under it prior to the revocation.

**Controller of Exchange**

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**PART 1 : SECTION (I) – GENERAL**

**Central Bank of Sri Lanka Notices**

**NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

**Permission in terms of Sections 22(4) of the Exchange Control Act**

BY virtue of the powers vested in me under Section 44 of the Exchange Control Act, read with Section 22(3) and Section 22(4) thereof, I, Ravi Karunanayake, Minister of Finance, do by this Order:

- (i) repeal the exemption granted in respect of payment for goods exported from Sri Lanka in the *Extraordinary Gazette* Notification No. 759/15 dated 26th March 1993;

- (ii) require repatriation of any such payment retained abroad as at the date of this order to Sri Lanka not later than 1st May 2016; and
- (iii) require any such payment received on or after the date of this order to be repatriated to Sri Lanka within 90 days from the date of exportation of goods.

Ravi Karunanayake,  
**Minister of Finance.**

Ministry of Finance,  
Colombo,  
01st April 2016.

### Directions Under Exchange Control Act No.10 of 2016

19 April 2016

#### **DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON FOREIGN CURRENCY AND RUPEE ACCOUNTS FOR FOREIGN DIPLOMATIC MISSIONS, DIPLOMATIC PERSONNEL AND THEIR FAMILY MEMBERS IN SRI LANKA.**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby granted permission to open and maintain Diplomatic Foreign Currency Accounts (DFA) and Diplomatic Rupee Accounts (DRA) for foreign Diplomatic Missions, Diplomatic Personnel and their family members in Sri Lanka, subject to the following conditions:

#### **1.1 Opening and maintaining the Accounts**

- (a) These accounts can be opened and maintained in the form of current, savings or term deposit accounts in the Domestic Banking Unit.
- (b) Permitted debits and credits to DRA may be effected through cheques. However, the accounts shall not be overdrawn under any circumstance.
- (c) In the case of Diplomatic Personnel and their family members, accounts may be held jointly, with another eligible person.

#### **1.2 Credits and Debits to DFA shall be confined to the following**

##### **(a) Permitted Credits**

- (i) Inward remittances received from abroad through the banking system.
- (ii) Foreign currency brought in to the country by the account holder on declaration to Sri Lanka Customs.
- (iii) Funds transferred from Securities Investment Account (SIA) of the same account holder
- (iv) Funds transferred from DFAs.
- (v) Funds transferred from DRAs.
- (vi) Funds transferred from accounts maintained in the Offshore Banking Unit (OBU) by the account holder.
- (vii) Interest payable in foreign currency on funds held in the respective DFA.

##### **(b) Permitted Debits**

- (i) Any outward remittances made outside Sri Lanka.
- (ii) Withdrawal in foreign currency or in Sri Lanka Rupees for local expenses of the account holder.
- (iii) Transfer of funds to SIA of the same account holder.
- (iv) Transfer of funds to DFAs.
- (v) Transfer of funds to DRAs.
- (vi) Transfers to accounts maintained in the OBU by the account holder.

#### **1.3 Credits and Debits to DRA shall be confined to the following.**

##### **(a) Permitted Credits**

- (i) Refunds, reimbursements and payments due to the account holders from any person in Sri Lanka.
- (ii) Sale proceeds of motor vehicles owned by the account holder, derived in Sri Lanka upon submission of documents specified in Annex I, by the account holder.



- (iii) Funds transferred from SIA of the same account holder.
- (iv) Funds transferred from DFAs
- (v) Funds transferred from DRAs.
- (vi) Interest payable in Sri Lanka Rupees on funds held in the respective DRA.

**(b) Permitted Debits**

- (i) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (ii) Outward remittances of visa fees, refunds, reimbursements and sale proceeds of motor vehicles owned by the account holder.
- (iii) Transfer of funds to SIA of the same account holder
- (iv) Transfer of funds to DFAs.
- (v) Transfer of funds to DRAs.
- (vi) Any other transaction approved by the relevant line Ministry.

**2 For purposes of these Directions**

- (i) "Diplomatic Mission" shall refer to an Embassy, High Commission, Consulate, Permanent Mission of United Nations or EU delegation of the European Commission.
  - (ii) "Diplomatic Personnel" shall refer to citizens of a foreign country represented by the diplomatic mission.
- 3** Directions Ref. No. 06/04/11/2010 dated 22 November 2010 and letter Ref No. 06/04/014/0005/001 dated 02 December 2014 on Foreign Currency and Rupee Accounts for Foreign Diplomatic Missions, Diplomatic Personnel and their Family Members in Sri Lanka, are hereby rescinded.

**Controller of Exchange**

**Annex I**

**Documents to be obtained in accepting/crediting sale proceeds of motor vehicles**

- 1 Certificate of Registration of the Motor Vehicle in the name of the seller
- 2 Statement of change of possession of motor vehicle- Documentary evidence to prove the ownership of the Motor Vehicle was transferred to the buyer.
- 3 A letter from the buyer confirming the price of the vehicle.
- 4 A duty valuation from the Department of Public Finance.
- 5 A Letter from the relevant line Ministry authorizing the transfer of the vehicle.
- 6 Calculation of custom duties and other chargers by Sri Lanka Customs
- 7 Sri Lanka Customs- Goods declaration form
- 8 Sri Lanka Customs Assessment Notice

**Directions Under Exchange Control Act No.11 of 2016**

16 May 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON NON RESIDENT BLOCKED ACCOUNTS**

In terms of section 3 of the Exchange Control Act (ECA), Authorized Dealers (ADs) are hereby informed that in addition to the permission granted by the Direction bearing Nos. 06/04/07/2008 dated 2 July 2008 and 06/04/05/2011 dated 18 August 2011 on Non Resident Blocked Accounts, permission is granted for following debits to the blocked accounts with regard to deposits made after 12 June 2013 by emigrants who obtained the permanent residency of another country before 12 June 2013, with effect from the date of issuance of this Direction:

- (i) Superannuation benefits including provident fund and gratuity benefits.
- (ii) Current income including interest, dividends, pension, rent, lease rentals and profits.

**Controller of Exchange**

**Directions Under Exchange Control Act No.12 of 2016**

16 May 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON SALE OF FOREIGN EXCHANGE TO EMIGRANTS**

In terms of Section 3 of the Exchange Control Act (ECA), Authorized Dealers (ADs) are hereby granted permission for outward remittance of the following income derived in Sri Lanka after 12 June 2013 by the emigrants, who have obtained the permanent residency of another country before 12 June 2013, through a Non Resident Blocked Account (NRBA) as per the Direction bearing No.11 of 2016 dated 16 May 2016.

- (a) Superannuation benefits including provident fund and gratuity benefits.
- (b) Current income including interest, dividends, pension, rent, lease rentals and profits.

2 Accordingly, the above income derived after 12 June 2013 by the emigrants will be excluded from the maximum value of remittance equivalent to US\$ 150,000 referred to in Paragraphs (i) and (ii) of the Direction bearing No. 06/04/08/2008 dated 2 July 2008.

**Controller of Exchange****Directions Under Exchange Control Act No.13 of 2016**

16 May 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON SALE OF FOREIGN EXCHANGE TO EMIGRANTS**

In terms of section 3 of the Exchange Control Act (ECA), Authorized Dealers (ADs) are hereby informed of the following amendment to the paragraph 12 of the Direction bearing No. 06/04/15/2013 dated 12 June 2013 on "Sale of Foreign Exchange to Emigrants".

12. (iii) Securities Investment Account of the account holder for investments in Sri Lanka.

**Controller of Exchange****Directions Under Exchange Control Act No.14 of 2016**

07 June 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON EXTERNAL COMMERCIAL BORROWING ACCOUNT (ECBA)**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers (ADs) are hereby granted permission to open, maintain and operate ECBA's in any designated foreign currency in the name of companies incorporated in Sri Lanka (other than licensed commercial banks, licensed specialized banks, licensed finance companies and specialized leasing companies, companies limited by guarantee and overseas companies) who are eligible to borrow under the External Commercial Borrowing Scheme (ECBS) (eligible borrowers) to facilitate the loans to be obtained from a person resident outside Sri Lanka (lender) as permitted by the Gazette No. 1970/8 dated 07 June 2016, subject to the terms and conditions specified in the above Gazette and the following.

- 1.1 AD shall maintain only one ECBA with respect to each loan obtained under ECBS by an eligible borrower. A declaration to this effect shall be obtained by the AD from the borrower at the time of opening an ECBA.
- 1.2 An AD shall obtain a copy of the loan agreement and a repayment schedule certified by a Director of the eligible borrower prior to opening an ECBA.
- 1.3 An AD shall obtain documentary evidence regarding receipt of each loan and shall maintain such records in hard or soft form. The period of maintaining such records shall not be limited by statutory record keeping requirements.

**1.4 Permitted Credits:**

- (a) Inward remittances received from abroad through the banking system, funds transferred from a Securities Investment Account (SIA) or an account maintained in an Off-shore Banking Unit (OBU) by a lender, being the proceeds of the foreign currency loan obtained.
- (b) Transfer of funds from a Foreign Exchange Earners' Account (FEEA), an Outward Investment Account (OIA) or accounts maintained at OBU by the account holder for the purpose of repayment of the loan.
- (c) Rupee funds converted into foreign currency for the repayment of the loan.
- (d) Interest earned on the funds lying to the credit of the account, if any.

**1.5 Permitted Debits:**

- (a) Transfer of funds to an account maintained outside Sri Lanka, to an SIA or an account maintained at OBU by the lender for repayment of the loan, as per the repayment terms specified in the loan agreement.
- (b) Bank charges, fees, commissions, etc. payable with respect of the loan.
- (c) Transfer of funds to the credit of other accounts maintained by the account holder out of the inward remittance referred to in 1.4 (a) above.

**1.6** An AD shall close an ECBA, if the borrower has fully settled the respective loan and inform the Controller of Exchange of such closure on or before the 15th day of the following month.

**1.7 Monthly Returns**

- (a) An AD shall furnish the following information and reports to the Exchange Control Department on or before the 15th day of the following month by e-mail to [ecdm@cbsl.lk](mailto:ecdm@cbsl.lk). Nil reports are not required to be furnished.
  - i. Information on the receipt of loan proceeds to the credit of an ECBA as per the format at Annex I
  - ii. Report on the status of the loan as per the format at Annex II
- (b) An AD shall implement a system within the bank in order to generate/ extract the relevant information from the books of accounts of the bank, as per the above reporting requirement.

**Controller of Exchange**

**Annex I**

Name of the Authorized Dealer: .....

Report on new ECBA opened during :.....(month/year).....

Details of the ECBA holder			Details of the Lender		Information of the loan									
Name	Address	Account Number	Name	Country	Purpose	Date of Receipt of funds	Currency	Amount	Tenure	Grace Period	Interest Rate	Other Fees	Collaterals	Repayment terms

We certify that the above information as accurate.

.....

Name of Authorized Officer

Designation

.....

Signature

Date .....

.....

Name of Compliance Officer

Designation

.....

Signature

Date .....

**Annex II**

Name of the Authorized Dealer: .....

Report on ECBA for the month of .....

Details of the ECBA holder		Currency	Loan proceeds credited to ECBA		Repayment of Loan			
Name	Account Number		Inward Remittances	Transfer of funds from	Principal	Interest	Charges/Fees/Commissions	
				SIA	OBU			

We certify that the above information as accurate.

.....  
 Name of Authorized Officer  
 Designation  
 .....  
 Signature  
 Date .....

.....  
 Name of Authorized Officer  
 Designation  
 .....  
 Signature  
 Date .....

**The Gazette of the Democratic Socialist Republic of Sri Lanka  
 EXTRAORDINARY**

No 1970/8 - TUESDAY, JUNE 07, 2016  
 (Published by Authority)

**PART 1 : SECTION (I) – GENERAL  
 Central Bank of Sri Lanka Notices  
 NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

**External Commercial Borrowing Scheme**

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 residents outside Sri Lanka under the External Commercial Borrowing Scheme (ECBS), subject to the following conditions.

- 1) This permission shall be applicable to all companies other than licensed commercial banks, licensed specialized banks, licensed finance companies, specialized leasing companies, companies limited by guarantee and overseas companies.
- 2) The borrower shall mitigate exchange risk through appropriate hedging instruments with any licensed commercial bank in Sri Lanka, unless the borrower has proven foreign exchange earnings in the same currency.
- 3) The tenure of loans shall be at least 3 years.
- 4) The maximum amount of borrowing shall be based on the financial soundness of the company to repay the loan based on its audited financial statements for at least the most recent three years and the business plan.
- 5) The rate of interest shall be competitive and favourable when compared with the prevailing market rates in Sri Lanka.
- 6) All proceeds and the repayments of the borrowing shall be routed through an External Commercial Borrowing Account maintained by the borrower in any designated foreign currency in a licensed commercial bank in Sri Lanka.

T M J Y P Fernando,  
**Controller of Exchange.**

Central Bank of Sri Lanka,  
 Colombo,  
 07th June, 2016.

**The Gazette of the Democratic Socialist Republic of Sri Lanka  
 EXTRAORDINARY**

No 1970/49 - FRIDAY, JUNE 10, 2016  
 (Published by Authority)

**PART 1 : SECTION (I) – GENERAL  
 Central Bank of Sri Lanka Notices  
 NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

**Permission in terms of Sections 7, 10, 11, 15 and 30(5) of the Exchange Control Act**

THE notice under the Exchange Control Act published in the *Government Gazette (Extraordinary)* No. 1232/14 of 19 April 2002, as amended by *Government Gazette (Extraordinary)* No. 1248/19 of 08 August 2002, *Government Gazette (Extraordinary)* No. 1685/2 of 21 December 2010 and lastly amended by *Government Gazette (Extraordinary)* No. 1737/9 of 20 December 2011 is further amended in paragraph 2 as follows :

- (i) by the repeal of item (i) i.e., Money lending other than the business of providing of credits to investors to purchase securities of a listed company by a company registered as a margin provider in terms of Section 19(A) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1981 as amended.
- (ii) by the repeal of item (v) i.e., Provision of Security services including securities management, assessment and consulting to individual of private organization.

- (iii) by renumbering item (ii) i.e., Pawn broking as item (i) thereof.
- (iv) by renumbering item (iii) i.e., Retail trade with capital of less than One Million US Dollars as item (ii) thereof.
- (v) by renumbering item (iv) i.e., Coastal fishing as item (iii) thereof.

T M J Y P Fernando,  
**Controller of Exchange.**

Central Bank of Sri Lanka,  
Colombo,  
10th June, 2016.

**The Gazette of the Democratic Socialist Republic of Sri Lanka**  
**EXTRAORDINARY**  
No 1970/50 - FRIDAY, JUNE 10, 2016  
(Published by Authority)

**PART 1 : SECTION (I) – 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 22 November 2010 is hereby amended as follows:

- (i) By the repeal of item (xi) of Schedule I i.e., Security services including security management, assessment and consulting to individuals or private organizations.

T M J Y P Fernando,  
**Controller of Exchange.**

Central Bank of Sri Lanka,  
Colombo,  
10th June, 2016.

**Directions Under Exchange Control Act No.15 of 2016**

05 August 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS AND PRIMARY DEALERS APPOINTED AS DESIGNATED AGENTS FOR SRI LANKA DEVELOPMENT BONDS**

In terms of Sections 3, 5 and 17 of the Exchange Control Act, paragraphs 3.2(a), 4.2(a) & 4.2(c) of the Directions No. 09 of 2016 dated 23 March 2016 issued to Authorized Dealers and primary dealers appointed as Designated Agents for Sri Lanka Development Bonds, are replaced with the following.

**3.2 Debits**

- (a) Transfer of funds, in accordance with instructions given in the offer document/circular issued by the Superintendent of Public Debt (SPD), being payment to the Government for purchasing SLDBs by investors specified in paragraph 2 above.

**4.2 Debits**

- (a) Transfer of funds in accordance with instructions given in the offer document/circular issued by SPD, being payments to the Government for the acquisition of SLDBs.
- (c) Transfer of funds in accordance with instructions given in the offer document/circular issued by SPD, being any other amounts payable to SPD, such as fees for sub-division and consolidation of bonds.

**Controller of Exchange**

**Directions Under Exchange Control Act No.16 of 2016**

11 August 2016

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON RESERVATION OF IMPORT CARGO FOR THE CEYLON SHIPPING CORPORATION LTD.**

In terms of Section 3 of the Exchange Control Act, Authorized Dealers are hereby informed to strictly adhere to the content of the Circular Ref: 06/04/025/0001/001 dated 19.07.2005 (Annex I) and to the Public Finance Circular No: 03 dated 18.02.2016 (Annex II), therein.

**Addl. Controller of Exchange**

**Annex I****No. 06/04/025/0001/001**Department of Exchange Control  
19.07.2005Chief Executive Officers  
All Authorized Dealers Operating in Sri Lanka

Dear Sir,

**Reservation of Import Cargo for the Ceylon Shipping Corporation Ltd.**

The Deputy Secretary to the Treasury (DST) has requested us to inform all authorized dealers that in terms of a Cabinet decision to continue the Government Import Cargo Reservation Scheme, he has requested all government institutions such as ministries, departments, state corporations, government owned companies, Chief Secretaries of provincial councils, Heads of local authorities including foreign funded projects with import cargo from foreign countries, that they should not open Letters of Credit (L/Cs) for imports without stipulating that the cargo must be carried under Bill of lading issued by Ceylon Shipping Corporation Ltd. (CSCL) unless a Letter of Waiver signed by the liner manager of CSCL is enclosed to the documents forwarded to open L/C or any other type of import payment documents (a copy of DST's circular issued in this regard is attached).

Yours faithfully,  
Controller of Exchange**Annex II****No. PFD/RED//CIR/2016/02**

18.02.2016

Public Finance Circular letter No : 03

All Secretaries to Ministries,  
Chief Secretaries of Provincial Councils,  
Heads of Departments,  
Chairmen of State Corporations, Statutory Boards,  
Government Owned Companies,  
Heads of Local Authorities and Project Directors,  
And Governor of Central Bank**RESERVATION OF IMPORT CARGO FOR THE CEYLON SHIPPING CORPORATION LIMITED (CSCL)**

Your attention is drawn to Public Finance Circular No. 415 dated 06.05.2005 on the above subject.

1. The Cabinet has decided at its meeting held on 13.02.2016 to adhere to the Public Finance Circular No. 415 dated 06.05.2005 in relation to the importation of goods. Therefore, it is a mandatory requirement that all Government Agencies such as Ministries, Departments, Corporations, Statutory Boards including foreign Funded Projects. Government owned Companies which import cargo from foreign countries should make their shipments by strictly following the regulations made by the above Public Finance Circular.
2. In accordance with the paragraph no. 07 of the Public Finance Circular No. 415 dated 06.05.2005, the Governor of the Central Bank is hereby requested to issue fresh instructions in order to strictly draw the attention of all the Commercial Banks to implement the regulations mentioned in Public Finance Circular No. 415 dated 06.05.2005 and relevant other Circulars issued on making shipments of importation of goods.

P. Algama  
Director General of Public Finance

**Public Finance Circular No: 415**

Treasury No: **PUB/FIN/T/02/10**  
 Department of Public Finance  
 General Treasury, Colombo 01  
 06.05.2005

To: All Secretaries to Ministries,  
 Chief Secretaries of Provincial Councils,  
 Heads of Departments,  
 Chairmen of State Corporations, Statutory Boards,  
 Government Owned Companies,  
 Heads of Local Authorities and Project Directors,  
 And Governor of Central Bank.

**RRESERVATION OF IMPORT CARGO FOR THE CEYLON SHIPPING CORPORATION LIMITED (CSCL)**

1. Your kind attention is drawn to Public Finance Circular No. Fin 347, dated 03rd September 1996, with regard to the above matter.  
 The Cabinet has decided at its meeting held on 21.12.2004 to continue the Government Import Cargo Reservation Scheme for the Ceylon Shipping Corporation Limited with immediate effect.  
 Therefore, it is a requirement that all government agencies such as Ministries, Departments, Corporations, Statutory Boards including Foreign Funded Projects, Government owned Companies which import cargo from foreign countries should make their purchases on FOB terms or any other similar INCO terms as stipulated in their Letters of Credit (L/C) that the cargo should be carried on Ceylon Shipping Corporation vessels.
2. All government agencies should invite offers for cost of goods (FOB terms or any other similar INCO terms excluding freight) and freight (C & F terms or any other similar INCO terms) separately when calling tenders. It would then be possible for those government agencies to take up with the CSCL to negotiate the best terms for shipping goods and to consider whether it would be cheaper on the overall to import on 'freight payable at destination basis' (FOB terms or any other similar INCO terms for payment of freight at destination) through CSCL. It is therefore imperative that CSCL be consulted before a final award is made. If carriage through CSCL is favorable a clause should be inserted in the letter of credit and sale contract that 'cargo should be shipped on a vessel of CSCL or a vessel nominated by CSCL under CSCL Bill of Landing on freight payable at destination basis'.
3. All departments and purchasing institutions should submit one copy of the Proforma Invoice indicating freight to CSCL before placing the order/opening L/C with the following information to obtain the written confirmation from CSCL that it could accept carriage on "freight payable at destination basis" at competitive freight rates or at most without exceeding the rates of the suppliers freight quotation. If CSCL freight is higher than the suppliers quotation a written waiver should be obtained from CSCL enabling to entrust the suppliers to arrange shipment according to their quotation on freight pre-paid basis.
4. All government agencies should submit one copy of the purchase order to the CSCL within one week of placing the order with the following information.
  - a. Nature of cargo:
  - b. Approximate quantity of cargo in tons/ cubic meters/ number of packages and measurements of packages:
  - c. FOB value:
  - d. Full particulars of the supplier and the probable part of shipment:
  - e. The approximate delivery dates:
5. At present the CSCL provides regular liner services from all over the world. Contact details of the CSCL agents could be obtained from the CSCL web site [www.cscl.lk](http://www.cscl.lk) or from the corporations' liner department on Tele./ Fax No.2325744/ 2449486.
6. All government agencies should ensure that the suppliers of their cargo are requested to contact these agents in order to arrange shipments under CSCL Bill of Landing once freight is agreed with CSCL.
7. No commercial bank shall open L/C for imports by any government institutions without stipulating that the cargo must be carried under CSCL Bill of Landing unless a letter of waiver signed by the liner manager of CSCL is enclosed to the documents forwarded to open L/C or any other type of import payment documents.

8. Secretaries to Ministries are requested to bring the content of this circular to the notice of corporations, boards, other statutory bodies and government owned companies under their Ministries for compliance.
9. The Governor of the Central Bank is requested to advise all commercial banks to strictly implement this regulation as mention in para. 7 above.

S. B. Divaratne  
Deputy Secretary to the Treasury

**The Gazette of the Democratic Socialist Republic of Sri Lanka  
EXTRAORDINARY**

No 1986/42 - THURSDAY, SEPTEMBER 29, 2016  
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**PART 1 : SECTION (I) – GENERAL  
Central Bank of Sri Lanka Notices  
NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

**Permission in terms of Section 22(4) of the Exchange Control Act**

By virtue of the powers vested in me under Section 44 of the Exchange Control Act read with Section 22(3) thereof, I, Ravi Karunanayake, Minister of Finance, do by this Order, repeal the *Extraordinary Government Gazette* Notification No. 1960/66 dated 01st April 2016.

Ravi Karunanayake,  
**Minister of Finance.**

Ministry of Finance,  
Colombo,  
29th September 2016.

**The Gazette of the Democratic Socialist Republic of Sri Lanka  
EXTRAORDINARY**

No 1986/43 - THURSDAY, SEPTEMBER 29, 2016  
(Published by Authority)

**PART 1 : SECTION (I) – GENERAL  
Central Bank of Sri Lanka Notices  
NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

**Permission in terms of Section 22(4) of the Exchange Control Act**

NOTICE is hereby given under Section 22 (4) of the Exchange Control Act, read with Section 3 of the said Act to exporters of goods, that with effect from 01st August 2016:

1. Payments received for the exportation of goods shall be repatriated to Sri Lanka within 120 days from the date of exportation;
2. A grace period of 30 days may be granted by the Central Bank of Sri Lanka after the completion of 120 days, prior to instituting action against any violation of this order;
3. Documentary evidence related to each exportation shall be submitted to the respective Authorized Dealer or any other permitted entity that receives the payment.

T M J Y P Fernando,  
**Controller of Exchange.**

Central Bank of Sri Lanka,  
Colombo,  
29th September 2016.



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 No 1951/13 - WEDNESDAY JANUARY 27, 2016  
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**PART 1 : SECTION (I) – GENERAL**  
**Central Bank of Sri Lanka Notices**  
**FINANCIAL TRANSACTIONS REPORTING ACT, No. 6 OF 2006**

RULES made by the Financial Intelligence Unit under section 2 of the Financial Transactions Reporting Act, No.6 of 2006.

**Financial Intelligence Unit.**

27th January, 2016  
 Colombo

**Rules**

1. These Rules may be cited as the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016.
2. These rules shall apply to every Institution which engages in Finance Business (hereinafter referred to as the “Financial Institution”) to which the provisions of the Financial Transactions Reporting Act, No.6 of 2006 (hereinafter referred to as “the Act”) apply.
3. Every Financial Institution shall take the measures specified in these rules for the purpose of identifying, assessing and managing money laundering and terrorist financing risks posed by its customers, by conducting ongoing customer due diligence (hereinafter referred to as “CDD”) based on the “risk based approach.”

**PART I**

**MONEY LAUNDERING AND TERRORIST FINANCING RISK MANAGEMENT**

*For all Financial Institutions*

4. The intensity and extensiveness of risk management functions shall be in compliance with the “risk based approach” and be proportionate to the nature, scale and complexity of the Financial Institution’s activities and money laundering and terrorist financing risk profile.
5. Every Financial Institution shall take appropriate steps to identify, assess and manage its money laundering and terrorist financing risks in relation to its customers, countries or geographical areas, products, services, transactions and delivery channels.
6. Every Financial Institution shall conduct the following processes in assessing money laundering and terrorist financing risks :-
  - (i) documenting their risk assessments and findings ;
  - (ii) considering all relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied;
  - (iii) keeping the assessment up-to-date through a periodic review; and
  - (iv) having appropriate mechanisms to provide risk assessment information to the supervisory authority.
7. Every Financial Institution shall have proper risk control and mitigation measures including the following:-
  - (i) have internal policies, controls and procedures to manage and mitigate money laundering and terrorist financing risks that have been identified;
  - (ii) monitor the implementation of those policies, controls, procedures and enhance them if necessary; and
  - (iii) take appropriate measures to manage and mitigate the risks, based on the risk based approach.
8. Every Financial Institution shall conduct risk profiling on its customers considering the following :-
  - (i) risk level according to customer category (ex: different types of customers such as resident or non-resident, occasional or one-off, legal persons, politically exposed persons and customers engaged in different types of occupations);
  - (ii) geographical location of business or country of origin of the customer;
  - (iii) products, services, transactions or delivery channels of the customer (ex: cash-based, face-to-face or nonface- to-face, cross-border); and
  - (iv) any other information regarding the customer.
9. The risk control and mitigation measures implemented by every Financial Institution shall be commensurate with the risk level of a particular customer as identified based on risk profiling.

10. Upon the initial acceptance of a customer, every Financial Institution shall regularly review and update, the customer's risk profile based on his level of money laundering and terrorist financing risk.
11. A Financial Institution's money laundering and terrorist financing risk management shall be affiliated and integrated with the overall risk management relating to the Financial Institution.
12. Every Financial Institution shall provide a timely report of its risk assessment, Financial Institution's money laundering and terrorist financing risk profile and the effectiveness, of risk control and mitigation measures to, its Board of Directors. The frequency of reporting shall be commensurate with the level of risks involved and the operating environment thereof.
13. The report referred to in Rule 12 shall include the following :-
  - (a) results of monitoring activities carried out by the Financial Institution for combating money laundering or terrorist financing risks (ex: level of the Financial Institution's exposure to money laundering, and terrorist financing risk, break-down of money laundering and terrorist financing risk exposures based on key activities or customer segments, trends of suspicious transactions reports and threshold reports in terms of the Act, judicial pronouncements and freezing actions under the United Nations Security Council Resolutions);
  - (b) details of recent significant risks involved in either internally or externally, the *modus operandi* and its impact or potential impact on the Financial Institution; and
  - (c) recent developments in written laws on anti-money laundering or suppression of terrorist financing and its implications for the Financial Institution.

#### **Internal Controls, Policies, Compliance, Audit and Training**

14. (1) Every Financial Institution shall formulate an internal policy approved by its Board of Directors subject to the written laws in force for the time being, on anti-money laundering and suppression of terrorist financing.
  - (2) The detailed procedures and controls shall be developed by each Financial Institution in compliance with such policy.
15. Such policies, procedures and controls shall include, risk assessment procedures, CDD measures, manner of record retention, handling correspondent banking services, handling wire transfers, the detection and internal reporting procedure of unusual and suspicious transactions and the obligation to report suspicious transactions to the Financial Intelligence Unit.
16. Every Financial Institution shall in formulating policies, procedures and controls, take into consideration, money laundering and terrorist financing risks that may arise from the use of new or developing technologies, especially those having features of anonymity or inconsistency with the basic principles of CDD measures.
17. Every Financial Institution shall-
  - (a) appoint a senior management level officer as the compliance officer who shall be responsible for ensuring the Financial Institution's compliance with the requirements of the Act and these rules;
  - (b) ensure that the compliance officer or any other person authorized to assist him or act on behalf of him, has prompt access to all customer records and other relevant information which may be required to discharge their functions;
  - (c) develop and implement a comprehensive employee due diligence and screening procedure to be carried out at the time of appointing or hiring of all employees whether permanent, contractual or outsourced;
  - (d) frequently design and implement suitable training programmes for relevant employees including Board of Directors, in order to effectively implement the regulatory requirements and internal policies and procedures relating to money laundering and terrorist financing risk management. (The training shall enable employees to understand new developments of money laundering and terrorist financing techniques, methods and trends and their responsibilities relating to the combating of money laundering and terrorist financing risks. Particularly, requirements relating to CDD and identifying out-of pattern or unusual transactions which need to be vigilant of, and eligible to be reported as suspicious transactions); and
  - (e) maintain an independent audit function in compliance with the Code of Corporate Governance issued, by the respective regulatory authorities that is adequately resourced and able to regularly assess the effectiveness of the Financial Institution's internal policies, procedures and controls and, its compliance with regulatory requirements.
18. For the Purpose of paragraph (e) of Rule 17, "Code of Corporate Governance" means the following:-
  - (a) Banking Act, Direction Nos. 11 and 12 of 2007 on Corporate Governance for Licensed Banks;
  - (b) Finance Companies (Corporate Governance) Direction No. 3 of 2008 for Licensed Finance Companies; and
  - (c) Code of Best Practice on Corporate Governance 2013 for Market Participants and Companies Listed on the Colombo Stock Exchange.

### Foreign Branches and Subsidiaries

19. Financial groups shall implement group-wide programmes which shall be applicable and appropriate for all branches and majority-owned subsidiaries of the financial group with a view of combatting money laundering and terrorist financing activities and shall include the following in addition to the measures referred to in Rule 17:-
  - (a) initiate measures and procedures for sharing information required for the purposes of conducting CDD and money laundering and terrorist financing risk management;
  - (b) provide information of customers, accounts and transactions, and of audits, with group level compliance, from all branches and subsidiaries of the financial group when necessary for implementing the suppression of money laundering and terrorist financing measures; and
  - (c) maintain adequate safeguards on the confidentiality and use of information exchanged among the branches and subsidiaries of the financial group.
20. Every Financial Institution shall ensure that their foreign branches and majority-owned subsidiaries apply anti-money laundering and suppression of terrorist financing measures consistent with the domestic law requirements, where the relevant written laws of the relevant foreign country provide less stringent requirements than those provided for in the domestic law.
21. Where the foreign country does not permit the proper implementation of anti-money laundering or suppression of terrorist financing measures consistent with the domestic law requirements; every Financial Institution shall apply appropriate additional measures to manage money laundering and terrorist financing risks.

### Using New Technologies

22. Every Financial Institution shall identify and assess money laundering and terrorist financing risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms and the use of new or developing technologies for both new and pre-existing products.
23. Every Financial Institution shall -
  - (a) undertake the risk assessments prior to the launch or use of new products, practices and technologies;
  - (b) take appropriate measures to manage and mitigate the risks which may arise in relation to the development of new products and new business practices; and
  - (c) not permit pre-loading of credit cards, as that may amount, *inter-alia*, to the abuse of credit cards, for money laundering and terrorist financing purposes.

## Part II

### CUSTOMER DUE DILIGENCE (CDD)

#### CDD for all Customers

24. (1) In terms of the provisions of section 2 of the Act, no Financial Institution shall open, operate or maintain any anonymous account, any account in a false name, or in the name of a fictitious person or any account that is identified by a number only (hereinafter referred to as "Numbered Account").
  - (2) Numbered Accounts include accounts that the ownership is transferrable without knowledge of the Financial Institution and accounts that are operated and maintained with the account holder's name omitted.
25. Every Financial Institution shall maintain accounts in such a manner that assets and liabilities of a given customer can be readily retrieved. Accordingly, no Financial Institution shall maintain accounts separately from the Institution's usual operational process, systems or procedure.
26. Every Financial Institution shall conduct the CDD measures specified in these rules, on customers conducting the transaction, when-
  - (a) entering into business relationships;
  - (b) providing money and currency changing business for transactions involving an amount exceeding rupees two hundred thousand or its equivalent in any foreign currency;
  - (c) providing wire transfer services as referred to in Rules 68 to 83;
  - (d) carrying out occasional transactions involving an amount exceeding rupees two hundred thousand or its equivalent in any foreign currency where the transaction is carried out in a single transaction or in multiple transactions that appear to be linked;

- (e) the Financial Institution has any suspicion that such customer is involved in money laundering or terrorist financing activities, regardless of amount; or
  - (f) the Financial Institution has any doubt about the veracity or adequacy of previously obtained information.
27. (1) Every Financial Institution shall -
- (a) identify its customers prior entering into business relationships ;
  - (b) obtain the information specified in the Schedule hereto, verify such information, as applicable and record the same for the purpose of identifying and initial risk profiling of customers, at minimum;
  - (c) obtain the following information for the purpose of conducting CDD, at minimum :-
    - (i) purpose of the account;
    - (ii) sources of earning;
    - (iii) expected monthly turnovers;
    - (iv) expected mode of transactions (ex; cash, cheque, etc.);
    - (v) expected type of counterparties (if applicable).
- (2) Where any customer is rated as a customer posing a high risk, the Financial Institution shall take enhanced CDD measures for such customer, in addition to the CDD measures in sub-paragraph (c) of paragraph (1).
28. Where the customer is not a natural person, every Financial Institution shall take reasonable measures to understand the ownership and control structure of the customer and determine the natural persons who ultimately own or control the customer.
29. Where one or more natural persons are acting on behalf of a customer, every Financial Institution shall identify the natural persons who act on behalf of the customer and verify the identity of such persons. The authority of such person to act on behalf of the customer shall be verified through documentary evidence including specimen signatures of the persons so authorized.
30. Where there is a beneficial owner every Financial Institution shall obtain information to identify and take reasonable measures to verify the identity of the beneficial owner of the customer using relevant information or data obtained from a reliable source, adequate for the Financial Institution to satisfy itself that it knows who the beneficial owner is.
31. Every Financial Institution is required to verify the identity of the customer and beneficial owner before or during the course of entering into a business relationship with or conducting a transaction for an occasional customer. Provided however; where the risk level of the customer is low according to the risk profile of the Financial Institution and verification is not possible at the point of entering into the business relationship, the Financial Institution may, subject to Rule 32 allow its customer and beneficial owner to furnish the relevant documents subsequent to entering into the business relationship and subsequently complete the verification (hereinafter referred to as "delayed verification").
32. In any case where delayed verification is allowed the following conditions shall be satisfied:
- (a) verification shall be completed as soon as it is reasonably practicable but not later than fourteen working days from the date of opening of the account;
  - (b) the delay shall be essential so as not to interrupt the Financial Institution's normal conduct of business; and
  - (c) no suspicion of money laundering or terrorist financing risk shall be involved.
33. To mitigate the risk of delayed verification, every Financial Institution shall adopt risk management procedures relating to the conditions under which the customer may utilize the business relationship prior to verification.
34. Every Financial Institution shall take measures to manage the risk of delayed verification which may include limiting the number, type and amount of transactions that can be performed.
35. Where a Financial Institution is unable to comply with the relevant CDD measures, such Financial Institution shall, -
- (a) in relation to a new customer, not open the account or enter into the business relationship or perform the transaction; or
  - (b) in relation to an existing customer, terminate the business relationship, with such customer and consider making a suspicious transaction report in relation to the customer.
36. Under no circumstances shall, a Financial Institution establish a business relationship or conduct any transaction with a customer with high money laundering and terrorist financing risk, prior to verifying the identity of the customer and beneficial owner.
37. Every Financial Institution shall monitor all business relationships with a customer on an ongoing basis to ensure that the transactions are consistent with the customer's economic profile and risk profile, and where appropriate, the sources of earning.

38. (1) Every Financial Institution shall obtain information and examine the background and purpose of all complex, unusually large transactions and all unusual pattern of transactions, which have no apparent economic or prima facie lawful purpose.
- (2) The background and purpose of such transactions shall be inquired into and findings shall be kept in record with a view to making such information available to the relevant competent authority when required and to make suspicious transaction report.
39. Every Financial Institution shall report transactions inconsistent with these rules to the Financial Institution's Compliance Officer for appropriate action.
40. (1) Every Financial Institution shall periodically review the adequacy of customer information obtained in respect of customers and beneficial owners and ensure that the information is kept up to date, particularly for higher risk categories of customers.
- (2) The review period and procedures thereof shall be decided by each Financial Institution in its internal policy for combating money laundering and terrorist financing according to risk based approach.
41. The frequency of the ongoing CDD or enhanced ongoing CDD, shall commensurate with the level of money laundering and terrorist financing risks posed by the customer based on the risk profiles and nature of transactions.
42. Every Financial Institution shall increase the number and timing of controls applied and select patterns of transactions that need further examination, when conducting enhanced CDD.
43. Every Financial Institution shall perform such CDD measures as may be appropriate to its existing customers having, regard to its own assessment of materiality and risk but without compromise on the identity and verification requirements. In assessing the materiality and risk of an existing customer, every Financial Institution may consider the following:-
- (a) the nature and circumstances surrounding the transaction including the significance of the transaction;
- (b) any material change in the way the account or business relationship is operated; or
- (c) the insufficiency of information held on the customer or change in customer's information.
44. Every Financial Institution shall conduct CDD on existing customer relationships at appropriate times, taking into account whether and when CDD measures have previously been conducted and the adequacy of data obtained.
45. If an existing customer provides unsatisfactory information relating to CDD, the relationship with such customer shall be treated as a relationship posing a high risk and be subject to enhanced CDD measures.
46. Where a Financial Institution forms a suspicion of money laundering and terrorist financing risk relating to a customer and it reasonably believes that conducting the process of CDD measures would tip off the customer, it shall terminate conducting the CDD measures and proceed with the transaction and immediately file a Suspicious Transaction Report.

#### **Occasional Customers, One-off Customers, Walk-in Customers and Third Party Customers**

47. Every Financial Institution shall -
- (a) with regard to transactions or series of linked transactions exceeding rupees two hundred thousand or its equivalent in any foreign currency conducted by occasional customers, one-off customers or walk-in customers, conduct CDD measures and obtain copies of identification documents;
- (b) with regard to occasional customers, one-off customers or walk-in-customers who wish to purchase remittance instruments such as pay orders, drafts exceeding rupees two hundred thousand or its equivalent in any foreign currency, conduct CDD measures and obtain copies of identification documents;
- (c) with regard to all cash deposits exceeding rupees two hundred thousand or its equivalent in any foreign currency made into an account separately or in aggregate by a third party customer, have on record the name, address, identification number of a valid identification document, purpose and the signature of the third party customer:
- Provided that, clerks, accountants, employees, agents, or authorized persons of business places who are authorized to deal with the accounts shall not be considered as a third party:
- Provided further, if any Financial Institution has reasonable grounds to suspect that the transaction or series of linked transactions are suspicious or unusual, every Financial Institution shall, obtain such information irrespective of the amount specified above.

#### **CDD for Legal Persons and legal arrangements**

48. Every Financial Institution shall, in the case of a customer that is a legal person or legal arrangement,
- (a) understand the nature of the customer's business, its ownership and control structure;

- (b) identify and verify the customer in terms of the requirements set out in the Schedule hereto.
49. In order to identify the natural person if any, who ultimately has controlling ownership interest in a legal person, a Financial Institution shall at the minimum obtain and take reasonable measures to verify the following:-
- (a) identity of all Directors and Shareholders with equity interest of more than ten per cent with the requirement imposed on the legal person to inform of any change in such Directors and Shareholders;
  - (b) if there is a doubt as to whether the person with the controlling ownership, interest is the beneficial owner or where no natural person exerts control through ownership interest, the identity of the natural person, if any, exercising control of the legal person or arrangement through independent sources;
  - (c) authorization given for any person to represent the legal person or legal arrangement either by means of Board Resolution or otherwise;
  - (d) where no natural person is identified under the preceding provisions, the identity of the relevant natural persons who hold the positions of senior management;
  - (e) when a legal person's controlling interest is vested with another legal person, Financial Institution shall identify the natural person who controls the legal person.
50. In order to identify the beneficial owners of a legal arrangement, the Financial Institution shall obtain and take reasonable measures to verify the following:-
- (a) for Trusts, the identities of the author of the Trust, the trustees, the beneficiary or class of beneficiaries and any other natural person exercising ultimate effective control over the trust, (including those who control through the chain of control or ownership); or
  - (b) for other types of legal arrangements, the identities of persons in equivalent or similar positions.

#### **Non-Governmental Organizations, Not-for-Profit Organizations or Charities**

51. Every Financial Institution shall conduct enhanced CDD measures when entering into a relationship with a Non-Governmental Organization (hereinafter referred to as "NGO") or a Not-for-Profit Organization (hereinafter, referred to as "NPO") and Charities to ensure that their accounts are used for legitimate purposes and the transactions are commensurate with the declared objectives and purposes.
52. (1) Every Financial Institution shall open accounts in the name of the relevant NGO, NPO or Charity as per title given in the constituent documents thereof.
- (2) The individuals who are authorized to operate the accounts and members of their governing bodies shall also be subject to enhanced CDD measures.
- (3) Every Financial Institution shall ensure that the persons referred to in paragraph (2) are not affiliated with any entity or person designated as a proscribed entity or person, whether under the same name or a different name.
53. No Financial Institution shall allow personal accounts of the members of the governing bodies of a NGO, NPO or Charity to be used for charity purposes or collection of donations.
54. (1) Every Financial Institution shall review and monitor all existing relationships of a NGO, NPO or Charity to ensure that those organizations, their authorized signatories, members of their governing bodies and the beneficial owners are not linked with any entity or person designated as a proscribed entity and person, either under the same name or a different name.
- (2) In case of any suspicion on similarity in names, the Financial Institution shall file a Suspicious Transaction Report or take other legal action or both.

#### **Beneficiaries of Insurance Policies**

55. Every Financial Institution shall in addition to the CDD measures required for a customer and a beneficial owner, conduct the following CDD measures on the beneficiary of a life insurance and other investment related insurance policy, as soon as the beneficiary is identified or designated:-
- (a) for a beneficiary that is identified as specifically named natural or legal person or legal arrangement shall take the name of the person;
  - (b) for a beneficiary that is designated by characteristics or by class or by other means, shall obtain sufficient information concerning the beneficiary to satisfy the Financial Institution that it will be able to verify the identity of the beneficiary; and
  - (c) in the case of a beneficiary referred to in paragraph (a) and (b), the verification of the identity of the beneficiary shall occur at the time of appointment and payout.

56. Every Financial Institution shall include the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are to be applicable. If the Financial Institution determines that a beneficiary who is a legal person or a legal arrangement presents a higher risk, it shall take enhanced CDD measures which shall include reasonable mechanisms to identify and verify the identity of the beneficial owner of the beneficiary, at the time of payout.

#### **Customers and Financial Institutions from High Risk Countries**

57. (1) Every Financial Institution shall apply the enhanced CDD measures to business relationships and transactions to customers and Financial Institutions from high risk countries.
- (2) The Secretary to the Ministry of the Minister to whom the subject of Foreign Affairs has been assigned or the subject of Defence has been assigned, as the case may be, shall specify the high risk countries referred to in paragraph (1)-
- (a) based on the Financial Action Task Force listing; or
- (b) independently taking into account, the existence of strategic deficiencies in anti-money laundering and suppression of terrorist financing policies and not making sufficient progress in addressing those deficiencies in those countries.
- (3) Upon specifying the high risk countries as specified in paragraph (2), the Financial Intelligence Unit shall publish the list of high risk countries in its official website.
- (4) The type of enhanced measures applied under paragraph (1) shall be effective and correspond to the nature of risk.
58. In addition to enhanced CDD measures, every Financial Institution shall apply appropriate counter measures, as follows, for countries specified in the list of high risk countries referred to in paragraph (2) of Rule 57, corresponding to the nature of risk of listed high risk countries:-
- (a) limiting business relationships or financial transactions with identified countries or persons located in the country concerned;
- (b) review and amend or, if necessary terminate, correspondent banking relationships with Financial Institutions in the country concerned;
- (c) conduct enhanced external audit, by increasing the intensity and frequency, for branches and subsidiaries of the Financial Institution or financial group, located in the country concerned; and
- (d) conduct any other measure as may be specified by the Financial Intelligence Unit.

#### **Politically Exposed Persons (PEPs)**

59. In relation to politically exposed persons or their family members and close associates, every Financial Institution shall -
- (a) implement appropriate internal policies, procedures and controls to determine if the customer or the beneficial owner is a politically exposed person;
- (b) obtain approval from the Board of Directors of the Financial Institution to enter into or continue business relationship where the customer or a beneficial owner is a politically exposed person or subsequently becomes a politically exposed person;
- (c) identify, by appropriate means, the sources of funds and wealth or beneficial ownership of funds and wealth; and
- (d) conduct enhanced ongoing monitoring of business relationships with the politically exposed person.
60. In relation to life insurance policies of politically exposed persons, every Financial Institution shall-
- (a) take reasonable measures to determine whether the beneficiary, beneficiaries or the beneficial owner, as the case may be, are politically exposed persons, at the time of the payout;
- (b) where higher risks are identified, inform Senior Management before the payout of the policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policy holder, and consider whether to make a suspicious transaction report or not.

#### **Financial Institution which relies on a Third-Party**

61. Where any Financial Institution is permitted to rely on a third-party Financial Institution or designated non finance business in order to conduct CDD measures, including the identification of the customer, identification of the beneficial owner and understanding the nature of the business or initiating the business, the ultimate responsibility for CDD measures shall remain with the Financial Institution relying on the third party, which shall-
- (a) obtain immediately the necessary information relating to CDD ;
- (b) take steps to satisfy itself that copies of identification data and other relevant, documentation relating to CDD requirements will be made available from the third party Financial Institution or designated non finance business, upon request without delay;
- (c) satisfy itself that the third party Financial Institution or designated non-finance business is regulated, supervised or monitored, and has measures to adhere to CDD and record-keeping requirements in compliance with the Act.

62. Every Financial Institution which relies on third party shall,
- (a) have internal policies and procedures which enables the mitigation of anti-money laundering and terrorist financing risks to the international financial system, including those from countries that have been identified by the Financial Action Task Force as having strategic deficiencies in anti-money laundering and suppression of terrorist financing policies;
  - (b) have regard to information available on the level of country risk, when determining the country of a third party.
63. The provisions of Rules 61 and 62 shall apply in respect of every Financial Institution which relies on a third party that is part of the same financial group or group of companies in the following circumstances:-
- (a) when applying CDD and record-keeping requirements and implementing anti-money laundering or suppression of terrorist financing programmes, in accordance with the relevant written laws;
  - (b) when conducting supervision by the Financial Intelligence Unit or any relevant authority, of the implementation of CDD and record-keeping requirements and anti-money laundering or suppression of terrorist financing programmes, at group level; and
  - (c) when any risk arising due to a third party located in a high risk country referred to in Rule 57, is solely mitigated by the group's anti-money laundering or suppression of terrorist financing internal policies.

### PART III

#### CORRESPONDENT BANKING

64. (1) Every Financial Institution providing correspondent banking services to respondent banks (hereinafter referred to as the "correspondent bank") shall take necessary measures to ensure that the risk of money laundering and terrorist financing through the accounts of the respondent banks (ex: being used by shell banks) are duly managed.
- (2) Accordingly, every correspondent bank shall assess the suitability of the respondent bank by taking the following measures;
- (a) gather adequate information about the respondent bank to thoroughly understand the nature of the respondent bank's business, including the following:-
    - (i) internal policy of the respondent bank on anti- money laundering and suppression of terrorist financing;
    - (ii) information about the respondent bank's management and ownership;
    - (iii) core business activities;
    - (iv) country of geographical presence, jurisdiction or country of correspondence;
    - (v) money laundering prevention and detection measures;
    - (vi) the purpose of the account or service;
    - (vii) identity of any third party that will use the correspondent banking services (i.e. in case of payable through accounts);
    - (viii) the level of the regulation and supervision of banks in the country of the respondent bank.
  - (b) determine from publicly available sources, the reputation of the respondent bank, and as far as practicable, the quality of supervision over the respondent bank, including facts as to whether it has been subject to money laundering or terrorist financing investigation or regulatory action;
  - (c) assess the respondent bank's anti-money laundering and suppression of terrorist financing systems and ascertain whether they are adequate and effective, having regard to the anti-money laundering and suppression of terrorism financing measures of the country or jurisdiction in which the respondent bank operates;
  - (d) clearly understand and record the respective anti-money laundering and suppression of terrorist financing responsibilities of each bank; and
  - (e) obtain approval of the Board of Directors of the respondent bank, before entering into new correspondent banking relationships.
65. Every correspondent bank shall in relation to "payable-through accounts", satisfy itself that the respondent bank-
- (a) has conducted CDD measures on its customers that have direct access to the accounts of the correspondent bank; and
  - (b) is able to provide relevant CDD information upon request to the correspondent bank.
66. Every correspondent bank shall apply enhanced CDD measures when entering into or continuing correspondent banking relationship with banks or Financial Institutions which are located in high risk countries, referred to in Rule 57.
67. (1) No correspondent bank shall enter into or continue correspondent banking relationship with a shell bank.
- (2) When providing correspondent banking services, the correspondent bank shall take appropriate measures to satisfy itself that its respondent Financial Institutions do not permit their accounts to be used by shell banks.



**PART IV****WIRE TRANSFERS**

68. Every Financial Institution shall in processing wire transfers, take freezing action and comply with prohibitions on conducting transactions with designated persons and entities, as per obligations set out in the United Nations Regulation No.1 of 2012 published in *Gazette Extraordinary* No. 1758/19 dated May 15, 2012 and United Nations Regulation No. 2 of 2012 published in *Gazette Extraordinary* No. 1760/40 dated May 31, 2012, relating to the prevention and suppression of terrorism and terrorist financing, inclusive of United Nations Security Council Resolutions 1267 and 1373 and any successor resolutions thereto.
69. Every Financial Institution shall preserve Society for Worldwide Interbank Financial Telecommunication (SWIFT) messages that accompany inward remittances for a period of six years from the date of transaction.

**Ordering Financial Institutions**

70. Every Ordering Financial Institution shall ensure that all cross-border wire transfers having a value more than or equal to rupees one hundred thousand or its equivalent in any foreign currency to be always accompanied with the following :-
- (a) originator information :-
    - (i) name of the originator;
    - (ii) originating account number where such an account is used to process the transaction or in the absence of an account, a unique transaction reference number which permits traceability of the transaction; and
    - (iii) originator's address, national identity card number or any other customer identification number as applicable;
  - (b) beneficiary information :-
    - (i) name of the beneficiary; and
    - (ii) the beneficiary account number where such an account is used to process the transaction or in the absence of an account, a unique transaction reference number which permits traceability of the transaction.
71. Where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, the batch file shall contain required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country and shall include the originator's account number or unique transaction reference number.
72. Every Ordering Financial Institution shall verify the information pertaining to its customer where there is a suspicion of money laundering and terrorist financing risk.
73. In the case of domestic wire transfers, the Ordering Financial Institution shall ensure that the information accompanying the wire transfer includes originator information as indicated for cross-border wire transfers unless such information can be made available to the Beneficiary Financial Institution and appropriate authorities by other means.
74. (1) In the case where the information accompanying the domestic wire transfer can be made available to the Beneficiary Financial Institution and appropriate authorities by other means, the Ordering Financial Institution shall include the account number or a unique transaction reference number, provided that any such number will permit the transaction to be traced back to the originator or the beneficiary.
- (2) The Ordering Financial Institution shall make the information available as soon as practicable after receiving the request either from the Beneficiary Financial Institution or from the appropriate authority.
75. Every Ordering Financial Institution shall maintain all originator and beneficiary information collected, in accordance with the Act.
76. If any Ordering Financial Institution fails to comply with the requirements specified in Rules 70 to 75 (both inclusive) in respect of a wire transfer, such Financial Institution shall not proceed with the wire transfer unless directed to do so by the Financial Intelligence Unit and shall consider reporting the relevant transaction as a suspicious transaction to the Financial Intelligence Unit.

**Intermediary Financial Institution**

77. Every Financial Institution which is involved in wire transfers as an Intermediary Financial Institution shall ensure that for cross-border wire transfers, all originator and beneficiary information that accompanies a wire transfer is retained with the wire transfer message.

78. Where technical limitations prevent the required originator or beneficiary information accompanying a crossborder wire transfer from remaining with a related domestic wire transfer, the Intermediary Financial Institution shall keep a record, for at least six years, of all the information received from the ordering Financial Institution or another Intermediary Financial Institution.
79. Every Intermediary Financial Institution shall take reasonable measures, which are consistent with straight-through processing to identify cross-border wire transfers that lack the required originator information or required beneficiary information.
80. Every Intermediary Financial Institution shall have risk-based internal policies and procedures for determining-
  - (a) when to execute, reject or suspend a wire transfer lacking required originator or beneficiary information; and
  - (b) what is the appropriate follow up action.

#### **Beneficiary Financial Institution**

81. Every Beneficiary Financial Institution shall take reasonable measures, which may include post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers that lack required originator information or required beneficiary information.
82. For cross-border wire transfers of rupees one hundred thousand or above or its equivalent in any foreign currency, a Beneficiary Financial Institution shall verify the identity of the beneficiary, and maintain the information in accordance with the Act if the identity has not been previously verified.
83. Every Beneficiary Financial Institution shall have risk-based internal policies and procedures for determining-
  - (a) when to execute, reject or suspend a wire transfer with insufficient, originator or beneficiary information; and
  - (b) what is the appropriate follow up action.

#### **Money or Value Transfer Service Providers**

84. Every provider of Money or Value Transfer Service (hereinafter referred to as "MVTs") shall maintain a current list of its agents in all countries in which the MVTs provider and its agents operate.
85. Every MVTs provider that uses agents shall include them in its internal policy on anti-money laundering or suppression of terrorist financing and monitor them in compliance with that policy.
86. Every MVTs provider shall comply with the provisions applicable for CDD in wire transfers, when operating directly or through their agents in Sri Lanka, or shall comply with similar requirements issued by a relevant authority, when operating directly or through its agents in a foreign country.
87. In the case of a MVTs provider that controls the ordering customer as well as the beneficiary customer of a wire transfer, such MVTs provider shall -
  - (a) take into account all relevant information from the ordering customer and the beneficiary customer, in order to determine whether a suspicious transaction report needs to be filed; and
  - (b) file a suspicious transaction report with the Financial Intelligence Unit, on identifying a suspicious wire transfer.
88. (1) Every Financial Institution shall follow special precautionary measures to make a distinction between formal money transmission services and other alternative money or value transfer systems (ex: hundi, hawala etc.) through which funds or value are moved from one geographic location to another, through informal and unsupervised networks or mechanisms.
  - (2) The Financial Institution shall take reasonable measures to ascertain the sources of funds involving any such alternative money or value transfer system and file a suspicious transaction report with the Financial Intelligence Unit.

### **Part V**

#### **RECORD KEEPING**

89. Every Financial Institution shall maintain all records of transactions, both domestic and international, including the results of any analysis undertaken, such as inquiries to establish the background and purpose of complex, unusually large transactions for a minimum period of six years from completion of such transactions.
90. The records shall be sufficient to permit reconstruction of individual transactions including the nature and date of the transactions, the type and amount of currency involved and the type and identifying number of any account involved in the transactions so as to be produced in a court of law, when necessary, as evidence. The transaction records may be maintained in document form, by electronic means, on microfilm or in any other form that may be admissible as evidence in a court of law.

91. The records of identification data obtained through CDD process such as copies of identification documents account opening forms, know your customer related documents, verification documents and other documents along with records of account files and business correspondence, shall be maintained for a minimum period of six years commencing from the date on which the business relationship was fulfilled or the occasional transaction was effected.
92. The records shall be maintained up-to-date and be kept in original or copies with the Financial Institution's attestation.
93. Every Financial Institution shall retain the above records for a longer period where transactions customers or accounts are involved in litigation or required to be produced in a court of law or before any other appropriate authority.
94. (1) Every Financial Institution shall ensure that all CDD information and transaction records are available immediately to relevant domestic authority and Financial Intelligence Unit.
- (2) For the purposes of this rule relevant domestic authority means -
- (a) Any public authority (including a supervisory authority established as independent non-governmental authority with statutory powers) with designated responsibilities for prevention of money laundering and suppression of terrorist financing;
  - (b) Any authority that performs the function of investigating and prosecuting money laundering and terrorist financing associated offences and seizing or freezing and confiscating assets relating to such offences; and
  - (c) Any authority receiving reports on cross-border transportation of currency.

## PART VI

### MISCELLANEOUS

95. Every Financial Institution shall verify whether any prospective customer or beneficiary appears on any suspected terrorist list or alert list issued in compliance with the United Nations Regulations No. 1 of 2012 published in *Gazette Extraordinary* No. 1758/19 dated May 15, 2012 and United Nations Regulations No. 2 of 2012 published in *Gazette Extraordinary* No. 1760/40 dated May 31, 2012, relating to the prevention and suppression of terrorism and terrorist financing, inclusive of United Nations Security Council Resolutions 1267 and 1373 and any successor resolutions thereto.
96. In the case of a prospective customer whose permanent address given in the application is at a location far away from that of the branch which receives the account opening request, the Financial Institution shall discourage or turn down the request to open the account and shall request the prospective customer to open the account at the closest branch to the customer's residence or business, unless an acceptable and a valid reason is given to keep in record.
97. Where two or more accounts are opened in the same Financial Institution by one customer, the Financial Institution shall record the specific purpose for which such accounts are opened, in order to enable ongoing CDD of all accounts.
98. The Licensed Banks and Registered Finance Companies (Know Your Customer (KYC) and Customer Due Diligence (CDD)) Rules, No. 1 of 2011 published in *Gazette Extraordinary* No. 1699/10 of March 28, 2011 are hereby rescinded without prejudice to anything previously done thereunder.
99. In these Rules —
- “beneficiary” means a person to whom or for whose benefit the funds are sent or deposited in or paid to a Financial Institution and may include a beneficiary Financial Institution;
- “Beneficiary Financial Institution” means an institution which receives wire transfers from the ordering institution directly or through an intermediary institution and makes the funds available to the beneficiary customer;
- “beneficial owner” means a natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over a person or a legal arrangement;
- “Board of Directors” in relation to a Financial Institution incorporated outside Sri Lanka means the senior management authority of such Financial Institution;
- “customer” in relation to a transaction or an account includes-
- (a) the person in whose name a transaction or an account is arranged, opened or undertaken;
  - (b) a signatory to a transaction or an account;
  - (c) any person to whom a transaction has been assigned or transferred;
  - (d) any person who is authorized to conduct a transaction; or
  - (e) such other person as may be prescribed;

“correspondent banking” means provision of banking services by one bank (the correspondent bank) to another bank (the respondent bank) including cash management (ex: large international banks frequently act as correspondent banks for large number of other banks around the world by providing wide range of services such as interest-bearing accounts in a variety of currencies, international wire transfers, cheque clearing, payable-through accounts and foreign exchange services);

“close associate” includes -

- (a) a natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship; and
- (b) a legal person or legal arrangement whose beneficial owner is a natural person and is known to have been set up for the benefit of such person or his immediate family members;

“controlling interest” means an interest acquired by providing more than ten percent of the capital of a Financial Institution;

“Company Act” means the Companies Act, No. 7 of 2007 ;

“existing customer” means a customer who has commenced a business relationship on or before these rules come into force;

“Financial Action Task Force” means an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing for proliferation of weapons of mass destruction;

“financial group” means a group of companies that consists of a parent company or other type of a legal person, exercising control and coordinating function over the rest of the group, for the application of group supervision under the anti-money laundering and suppression of terrorist financing policies and procedures, together with branches and subsidiaries that are subject thereto;

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

“immediate family member” includes the spouse, children and their spouses or partners, parents, siblings and their spouses and grandchildren and their spouses;

“Intermediary Financial Institution” means an institution in a payment chain that receives and transmits a wire transfer on behalf of the Ordering Financial Institution and the beneficiary institution, or another intermediary institution;

“legal person” means any entity other than a natural person that is able to establish a permanent customer relationship with a financial institution or otherwise owns property and includes a company, a body corporate, a foundation, a partnership or an association;

“legal arrangement” includes an express trust, a fiduciary account or a nominee ;

“licensed bank” means any commercial bank and specialized bank, licensed under the Banking Act, No. 30 of 1988;

“majority-owned subsidiary” means a subsidiary of a group of companies of which fifty percent or more of the shares of the group of companies are owned by the parent company;

“MVTs” means financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message transfer or through a clearing network to which the relevant financial service provider belongs. Transactions performed by such service may involve one or more intermediary transactions and a final payment to a third party and may include any new payment methods ;

“money laundering” means the offence of money laundering in terms of section 3 of the Prevention of Money Laundering Act, No 5 of 2006;

“Ordering Financial Institution” means an institution which initiates wire transfers and transfers the funds upon receiving the request for a wire transfer on behalf of the originating customer;

“person” means a natural or legal person and includes a body of persons whether incorporated or unincorporated and a branch incorporated or established outside Sri Lanka;

“politically exposed person” means an individual who is entrusted with prominent public functions either domestically or by a foreign country, or in an international organization and includes a Head of a State or a Government, a politician, a senior government officer, judicial officer or military officer, a senior executive of a State owned Corporation, Government or autonomous body but does not include middle rank or junior rank individuals;

“payable-through account” means correspondent accounts that are used directly by third parties to transact business on their own behalf;

“risk based approach” in relation to the application of CDD measures to manage and mitigate money laundering and terrorist financing risks, means the use of simplified CDD measures in the case of customers with lower risk levels and the use of enhanced CDD measures in the case of customers with higher risk levels;

“Suspicious Transaction Report” means a report of a suspicious transaction or attempted transaction as per section 7 of the Act ;

“shell bank” means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective overall supervision. The physical presence constitutes being located within a country performing a management function with meaningful mind and the mere existence of a local agent or non-managerial staff does not constitute a physical presence;

“straight through processing” means payment transactions that are conducted electronically without need for manual intervention;

“terrorist financing” means an act constituting an offence connected with the financing of terrorism under the Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005;

“threshold report” means a report under section 6 of the Act.

## SCHEDULE

(Rule 27)

### (1) Individual Customers :

(a) The following information shall be obtained :-

(a1) In the case of all customers -

- (i) Full name as appearing in the identification document;
- (ii) Official personal identification or any other identification document that bears a photograph of the customer (ex: national identity card, valid passport, or valid driving licence) ;
- (iii) Permanent address as appearing on the identification document. If residential address differs from the permanent address residential address shall be supported by a utility bill not over three months old or any other reliable proof of residence. Utility bills are to be specified as electricity bill, water bill and fixed line telephone operator’s bill. No post-box number shall be accepted except for State owned enterprises. In the case of ‘C/o’, property owner’s consent and other relevant address verification documents are required to be obtained;
- (iv) Telephone number, facsimile number, and e-mail address ( if available);
- (v) Date of Birth;
- (vi) Nationality
- (vii) Occupation, business, public position held and the name of the employer and geographical areas involved (if available);
- (viii) Purpose for which the account is opened;
- (ix) Expected turnover/volume of business ;
- (x) Expected mode of transactions ;
- (xi) Satisfactory reference, as applicable; and

(a2) In the case of non-resident customers -

- (i) The reason for opening the account in Sri Lanka ;
- (ii) Name, address and the copy of passport of the person or persons authorized to give instructions;

(b) The following documents shall be obtained (each copy shall be verified against the original)

- (i) Copy of identification document;
- (ii) Copy of address verification document;
- (iii) Copy of the valid visa/permit in the case of accounts for non-national customers.

### (2) Proprietorship/Partnership Accounts :

(a) The following information shall be obtained :-

- (i) Full names of the partners or proprietors as appearing in the business registration document;
- (ii) Nature of the business;

- (iii) Registered address or the principal place of business;
  - (iv) Identification details of the proprietor/partners as in the case of individual accounts;
  - (v) Contact telephone, fax numbers;
  - (vi) Income Tax file number;
  - (vii) The extent of the ownership controls;
  - (viii) Other connected business interests;
- (b) The following documents shall be obtained (each copy shall be verified against the original) :-
- (i) Copy of the business registration document;
  - (ii) Proprietors' information / Partnership Deed;
  - (iii) Copy of identification and address verification documents.

**(3) Corporations/Limited Liability Company :**

- (a) The following information shall be obtained :-
- (i) Registered name and the Business Registration Number of the institution;
  - (ii) Nature and purpose of business;
  - (iii) Registered address of the principal place of business;
  - (iv) Mailing address, if any;
  - (v) Telephone/Fax/E-mail ;
  - (vi) Income Tax file number;
  - (vii) Bank references (if applicable);
  - (viii) Identification of all Directors as in the case of individual customers;
  - (ix) List of major shareholders with equity interest of more than ten percent;
  - (x) Lists of subsidiaries and affiliates;
  - (xi) Details of names of the signatories;

Note : In the case of companies listed on the Stock Exchange of Sri Lanka licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 or any other stock exchange subject to disclosure requirements ensuring adequate transparency of the beneficial ownership, the Financial Institution may use the information available from reliable sources to identify the Directors and major Shareholders;

- (b) The following documents shall be obtained (each copy shall be verified against the original):-
- (i) Copy of the Certificate of Incorporation ;
  - (ii) Copy of Form 40 ( Registration of an existing company) or Form I (Registration of a company) under the Companies Act and Articles of Association;
  - (iii) Board Resolution authorizing the opening of the account;
  - (iv) Copy of Form 20 (Change of Directors/Secretary and Particulars of Directors/Secretary) under the Companies Act;
  - (v) Copy of Form 44 (Full address of the registered or principal office of a company incorporated outside Sri Lanka and its principal place of business established in Sri Lanka) under the Companies Act;
  - (vi) Copy of Form 45(List and particulars of the Directors of a company incorporated outside Sri Lanka with a place of business established in Sri Lanka) under the Companies Act;
  - (vii) Copy of the Board of Investment Agreement if a Board of Investment approved company;
  - (viii) Copy of the Export Development Board (EDB) approved letter if EDB approved company;
  - (ix) Copy of the certificate to commence business if a public quoted company;
  - (x) Name of the person or persons authorized to give instructions for transactions with a copy of the Power of Attorney or Board Resolution, as the case may be;
  - (xi) Latest audited accounts if available.

Note: The above documents shall apply to a company registered abroad as well. The non-documentary methods in the absence of the above documents would entail a search at the Credit Information Bureau (CRIB), bank references, site visits and visiting the business website of the customer.

**(4) Clubs, Societies, Charities, Associations and Non-Governmental Organizations:**

- (a) The following information shall be obtained:-
- (i) Registered Name and the Registration Number of the institution;
  - (ii) Registered address as appearing in the Charter, Constitution etc.;
  - (iii) Identification of at least two office bearers, signatories, administrators, members of the governing body or committee or any other person who has control and influence over the operations of the entity as in the case of individual accounts;

- (iv) Committee or Board Resolution authorizing the account opening;
- (v) The source and level of income/funding;
- (vi) Other connected institutions/associates/organizations;
- (vii) Telephone/Facsimile numbers/E-mail address.

(b) The following documents shall be obtained and be verified against the original:-

- (i) Copy of the registration document/constitution charter etc.;
- (ii) Board Resolution authorizing the account opening;
- (iii) Name of the persons authorized to give instructions for transactions with a copy of the Power of Attorney or Board/Committee Resolution;

**(5) Trust nominees and Fiduciary accounts :**

(a) The following information shall be obtained: -

- (i) Identification of all trustees, settlers/grantors and beneficiaries in case of trusts as in the case of individual accounts;
- (ii) Whether the customer is acting as a 'front' or acting as a trustee, nominee, or other intermediary;

(b) The following documents shall be obtained (each copy should be verified against the original) :-

- (i) Copy of the Trust Deed, as applicable ;
- (ii) Particulars of all individuals.

**(6) Stocks and Securities Sector specific requirements :-**

(a) The following information shall be obtained from the Funds approved by the Securities and Exchange Commission of Sri Lanka:-

- (i) Name of the Fund;
- (ii) Purpose of the Fund;
- (iii) Place of establishment of the Fund;
- (iv) Details (name, address, description etc.,) of the Trustee/Manager of the Fund;
- (v) If the Trustee/Manager is a company, date of incorporation, place of incorporation, registered address of such trustee/Manager;
- (vi) Copies of the documents relating to the establishment and management of the fund  
(ex: Prospectus/Trust Deed/Management Agreement/Bankers Agreement /Auditors Agreement);
- (vii) Copy of the letter of Approval of the Fund issued by the Supervisory Authority of the relevant country;
- (viii) Copy/copies of the relevant Custody Agreement/s;
- (ix) Details of beneficiaries.

(b) Certification requirement :-

All supporting documents to be submitted to Central Depository System shall be certified, attested or authenticated by the persons specified in (A) or (B) below for the purpose of validating the applicant:-

(A) For Non- resident applicants :-

- (i) By the Company Registrar or similar authority;
- (ii) By a Sri Lankan diplomatic officer or Sri Lankan consular officer in the country where the documents were originally issued ;
- (iii) By a Solicitor, an Attorney -at- Law, a Notary Public practicing in the country where the applicant resides;
- (iv) By the Custodian Bank;
- (v) By the Global Custodian (the Custodian Bank shall certify the authenticity of the signature of the Global Custodian) ;or
- (vi) By a broker;

(B) For resident applicants :-

- (i) By the Registrar of Companies or the Company Secretary (applicable in respect of Corporate Bodies);
- (ii) By an Attorney- at- Law or a Notary Public;
- (iii) By a Broker; or
- (iv) By the Custodian Bank.

Note:(I) The person certifying shall place the signature, full name, address, contact telephone number and the official seal (Not applicable for Brokers, Custodian Banks and Global Custodians).

- (2) Where the application is titled in the name of the "Registered Holder/Global Custodian, Beneficiary" and forwarded through a Custodian Bank, a copy of the SWIFT message or similar document issued by the Global Custodian instructing the local Custodian Bank to open the account on behalf of the Beneficiary company shall be submitted together with a declaration from the Global Custodian that a custody arrangement or agreement exists between the Global Custodian and the Beneficiary.

**Circular No. 01/16**

10 November 2016

**Ref.37/05/002/0016/016**

To : All CEOs and Heads of Financial Institutions

Dear Sir/Madam,

This circular is issued by the FIU under Section 2 read with Section 15(1)(J) of the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA) to assist the financial institutions as defined under the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016, published by way of Gazette Extraordinary No. 1951/13 dated 27.01.16, by providing clarifications for several terms within the aforesaid Rules. The following definitions and / or clarifications would apply where the text specifically refers to the term hereafter defined and/ or clarified.

**Definitions/Clarifications:****1. Occasional Transactions/Occasional Customer**

Section 2(6) of the FTRA- defines “occasional transaction” as “any transaction, in relation to cash and electronic fund transfer, that is conducted by any person other than through an account in respect of which the person is the customer.”

An Occasional Customer shall mean any person who engages in an occasional transaction.

**2. One-off Customer**

Customers who do not access their accounts maintained at the financial institution on a regular basis for financial transactions, either physically or from an online account platform, the access to which, is provided by the financial institution.

**3. Walk-in Customer**

A person who is not a customer of the financial institution to which he has presented himself, although the purpose of his visit is to obtain a financial service or to conduct a financial transaction with such institution.

**4. Third Party Customer**

A person who transacts with a financial institution through a third party account in respect of which the third party is the customer of such financial institution

**Clarification on Rule 59 (b):**

The term “Board of Directors” in Rule 59(b) shall refer to the Senior Management of the Financial Institution for all purposes of practical implementation.

Director  
Financial Intelligence Unit

Cc: Compliance Officer

**Ref. 34/07/029/0001/002**

16 February 2016

**Payments and Settlements System Circular No. 01 of 2016**

To : All Participants of LankaSettle System

### **RECORDING OF OWNERSHIP OF GOVERNMENT SECURITIES IN THE LANKASECURE CENTRAL DEPOSITORY SYSTEM**

As per LankaSettle System Rules, all LankaSettle Dealer Direct Participants (DDPs) shall act as custodians for their customers to execute transactions through relevant accounts in the LankaSecure. Hence, LankaSettle DDPs shall maintain accounts in respect of each of its customers to hold scripless Government Securities (GS) to which each such customer has title, and record the interests of each such customer in scripless GS. Also, in terms of the custodial responsibility, LankaSettle DDPs are required to promptly and accurately record details of each customer in LankaSecure Central Depository System (CDS) when the customer obtains legal ownership of scripless GS, or any change of ownership or owner details of scripless GS.

However, it has been observed that many LankaSettle DDPs fail to perform their custodial role in compliance with the above rules and regulations relevant to scripless GS in the conduct of their business. The improper recording of scripless GS balances in LankaSecure CDS has led to many enquiries by customers and audit firms from the Public Debt Department, for interpretation of account types under which such balances are indicated in the relevant LankaSecure statements.



In view of the above, all LankaSettle DDPs are requested to strictly adhere to the instructions given in the LankaSettle System Rules (Version 2.1) issued on 01 August 2013 when recording the ownership of scripless GS in the LankaSecure CDS.

The LankaSecure statements issued after March 2016 will indicate the narrations of new account types as given on pages 7 to 10 of Volume 3 of LankaSettle System Rules.

T H B Sarathchandra  
**Superintendent of Public Debt**

(Mrs.) R A S M Dayarathna  
**Director Payments and Settlements**

Ref. 34/07/029/0001/002

06 September 2016

**Payments and Settlements System Circular No. 02 of 2016**

To : All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE  
 ON 09 SEPTEMBER 2016**

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 09 September 2016 (Friday) for the purpose of testing the business continuity arrangements.

The PCs of your institution that have been connected to the CBSLNet have already been configured to access the CBSL DR site. However, you are requested to contact IT Department of CBSL and test the connectivity before 09 September 2016 to ensure the readiness. The contact details of CBSL IT officials are given below.

- Mr. Lasith Fernando – 011 2477124 (e-mail : lasith@cbsl.lk)
- Mr. Rusiru Boralugoda – 011 2398617 (e-mail : rusiru@cbsl.lk)

D Kumaratunge  
**Director Payments and Settlements**

Ref. 34/07/029/0001/002

25 October 2016

**Payments and Settlements System Circular No. 03 of 2016**

To : All Participants of LankaSettle System

**AMENDMENT TO DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM**

1. Operating schedules related to the open market operations have been changed with effect from 01 November 2016.
2. Accordingly, you are hereby informed that the table in the Clause 1.2 of Volume 4 of LankaSettle System Rules Version 2.1 – August 2013 on Daily Operating Schedule **will be amended as follows with effect from 01 November 2016.**

TIME	EVENT	ACTIVITIES/TRANSACTIONS
6.30 a.m.	System start-up	Start-up of RTGS/SSS applications
7.30 a.m. to 8.00 a.m.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF
8.00 a.m.	LankaSettle System opens for business	System opens for effecting transactions
8.00 a.m.	ILF/auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
8.15 a.m.	Maturities/interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities
8.30 a.m.	Multilateral Net Settlement Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS
8.30 a.m.	Outright sales/purchases/Long Term Repo Auction/Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction

8.45 a.m.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
9.00 a.m.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
11.00 a.m.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF
11.45 a.m.	Long Term Reverse Repos (Auction)	Settlement of first leg of Long Term Reverse Repos under OMO
1.00 p.m.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction Settlement of Short Term CBSL Securities Auction
1.15 p.m.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
2.45 p.m.	Multilateral Net Settlement Batch from LankaClear	Settlement Clearing and Adjustment Clearing
3.00 p.m.	Multilateral Net Settlement Batch from LankaClear Primary cut-off time for third party transactions	SLIPS Cycle 2 CAS Cycle 2 Close for new transactions (for T+0) in favour of third parties, except for bank-to-bank (MT2XX series)
3.15 p.m.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
3.45 p.m.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 3.45 p.m.
4.00 p.m.	SDF	Settlement of first leg of SDF
4.15 p.m.	SLF	Settlement of first leg of SLF
4.15 p.m.	ILF Repayment	Repayment of ILF
4.30 p.m.	Final cut-off time Close for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system
4.30 p.m. to 5.00 p.m.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes
5.00 p.m.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups

3. Participants are advised to monitor their settlement accounts through browser workstations and assure to keep sufficient funds in their settlement accounts to facilitate smooth settlement of all transactions according to scheduled times.

D Kumaratunge  
**Director Payments and Settlements**

Ref. 34/07/029/0001/002

09 December 2016

**Payments and Settlements System Circular No. 04 of 2016**

To : All Participants of the LankaSettle System

**OPENING OF THE LANKASETTLE SYSTEM TO CONDUCT A LIVE TRIAL  
ON 18 DECEMBER 2016**

This is to inform you that the LankaSettle System (RTGS and SSSS) will be opened on **18 December 2016 (Sunday)** for the limited purpose of testing the new version of application software in a live environment. However, any related interface applications (OMO etc.) of the LankaSettle System will not be available on the aforementioned day for settlement of any transactions.

Accordingly, the LankaSettle System will be opened on the aforementioned day only for the test transactions specified by the Information Technology Department of the Central Bank of Sri Lanka (ITD, CBSL) for testing the new version of the application software.

Therefore, you are kindly requested:

- (1) Not to send any forward dated transactions on 18 December 2016 (live trial day), as such entries will be deleted from the system at the end of the live trial.
- (2) To disregard all inbound SWIFT messages generated on 18 December 2016 by CBCELKLAXXX, CBCELKLSXXX and CBCELKLXXXX.

The live trial will be conducted from **9:00 a.m. to 11:30 a.m.** on **18 December 2016 (Sunday)**.

The required test plan will be directly emailed to authorized officers of each participant by ITD, CBSL on or before 16 December 2016. After the successful completion of the live trial, the new version of the LankaSettle System will be available to use from 19 December 2016 onwards.

D Kumaratunge  
**Director Payments and Settlements**

**Ref: 08/21/005/035/001**

15 July 2016

**Circular No.**

To : The Chief Executive Officers of Primary Dealers

### **SECONDARY MARKET TRADING AND REPORTING**

All primary dealers are required to comply with the following in order to promote the secondary market in government securities through transparency in dealings and price discovery:

2. With effect from 01 August 2016, all primary dealers shall use the Bloomberg trading platform (FIQ) designed for Sri Lanka to:
  - i) Conduct all inter-primary dealer outright trades; and
  - ii) Report yield rates and volumes of all outright trades carried out over-the-counter in excess of Rs. 50 million with non-primary dealer investors within 30 minutes of each trade.
3. In the case of trades carried out through brokers, selling-side primary dealers shall report under 2 (ii) above.

Yours Faithfully  
(sgd) T H B Sarathchandra  
**Superintendent of Public Debt**

**Operating Instructions No: RDD/NADeP/2016**

Regional Development Department  
Central Bank of Sri Lanka  
P O Box 590  
No.30, Janadhipathi Mawatha  
Colombo 01.  
07 January 2016

To : All PFIs

Dear Sir/Madam

### **OPERATING INSTRUCTIONS FOR THE IMPLEMENTATION OF THE MICROFINANCE COMPONENT OF NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP)-**

#### **1) Introduction**

The National Agribusiness Development Programme (NADeP) is implemented by the Presidential Secretariat (initially by the Central Bank of Sri Lanka) and funded by the International Fund for Agriculture Development (IFAD). One sub component of the Programme is micro financing and training of youth.

NADeP was initially commenced on 23 February 2010 with a total cost of USD 32.9 million, jointly financed by the Government of Sri Lanka and the IFAD. For the implementation of microfinance sub-component USD 2.018 million was made available under the programme. At the discussion chaired by the Secretary to the President and attended by the Secretary to the Ministry

of Finance on 04.12.2015, it was decided to re-start the microfinance loan component for disbursement of micro loans through the licensed banks. As already communicated to you, your bank has been designated as a Participating Financial Institution (PFI) of this project. Accordingly, Rs. 90 mn has been allocated for disbursement by end March 2016 as per the terms and conditions laid down in this Operating Instructions. Depending on the progress a further allocation will be made with the concurrence of the funding agency.

The purpose of this programme is to reach the poor communities to help improve their livelihood. The focus group will include women, landless households and other marginalized groups. The programme would provide micro credit for income generating activities (IGAs), such as self-employment in agribusiness, agriculture, fisheries, livestock, trade and services, and small industries.

## 2) The Strategy of Micro Financing

The microfinance programmes are mainly targeted for women to create significant contribution to the livelihood improvements of the family along with the enhancement of gender equity and empowerment of women. Therefore, the recipients of the credit would be the Self Help Groups (SHGs), preferably led by women and the majority of the members would be women. Therefore, the first step would be the formation of SHGs. Then the SHGs would formulate IGAs for the group or for individuals. SHGs with mutual support are expected to implement the IGAs through credit supported by the programme. The process is facilitated by the PFI, by adopting innovative interventions to make the process effective and efficient.

## 3) Objectives

- a. To improve income level and social conditions of the poor in selected project areas
- b. To enhance financial inclusion among the poor by providing credit in the absence of formal collateral for income generating activities
- c. To create income generating opportunities among the poor and enhance the skills and capacities of the beneficiaries
- d. To establish cost effective and sustainable micro credit delivery system designed for the poor
- e. To encourage rural women to participate in income generating activities
- f. To inculcate savings habits and thrift among the rural poor
- g. To improve vocational, entrepreneurial and financial skills of the poor
- h. To build up self confidence among the rural poor and reduce their dependency through social mobilization process
- i. To encourage governmental and nongovernmental organizations in the project areas to serve the target group of the project

## 4) Strategies

- a. Identification of target beneficiaries
- b. Formation of beneficiaries into SHGs
- c. Collection of information for baseline survey to evaluate the impact of credit delivery
- d. Linking SHGs to banking/financial system
- e. Promotion of savings among beneficiaries
- f. Provision of skills training and other support services
- g. Provision of group guarantee as collateral for loans
- h. Strengthening of group based development societies and link them with the PFI
- i. Progress monitoring of IGAs.

## 5) Project Area

The programme will be implemented throughout the country.

PFI's are required to avoid any overlapping with Poverty Alleviation Microfinance Programme (PAMP) implemented by them.

## 6) Credit Facility

Under NADeP, short and medium term credit or group loans will be made available to eligible individuals in Self Help Groups SHGs or groups of individuals within SHGs for IGAs through the PFI. The PFI will be responsible for disbursement of loans for viable projects, supervising the performance of such projects and recovery of loans granted. In the process of loan disbursement, the PFI is responsible for identification of beneficiaries, formation of groups, beneficiary training and capacity building, savings mobilization and finally granting of loans. The beneficiaries will play an important role in loan supervision and recovery through peer pressure and group responsibilities.

## 7) Eligible Activities

The project will finance fixed and working capital requirements of IGAs undertaken by the beneficiaries. These will be acceptable IGAs to the PFI. The main categories of activities are:

- a) Agribusiness/Agriculture
- b) Fisheries
- c) Livestock
- d) Trade and Services
- e) Small Industries
- f) Other

## 8) Role and Responsibilities of the PFI

The PFI is required to play an active role in the implementation of the Programme. The primary responsibilities of the PFI are as follows:

- a) PFIs will ensure that required staff is allocated to implement the programme
- b) Timely disbursement of loans under the Programme and ensure that all loans are in compliance with the strategies listed in section 4.
- c) PFIs are responsible for the formation and registration of groups and ensure that social mobilization and training provided are adequate before granting loans to the group members
- d) There should be adequate social mobilisation along with the training provided to the SHGs before granting loans
- e) PFIs should satisfy itself that each sub project is technically and financially viable and feasible in terms of marketing
- f) PFIs shall regularly visit the SHGs in order to strengthen the linkages between SHGs with the PFIs
- g) Financial activities of all SHGs established in the districts should be monitored by respective PFIs on monthly basis and branch manager or his/her representative should represent the PFIs at the monthly meetings of the Groups
- h) PFIs should monitor the sub projects implemented with credit so as they would become successful and assess their impact on the poor
- i) PFIs should maintain separate records and accounts on credit under this programme
- j) PFIs should follow the refinance procedure stipulated in the Operating Instructions.

The PFIs shall facilitate the access to the Project related documents and accounts for the officers of RDD and IFAD as and when required. Further, the PFIs should submit reports and documents required by RDD and IFAD including Annual Reports, Auditors' Reports, Financial Statements, Progress Reports and any other related report or document.

## 9) Staff Training for PFI

Project Management Unit (PMU) will organize capacity building programmes for the staff of PFIs as and when required.

## 10) Qualifications of Beneficiaries

- a) Beneficiaries are from landless / near landless households
- b) Members of households who formed themselves as SHGs under the programme
- c) Households who are not defaulters of any other financial institution

## 11) Basic Principles of Group Formation and Operations

- a) All benefits under the programme should flow to the designated target groups within the programme area. A group should be a gathering of 5 to 8 members of different households/families and not a group from the same family,
- b) Granting of loans under the Programme should be made only after the confirmation of viability of the group/project through social mobilization, training and capacity development and savings operation over a period of at least three (03) months. However, it is not expected PFIs to form new groups for the delivery of the initial allocation of Rs. 90 MN of microcredit. Beneficiaries need to be selected from the existing and matured groups. New groups can be formed if and when the programme allocation is increased after March 2016. Similarly, recruitment of Social Mobilizers to achieve this target is not recommended but PFIs may use their existing field networks for the implementation,
- c) Homogeneous groups should be formed in terms of economic status. In order to ensure homogeneity, persons who are in the same income category with similar aspirations and expectations would be desired,
- d) The members of a group should be residents in close proximity enabling them to meet easily for group activities and interactions,
- e) Attention should be paid on previous defaults by potential members. The defaulter of any of the financial obligation should not be eligible for granting of loans until they settle their obligations.

## 12) Group Operations

- a. Each Group should have a Leader and a Secretary,
- b. Groups are required to meet once a week at a convenient place in the village. SM who is responsible for the organization of the group should be present at these meetings.

- c. Members of a group must decide how much to save at weekly intervals. The group should endeavour to collect the savings at the weekly meetings. The amount of saving decided by the group should be an equal amount for all the members in the group. The group must decide the order in which the group members should borrow from the PFI,
- d. The group is required to assist the PFIs in loan collection and exercise various other forms of self discipline such as coming to the group meetings on time,
- e. If members of a group wish to borrow a loan as a group the PFIs can grant loans depending on the viability of the income generating activities,
- f. Two or more persons within a group may borrow jointly for a single project.

### 13) Savings Mobilization

Mobilization of savings is an important function of the Programme, as beneficiary savings are an integral part of the group formation and credit provision. In order to be eligible for loans from the Programme, beneficiaries are required to undertake savings. Savings effort promoted through the Programme will help to inculcate the savings habit among group members and cement further cohesiveness for contributing towards social and economic security of beneficiaries

- a. After a formation of a group, the first task of the group would be to engage in savings. Members of the group must decide how much to save at weekly intervals. Once the amount is determined, the group should endeavour to collect savings from members at the weekly meetings and deposit in a Group Savings Account at the PFI.
- b. The group will be subject to the terms and conditions that control the personal savings in the group savings fund. An individual member, without the consent of all the other members of the group, cannot withdraw the funds in the Group Savings Account.
- c. When a member receives a loan from the PFI, savings in the Group Savings Account will automatically be taken as collateral/security and the funds will not be released until such loan/loans are settled in full. However, interest at prevailing market rates will be added to the balance that remained in the Savings Account and will remain the property of the group.
- d. The Group leader and the Secretary will operate the Group Savings Account while the management of the Group Fund will be done by the entire group. All withdrawals from the Group Savings Account should receive the consent of all the members of the group.
- e. The Group leader should present the group savings pass book issued by the PFI at each and every group meeting in order to enable the members to verify the balances of their collection/savings.

Any change of membership in the group should be informed to the PFI by the Group leader/Secretary, and necessary changes could be made in the ledgers/mandates etc. with the consent of all remaining members of the group

### 14) Group Member Training

- a. Beneficiary training (hard and soft skills) will be provided under the provisions of the Programme's Youth Training sub-component,
- b. These training sessions will be organized by PFIs with the help of SMs depending on the factors such as number of participants intended to be trained in each program from different geographical areas,
- c. The training will be free of charge to beneficiaries and full cost will be borne by the PMU.

### 15) Eligibility of Loans

The group should have been in existence for a minimum period of three months prior to obtaining a loan and the group members should have been engaged in regular savings and group activities/home gardening programmes etc. during this three month period.

### 16) Size of the Individual Loan

Individual beneficiaries would be eligible for loans for IGAs ranging from Rs. 30,000 to Rs. 300,000. The objective is to include the people who are below the poverty level and to assist the group still vulnerable to shocks even their income is above the poverty level.

### 17) Grace Period

If necessary, depending on the nature of economic activity, the PFIs may grant a grace period to borrowers. Maximum duration of the grace period is six months. The borrower is liable to pay interest during the grace period.

### 18) Interest Rates

CBSL will lend the proceeds of the loan from IFAD at 3.25 Per cent per annum to PFIs and the PFIs are required to lend to end borrowers at 6.50 per cent per annum.

### 19) Repayment Terms and the Period

Agricultural loans for short term crops (seasonal crops) should be paid back within short term duration of less than 9 months. Loan repayment period of other loans will not exceed 36 months. The PFIs may fix flexible repayment schedules for working capital loans based on the enterprise's projected cash flows.

### 20) Security

In principle physical collateral is not required. The compulsory group savings before receiving credit (at least for three months) could be taken as security.

### 21) Accounts and Financial Statements

- a. PFIs should maintain appropriate accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
- b. PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
- c. PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD and IFAD. Further, the PFI should submit the Accounts and Financial Statements to RDD and IFAD when required.

### 22) Registration of Borrowers

PFIs should submit the details of the loan applicants to the Regional Development Department of the Central Bank as per the Loan Registration Form given as Annex A of the Operating Instructions.

### 23) Refinance Procedure

Central Bank of Sri Lanka will provide 100 per cent refinance for all loans granted under the scheme subject to the terms and conditions laid down in this Operating Instructions.

- a) Duly completed application for refinance should be submitted by the Head Offices of the PFIs to RDD for reimbursement after releasing loans by their branch offices. Each refinance application should be accompanied with the following documents:
  - a.1 Application for Refinance
  - a.2 Statement of Loan Disbursements
  - a.3 Demand Promissory Note with relevant Stamp Duty
  - a.4 Delivery Note
  - a.5 Form of Assignment by way of Pledge to CBSL
  - a.6 Disbursement Letter
- b) Upon approval of the refinance application, RDD will sanction the refinance application and release refinance on first come first served basis
- c) Refinance claims should be submitted to RDD through the PFIs/Head Office within 1 month of the date of disbursement
- d) RDD undertakes to ensure that refinance payment is made within 01 week of receipt of the completed refinance application
- e) Capital and interest payments on refinance loan will be payable by the PFIs to the CBSL according to the Repayment schedule for refinance prepared by the CBSL

### 24) Repayment of Sub-Loans

- a. The borrower should repay the loan instalments directly to the relevant PFI.
- b. SMs/Field Officers appointed by PFI are empowered to collect repayments/deposits at the weekly meetings of the group issuing an acknowledgement receipt. Such funds should be deposited in the respective Savings Account maintained at the PFI branch immediately after collection by the SMs/Field Officers attached to the PFI.

### 25) Action for Defaulters

Loan defaulters could be classified into two broad categories:

- a) Wilful defaulters
- b) Non-wilful defaulters.

This classification should be made on the basis of information available to the Branch Manager of PFI through the SMs, Field Officers, Group leaders/Society leaders etc.

## a) Wilful Defaulters

If the information available indicates that a borrower has had a good income from the IGA but has failed to settle his obligations to the bank, he should be classified as a wilful defaulter.

## b) Non-wilful Defaulter

On the other hand, if a borrower has experienced difficulty in meeting his obligations to the bank due to some natural calamity (such as floods, droughts or pests) or any other reason beyond the borrower's control as determined by the Manager with the assistance of the SM and the Field Officer, he should be classified as a non-wilful defaulter.

The procedure for recovery action in the case of these two categories will be as follows:

- a. In the case of wilful defaulters, immediate action should be instituted to recover the loan amount through legal action.
- b. In the case of non-wilful defaulters, the Branch Manager/Field Officer/SM should establish personal contacts with the borrower and should offer a re-scheduling scheme to the borrower.
- c. A borrower, who requires his loan to be re-scheduled due to reasons mentioned above, should discuss with the group and the group should submit a proposal to the relevant SM where the proposal may/may not include a fresh loan to the non-wilful defaulter. When the request for re-scheduling is considered genuine, the SM may recommend the re-scheduling of the loan to PFI.
- d. If such a re-scheduling facility is granted by PFI, RDD shall make re-arrangements to re-schedule the refinance loan to PFI in respect of re-scheduled loans. This would be done by calculating the fund requirement of the borrower after the re-scheduling and the period involved after which a fresh refinance loan to recover the adjusted amount would be sanctioned by RDD.

**26) Disbursement of Project Funds**

Subsidiary Loan Agreement will be signed between the CBSL and the licensed banks participating in the programme.

All loans of PFI should be listed, and application for refinance together with supporting documents, in the given formats should be submitted to RDD within one month of granting such loans,

RDD upon receipt of this application will sanction the list of loans contained therein and determine the repayment programme for the refinance loan to PFI.

**27) Auditing of Accounts**

RDD will prepare annual accounting statements based on the information from the PFI which will be audited by the Auditor General. A certified copy of the report of the Auditor General will be furnished to IFAD once it is available to RDD, but not later than six months after the end of each financial year.

The CBSL reserves the right to revise the terms and conditions in respect of refinance scheme as and when necessary.

Yours faithfully

S J A Handagama

**Director**

**Regional Development Department**

**APPENDICES****Appendix I: Refinance Application (a)**

REFINANCE APPLICATION NO.: .....

**(Under Operating Instructions No. RDD/NADeP/2013/04**

Address:

Date:

**APPLICATION FOR REFINANCE UNDER NATIONAL AGRIBUSINESS  
DEVELOPMENT PROGRAMME (NADeP) LOAN SCHEME**

To: The Central Bank of Sri Lanka

Gentlemen

We, .....

(Name of PFI)



a licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees ..... (Rs.....) under the above Refinance Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD....., and the Subsidiary Loan Agreement under National Agribusiness Development Programme (NADeP) Loan Scheme between the Central Bank of Sri Lanka (CBSL) and us dated 08.03.2013.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate of loans granted not earlier than ----- (date of PFI partnership agreement) by us under the above Refinance Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby certify that we have satisfied ourselves that (i) the loans mentioned in Para (3) have been granted to eligible sub-borrowers for eligible projects under the above scheme, (ii) such loans are within the borrowing powers of the respective sub-borrowers and (iii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature, Name and Description of the Authorized Officer(s) of the PFI Manager, Refinance Unit

**Appendix II: Refinance Application (b)**

REFINANCE APPLICATION NO. :- .....

**STATEMENT OF LOANS DISBURSED UNDER THE NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP) LOAN SCHEME**  
(Under Operating Instructions No.RDD/NADeP/2013/04

TO : CENTRAL BANK OF SRI LANKA  
FROM : REFINANCE UNIT: .....  
PFI: ..... BRANCH: ..... DISTRICT: .....

Enquiry No.	Name & Address of the Borrower	NIC No.	Group Name & No.	purpose of Loan *	Sub-loan Amount		Date of disbursement	Disbursed amount for which refinance is sought		Grace Period	Repayment Schedule					
					Loan Cycle **	Amount Rs.		Instalment No	Amounts Rs.		Instalments No	Value	Due Date for First Instalment	Due Date for Last Instalment		
<b>Total</b>																

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in bi-annual instalments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

Signature of Authorized Officer  
Date: .....

\* Indicate categories as stated in items (a) to (f) in Para 7 of the Operating Instructions  
\*\* Indicate as 1st loan, 2nd loan, 3rd loan etc.

**Appendix III: Promissory Note**

REFINANCE APPLICATION NO. :- .....  
(Under Operating Instructions No. RDD/NADeP/2013/04

Date:

**DEMAND PROMISSORY NOTE**

Rs. ....

On demand, we, the undersigned .....

(Name and address of the PFI)

hereby promise to pay to THE CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO the sum of Rupees ..... (Rs. ....) for value received, with interest thereon at the rate of .....% per annum from the date hereof.

.....  
 For (Name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

.....  
 (Stamp)

1. ....  
 2. ....  
 Signature of the Authorized Officer(s)

WITNESSES:

1. ....  
 2. ....

**Appendix IV: Delivery Note**

REFINANCE APPLICATION NO. RDD/NADeP/2013/04

**(Under Operating Instructions No. RDD**

Date:

**DELIVERY NOTE**

To: The Central Bank Of Sri Lanka

In consideration of you agreeing to grant us a loan in the amount of Rupees ..... (Rs. ....) with the object of granting refinance to us in respect of lending operations carried out by us under the Refinance Scheme titled **National Agribusiness Development Programme (NADeP) Loan Scheme**, referred to in your Operating Instructions No. RDD/NADeP/2013/04 dated ..... WE HEREWITH DELIVER TO YOU OUR Promissory Note in your favour for Rupees ..... (Rs. ....) payable on demand together with interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

.....  
 For (Name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

1. ....  
 2. ....  
 Signature of the Authorized Officer(s)

**Appendix V: Repayment Schedule**

REFINANCE APPLICATION NO. ....

**(Under Operating Instructions No. RDD/NADeP/2013/04**

Date:

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE  
 MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA  
 UNDER SECTION 88A OF THE MONETARY LAW ACT\***

We, .....  
 .....  
 (Name and address of the PFI)

in terms of Section 88A of the Monetary Law Act, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debt owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of Sri Lanka of a Loan of Rupees ..... (Rs. ....) granted to us by the Bank repayable with interest at ..... percent per annum.

**SCHEDULE**

Amount of Debt(Rs.)	Borrower's Name & Address	Date	Notary

.....  
 Signature of the Authorized Officer  
 For (name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

-----  
 \* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

**Appendix VI: PFI Loan Disbursement Letter**

**PFI LOAN DISBURSEMENT LETTER**

Under Operating Instructions No. RDD/NADeP/2013/04

PFI Code No. :.....PFI Name : .....

Branch Name : .....

Branch Code No. : .....

Serial No. of the Loan: .....

Date:

Loans Cycle \*

Disbursement \*\*

1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	----

Enquiry No: \_\_\_\_\_

**1. Particulars of the Borrower :**

- 1.1 Name of the Borrower :
- 1.2 Address of the Borrower :

**2. Particulars of the Loan:**

- 2.1 Purpose of the loan \*\*\* :
- 2.2 Location of the Sub-Project :
- 2.3 Total amount of loan sanctioned originally: Rs.
- Subsequent enhancement of loan for cost overruns: Rs.
- Total Rs.
- =====
- 2.4 Date of original sanction of loan :  
 Date of sanction of enhancement of loan :
- 2.5 Repayment Programme of the loan :  
 (i) Grace period: (ii) No. of instalments:  
 (iii) Frequency of instalments: (iv) Size of an instalment:  
 (v) First instalment due on:
- 2.6 Rate of Interest:

**3. Status of Loan:**

- 3.1 Amount released previously and refinance claimed from the CBSL: Rs.
- 3.2 Amount now released and for which refinance is sought: Rs.
- Total Rs.
- =====

I certify that the particulars above are true and correct.

Signature of Branch Manager

Date:

Name of Branch Manager

- \* Please mark (X) to indicate whether it is 1<sup>st</sup>, 2<sup>nd</sup> or any other sequence of the loan cycle
- \*\* Mark (X) to indicate the sequence of the loan instalment
- \*\*\* Please indicate the purpose of the loan in accordance with the Income Generating Activity indicated in Para 7 of the Operating Instructions

## Appendix VII

### Definitions

Wherever used in this Operating Instructions except as otherwise stated herein or the context otherwise requires the several terms defined in the Loan Agreement have the respective meanings therein set forth.

- a. "The Operating Instructions" means the Operating Instructions relating to the National Agribusiness Development Programme Loan No. 797-LK prepared and issued by the Central Bank and the subsequent amendments, if any.
- b. "The Subsidiary Loan Agreement" means the loan agreement entered into between the Central Bank and each of the PFI as described in Section 10.2.1 of the Financing Agreement between GOSL and IFAD.
- c. "The Sub-loan" means the loans provided by PFIs directly through their field arrangements to the eligible End-Users.
- d. "The Sub Loan Agreement" means the Agreement signed between the PFIs directly with the eligible End-Users.
- e. "The Refinance Loan" means the loans provided by the Central Bank to PFI as described in Section 4.2.(a) of the Financing Agreement.

## Appendix VIII

### Credit Delivery, Refinance Loan and Other Services from the CBSL

- a. The PFIs shall undertake lending under the Programme in a group based scheme to assist persons in the target constituency of poor families. The PFIs shall undertake credit delivery throughout the country.
- b. In conforming to the Programme goals and objectives, the PFIs shall operate credit delivery focussing on individuals as a field officer/social mobiliser operated credit delivery mechanism focusing on groups, and not as its branch driven credit scheme. Through this mechanism, PFIs shall ensure that the beneficiaries utilize facilities like training and support services including marketing interventions proposed in the Programme to uplift not only their managerial capacity and ensure success of sub projects but also to organize the nucleus for the emergence of robust community based organizations in the form of producer and marketing clusters. However, sub loans under the Programme shall be granted to individuals within groups and the PFIs shall exploit peer pressure afforded under these arrangements to ensure proper recovery of loans.
- c. The PFIs should operate the Programme directly by themselves, employing for this purpose adequately trained dedicated SMs who shall undertake the full gamut of activities attendant on credit delivery under a Group based system. The PFIs shall charge a rate of interest on sub loans that conform to the rate specified in the Operating Instructions and the loan maturity shall vary between 9 – 36 months. Interest rate not to exceed 6.5 per cent per annum.
- d. Under no circumstances, PFIs shall do anything to undermine the credit delivery mechanism envisaged in the Operating Instructions by undertaking direct disbursement through branch operations bypassing the Group arrangements.
- e. The PFIs shall co-operate with RDD and the Project Monitoring Unit of the Presidential Secretariat fully in order to achieve Project goals with respect to credit delivery, training and capacity development of beneficiaries to ensure complete absorption of funds earmarked for these components.
- f. The PFIs shall forward a monthly summary report within the each succeeding month on the progress of each field worker engaged in the Programme activities.
- g. The PFIs shall meticulously adhere to the Programme monitoring requirements detailed in the Operating Instructions to enable the CBSL to service the information requirements of IFAD and GOSL on a timely basis.
- h. In the event it is revealed that any specific amount of refinance has not been utilized in conformity with the Operating Instructions, the PFIs shall refund such amount within a one month period to the Central Bank upon request by the Central Bank.
- i. The PFIs shall retain all records evidencing financing to End Users for at least 3 years after the completion of the Programme.
- j. The PFIs shall upon request by IFAD or GOSL or CBSL or the Project Monitoring Unit (PMU) make necessary arrangements to enable the representations of IFAD or GOSL or CBSL or the PMU to visit the PFIs, End Users and sub projects and examine any relevant records and documents, including sub loan applications.
- k. The Central Bank shall grant refinance loans out of the Fund established for the purposes of the Programme, upon submission of refinance applications in the manner prescribed in the Operating Instructions. Refinance loan shall reflect the maturity

period of the sub loan. Hence, it shall be for periods ranging from 09 months to periods not exceeding 36 months, the maximum repayment period applicable to sub loans.

- i. The Central Bank shall charge a rate of interest of 3.25 per cent per annum on the refinance loan, and shall recover the loan together with interest in bi-annual instalments from the PFIs on or before 30th June and 31st December each year. The PFIs are allowed to make the above payment through Real Time Gross Settlement System.

**OPERATING INSTRUCTIONS No:- RDD/CSDDL/2013/01 (A-03)**

Regional Development Department  
Central Bank of Sri Lanka  
P.O.Box 590  
No.30, Janadhipathi Mawatha  
Colombo 01.  
Tel : 2477452, 2398748  
Fax: 2477724  
14 January 2016

To : All Participating Financial Institutions

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE COMMERCIAL SCALE  
DAIRY DEVELOPMENT LOAN SCHEME (CSDDL)**

Section 8 of the Operating Instructions No RDD/CSDDL/2013/01 dated 10th May 2013 issued for the implementation of the Commercial Scale Dairy Development Loan Scheme (CSDDL) is hereby amended to be read as follows:

**8. Period of Loan Repayment:** Maximum time period for loan repayments will be 5 years inclusive of a grace period up to 12 months depending on the requirements of the project.

All other terms and conditions of the Operating Instructions of the CSDDL will remain unchanged and the amendment stated above is effective from 14th January 2016.

Yours faithfully,  
S J A Handagama  
**Director**  
**Regional Development Department**

**OPERATING INSTRUCTIONS NO:-RDD/SEPI/2016/01**

Regional Development Department  
Central Bank of Sri Lanka  
P.O.Box 590  
No.30, Janadhipathi Mawatha  
Colombo 01.

April 2016

To: All PFIs

Dear Sir/ Madam

**OPERATING INSTRUCTIONS SELF EMPLOYMENT PROMOTION  
INITIATIVE LOAN SCHEME PHASE -II (SEPI LOAN SCHEME PHASE- II)**

**1. Introduction The Project**

The Central Bank of Sri Lanka (CBSL) has entered into an administration agreement with the Ministry of Finance (MOF) and Ministry of Skills Development and Vocational Training (MSDVT) for the implementation of Self Employment Promotion Initiative Loan Scheme-Phase II (SEPI-Loan Scheme Phase II). The MOF has agreed to grant a loan of Rupees Seventy Five Million (Rs.75,000,000/-) to the MSDVT for the implementation of the SEPI Loan Scheme Phase II and the funds will be transferred to the CBSL in installments. The CBSL on behalf of the Government of Sri Lanka (GOSL) implements the SEPI Loan Scheme Phase II through Participating Financial Institutions (PFIs) which have been identified jointly by the CBSL, MOF and MSDVT.

**1.1 The objective of the project**

To provide financial assistance to trained youth who completed certificate or Diploma in National Vocational Qualification (NVQ) course conducted by the registered Vocational Training Institution under the Tertiary and Vocational Education Commission (TVEC) or vocational training course conducted by the Department of Technical Education Training (DTET) or National Apprentice and Industrial Training Authority (NAITA) or Vocational Training Authority of Sri Lanka (VTASL) or

Sri Lanka Institute of Printing (SLIOP) and Entrepreneurship Development Programme conducted by identified Training Institutions, under the MSDVT and Vocational Training Courses conducted by the National Youth Services Council (NYSC) under the Ministry of National Policy and Economic Affairs for establishment of their own self-employment projects who will be the Sub – Borrowers under SEPI Loan Scheme Phase II.

## 1.2 The Credit Component

- 1.2.1 The Regional Development Department (RDD) of the Central Bank will implement the loan scheme on behalf of the GOSL.
- 1.2.2 The RDD will utilize the GOSL funds amounting to Rupees Seventy Five Million for provision of refinance to short, medium and long-term sub projects of the sub-borrowers identified by MSDVT and financed by the PFIs. i.e. Bank of Ceylon, People’s Bank, Regional Development Bank, Sampath Bank, Hatton National Bank, Commercial Bank, Sanasa Development Bank and the HDFC Bank.

## 2. Overall Management of the Project

2.1 The MSDVT shall be responsible for overall management of the project and the RDD will facilitate the MSDVT and MOF to implement the project.

### 2.2 Responsibility of the MSDVT / training institutes

- 2.2.1 Identify the students who are willing to start a new self-employment projects after the completion of the respective study programmes.
- 2.2.2 Assist to prepare project proposals.
- 2.2.3 Supervision and follow-up of the individual sub projects.
- 2.2.4 Encourage the repayment of loans to the PFIs.

## 3 Implementation Mechanism

Ministry of Finance	:	Transfer the funds as required by the CBSL
Central Bank of Sri Lanka	:	Issue Operating Instructions and disburse the loans to PFIs out of the funds received from the GOSL.
Ministry of Skills Development and Vocational Training and the Training Institutes	:	Recommend the eligible sub-borrowers to PFIs and monitor the performance of the loan scheme and encourage the sub borrowers to repay the loans to PFIs in time
Participating Financial Institutions	:	Grant loans to sub-borrowers recommended by MSDVT, follow up supervision and recovery of loans from the sub-borrowers.

## 4. Project Duration

Commencement	:	April 2016
Termination	:	As decided by the MOF

## 5. Area of Operation

All Island

## 6. Eligible sub-borrowers for grant of loans by PFIs

Should have completed a National Vocational Qualification Programme or any Vocational Training Course and an entrepreneurship skills development programme under a recognized vocational training institute registered under MSDVT.

- Should have a suitable location for the proposed enterprise.
- Should be able to submit a business plan for review and approval of the PFI.
- Preference will be given to trained women to receive funds from SEPI Loan Scheme Phase II.

## 7. Eligible sub projects

All occupation and technology areas listed under National Vocational Qualifications. Eligible sub project sectors are given in the Annex I.

## 8. Financial Feasibility

Branch Managers of PFIs are required to examine the sub project to ensure the financial feasibility of such projects. Accordingly, PFI Branch Managers are required to determine the volume of loan and the suitability of the applicant based on his/her education, skill and the repayment capacity.

## 9. Security

- 9.1 PFIs should obtain a demand promissory note from the borrower in favor of the PFI for each loan.  
 9.2 In addition to the above, PFI can request the borrower to furnish a guarantee agreement signed by of two guarantors acceptable to the PFI.  
 9.3 PFIs should follow the general mortgage laws of the country and are free to decide on the security requirements.

## 10. Loan Conditions

Refinance	:	100% of the loan
Rate of interest	:	From CBSL to PFI - 3 percent per annum.
Repayment period for PFIs	:	Maximum of 4 years inclusive of grace period depending on the requirements of the project. (Interest will be charged during the grace period).
Rate of interest for sub-loans	:	Seven percent (7%) per annum (From PFIs to sub-borrowers). Rate of interest may be specified by the Central Bank from time to time.
Loans limit to sub-borrowers	:	The maximum individual sub-loan size shall be Rs.500,000/-

## 11. Functions of the PFIs

### 11.1 Each PFIs shall:

- 11.1.1 Operate a project management unit headed by a senior official who will co-ordinate and supervise its sub-loan operations with its head office.  
 11.1.2 Set up annual performance credit targets of the project by the bank branches and review the progress quarterly.  
 11.1.3 Ensure that designated branches are adequately staffed with sufficient number of field officers for the supervision and recovery of loans.  
 11.1.4 Conduct regular spot inspections of sub projects financed by its branches to review the physical progress and prepare inspection reports.  
 11.1.5 Submit quarterly progress reports on loan disbursements and recovery performance to the Central Bank enabling the CBSL to submit reports to the Secretary to the Treasury, Department of Treasury Operations, MOF

## 12. Functions of PFI Branches

### 12.1 Inspection of sub-projects:

The branch manager of the relevant branch should carry out an inspection of the sub projects after the receipt of an application for a loan and he/she should be satisfied that the following criteria have been met by the sub project.

- Financial viability
- Technical feasibility
- Environmental harmony
- Marketability of the product/service

### 12.2 Release of loans:

- 12.2.1 The branch manager of the PFI shall decide the number and the amount of installments of sub loan to be released considering the implementation plan of the project.  
 12.2.2 The branch manager of the PFI shall continue to carry out field inspections of the sub projects after the release of each installment of the loan.

## 13 Recovery of sub loans

PFI branch managers are responsible to recover the loans from sub borrowers. Officers in the MSDVT will help the branch manager to recover the dues in time. Sub borrowers are required to pay interest on loan during the grace period. After the grace period, the branch managers should take steps to recover the loan together with interest.

**14 Post credit supervision and follow up**

- 14.1 The PFI branch should undertake periodic inspections in respect of the projects and items financed by the branch.
- 14.2 Where the PFI branch is not satisfied with the work carried out and/or finds that the sub loans have not been used for the purposes prescribed in the appraised sub project, the PFI branch shall take immediate action to:
- 14.2.1 Suspend the release of the rest of the installments of sub loan.
  - 14.2.2 Take immediate recovery action on the outstanding amount of the sub loan.
  - 14.2.3 Report to the MSDVT and RDD, CBSL

**15 Disbursement of Refinance**

## 15.1 Inquiry Number

Refinance is released only for the sub borrowers registered and assigned with an inquiry number by the CBSL. For this purpose, PFI branches are requested to forward details of applicants for registration (Annex II).

## 15.2 Refinance Applications

Applications for refinance should be submitted through the Head Office of the PFI to the Regional Development Department of the Central Bank of Sri Lanka. The refinance application should be submitted along with the following documents:

1. Application for refinance (Annex III)
2. Statement of loan disbursement (Annex IV)
3. Demand Promissory note (Annex V)
4. Delivery Note (Annex VI)
5. Form of assignment by way of pledge to CBSL (Annex VII)
6. Disbursement letter (Annex VIII)

- 15.3 Upon approval of the refinance application, the Regional Development Department will sanction the refinance on first-come first-served basis.
- 15.4 Applications for refinance of subsequent disbursements of sub-loan installments should be accompanied by all the above-mentioned documents except for the appraisal report.
- 15.5 Refinance claims should be submitted to RDD within one month of disbursement of the loan.
- 15.6 RDD undertakes to ensure the PFIs that refinance will be available within 15 days of the receipt of the completed refinance applications

**16 Refinance Repayment to the CBSL**

- 16.1 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.
- 16.2 The first recovery falls due six months after the granting of refinance or expiry of grace period.

**17 Accounts and financial statements**

- 17.1 Each PFI should maintain appropriate accounts and records to indicate inter-alia, sub loan appraisal, approvals, disbursements and recoveries.
- 17.2 PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.

**18 Other**

The CBSL has the right to change or amend any one of the above clauses for the smooth functioning of the loan scheme.

Yours faithfully,  
S J A Handagama  
**Director**  
**Regional Development Department**

Annex I

**IDENTIFIED TRADES FOR IMPLEMENTATION UNDER THE SELF EMPLOYMENT  
PROMOTION INITIATIVE LOAN SCHEME**

**Technology areas for NVQ Level 1 – 4 occupations**

1. Plant & Nursery Development Assistant
2. Agricultural Field Assistant



3. Fruit & Vegetable Processor
4. Baker
5. Industrial Sewing Machine Operator
6. Work Study Officer
7. Quality Controller (Garment)
8. Footwear Maker (Leather)
9. Computer Typesetter
10. Computer Graphic Designer
11. Offset Machine Mechanic
12. Book Binding
13. Printing Machine Mechanic
14. Digital Imaging & Printing Technology
15. Plastic Processing Machine Operator
16. Rubber Processing Machine Operator
17. Gem Cutting & Polishing
18. Fabricator (Metal)
19. Welder
20. Tool & Dye Maker
21. Fitter General
22. Machinist (General)
23. Refrigeration & Air Conditioning Mechanic
24. Tea Machinery Mechanic
25. Radio, TV and Allied Equipment Repairer
26. Industrial Electronic Craftsman
27. Carpenter (Furniture)
28. Jewelry Stone Setter
29. Jewelry Manufacture
30. Electrician
31. Household Electrical & Electrical Equipment Repairer
32. Motor Winder
33. Pneumatic Technician
34. Boiler Operator
35. Plumber
36. Industrial Plumber
37. Bar Bender
38. Painter (Buildings)
39. Aluminum Fabricator
40. Carpenter (Building)
41. Mason
42. Construction Equipment Operator
43. Draughtsman
44. Road Construction Equipment Operator
45. Laboratory Assistant for Construction Sector
46. Automobile Air-conditioning Mechanic
47. Automobile Electrician
48. Automobile Mechanic
49. Automobile Painter
50. Automobile Tinker
51. Motor Cycle Mechanic
52. Three Wheeler Mechanic
53. Sales Representative / Assistant
54. Store Keeper
55. Warf clerk
56. Vehicle Service & Interior Cleaning
57. Telecommunication

- 58. Computer Hardware Technician
- 59. Computer Network Technician
- 60. Computer Programme Operator
- 61. Information Communication Technologist
- 62. Survey Field Assistant
- 63. Lighting Operator
- 64. Cameraman / Photographer
- 65. General Clerk
- 66. Pre School Teacher Training
- 67. Bio Medical Technician
- 68. Pest Controller
- 69. Beauty Culturist
- 70. Hair Stylist
- 71. Make-up Artist
- 72. House Maid

**Technology Areas for NVQ Level 5 & 6 Programmes**

- 1. Automotive Technology
- 2. Bio Medical Engineer Technology
- 3. Construction Technology
- 4. Electronic and Telecommunication Technology
- 5. Digital Imaging and Printing Technology
- 6. Farm Machinery Technology
- 7. Food Technology
- 8. Information & Communication Technology
- 9. Jewelry Designing and Manufacturing Technology
- 10. Mechatronic Engineering
- 11. Production Technology
- 12. Refrigeration & Air Conditioning Technology
- 13. Welding and Fabrication Technology

Annex II

REGISTRATION NO.....

**SELF EMPLOYMENT PROMOTION INITIATIVE LOAN SCHEME PHASE II**

**LOAN REGISTRATION APPLICATION**

- 1) Name of PFI : .....
- 2) Name of the Branch : .....
- 3) Address of the Branch : .....
- 4) Telephone No./Fax No. : .....
- 5) Status of Applicant/s : Individual  Partnership
- 6) Name and Address of Applicant/Partner/Director:

Name	Address	NIC Number
i		
ii		

- 7) Complete Address of the Project Site and Location:  
.....
- 8) Type of sub-project: .....
- 9) Brief description of the Project to be financed under SEPI Loan Scheme Phase II:  
.....

10) Estimated cost of the Project: Rs.....

11) Amount of loan recommended/approved by the PFI: Rs.....

.....  
Date

.....  
Signature of Branch Manager

Required Supportive Documents for Registrations;

1. A Certified copy of NIC of eligible Borrowers.
2. Original Recommendation Letter issued by Ministry of Skills Development and Vocational Training (MSDVT)
3. Certified copies of the Certificates (Two) issued by the National Vocational Qualification Programmes or any Vocational Training Course and an entrepreneurship skills development program under a recognized vocational training institute registered under MSDVT (As per operation instruction 1.1)

REFINANCE APPLICATION NO.: -.....

**Annex III**

**RDD/SEPI/2016/01**

Address:

Date:

**APPLICATION FOR REFINANCE UNDER  
SELF EMPLOYMENT PROMOTION INITIATIVE LOAN SCHEME PHASE II**

To: The Central Bank of Sri Lanka

Gentlemen

We,..... a licensed commercial bank/  
licensed specialized bank/ registered leasing establishment and an authenticated print of whose constitution has already been/is  
herewith submit to you, do hereby apply for the grant of a loan of Rupees .....  
(Rs.....) under the above Refinance Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate of loans granted not earlier than one month immediately preceding the date of this application by us under the above Refinance Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in ..... (Number of installments) half yearly installments each of Rs..... the first of which shall be payable on ..... day of ..... 20...
5. We hereby certify that we have satisfied ourselves that (i) the loans mentioned in para (3) have been granted to eligible sub-borrowers for eligible projects under the above scheme, (ii) such loans are within the borrowing powers of the respective sub-borrowers and (iii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature, Name and description of the  
Authorized Officer(s) of the Financial Institution  
Manager, Refinance Unit.

**Annex IV**

REFINANCE APPLICATION NO:- .....

**RDD/SEPI/2016/01**

**STATEMENT OF LOANS DISBURSED UNDER THE SELF EMPLOYMENT PROMOTION  
INITIATIVE LOAN SCHEME - PHASE II**

To : Central Bank of Sri Lanka

From : Refinance Unit

PFI : Branch: .....

District: .....

Enquiry Number	Name & Address of the Sub-Borrower	NIC No.	Project Description & Purpose of Loan	Sub-Loan Amount Rs.	Date of Disbursement	Disbursed Amount for which Refinance is Sought Rs.	Grace Period (months)

Repayment Schedule ( To CBSL)			
Instalments		Due date of the first instalment	Due Date of the last instalment
No. of instalments	Value of instalment		

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly instalments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

.....  
Signature of Authorized Officer

REFINANCE APPLICATION NO:-.....

**Annex V**

**RDD/SEPI/2016/01**

### DEMAND PROMISSORY NOTE

We, the undersigned .....  
..... (name and address of the PFI) hereby promise to pay on demand to THE CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO the sum of Rupees .....  
..... with interest thereon at the rate of 3% per annum from the date hereof.

(Repayment schedule is given in the Appendix II attached)

FOR (Name of the PFI):.....

REFINANCE UNIT:.....

HEAD OFFICE:.....

(Rubber stamp)

.....  
(Signature of the Authorized Officer)

WITNESSES:

1. ....

2. ....

REFINANCE APPLICATION NO:-.....

**Annex VI**

**RDD/SEPI/2016/01**

### DELIVERY NOTE

To: The Central Bank Of Sri Lanka

In consideration of you agreeing to grant us, a loan in the amount of Rupees .....  
..... (Rs.....)  
with the object of granting re-finance to us in respect of lending operations carried out by us under the Refinance Scheme (Self Employment Promotion Initiative Loan Scheme Phase II) referred to in your Operating Instructions, WE HEREWITH DELIVER TO YOU OUR Promissory Note in your favor for Rs. ....  
(Rs.....) payable on demand together with interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonor, in respect of our said Promissory Note.

FOR (Name of Bank/Financial Institution)  
 REFINANCE UNIT  
 HEAD OFFICE

1.....

2. ....

(Signature of the Authorized Officers)

Annex VII

RDD/SEPI/2016/01

REFINANCE APPLICATION NO:-.....

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE  
 MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA  
 UNDER SECTION 88A OF THE MONETARY LAW ACT\***

Colombo  
 Date:

We,.....  
 .....(Name and address of the Participating Financial Institution) in terms of Section 88A of the Monetary Law Act do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debt owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a Loan of Rupees .....(Rs.....) granted to us by the Bank repayable with interest at 3 per cent per annum.

**SCHEDULE**

Amount of Debt (Rs.)	Borrower's Name and Address	Date	Notary

.....  
 Signature of the Authorized Officer  
 For (name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

Annex VIII

**DISBURSEMENT LETTER**

Bank Name:  
 Bank Code No:  
 Branch Name:  
 Branch Code No:  
 Serial No.of the Loan:  
 Date:

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**SELF EMPLOYMENT PROMOTION INITIATIVE LOAN SCHEME PHASE II**

**Enquiry Number:**

1. **Particulars of the Borrower** :
  - 1.1 Name of the Borrower :
  - 1.2 Address of the Borrower :
2. **Particulars of the Loan** :
  - 2.1 Purpose of the Loan :
  - 2.2 Location of the Sub-project:

## 2.3 Total amount of loan sanctioned:

Originally	Rs.
Subsequent enhancement of loan for cost overruns	Rs.

<b>Total</b>	<b>Rs.</b>
	=====

## 2.4 Date of original sanction of loan :

Date of sanction of enhancement of loan:

## 2.5 Repayment Programme for the installment for which refinance was applied for :

Date	Amount (Rs.)
------	--------------

## 2.6 Rate of Interest:

**3. Status of Loan:**

3.1 Amount released previously )	Rs.
and refinance claimed from the CBSL )	

3.2 Amount now released and for which )	Rs.
refinance is sought )	

Total	Rs.
	=====

I certify that the particulars given above are true and correct.

Signature of Branch Manager

Date:

Name of Branch Manager

\* Please indicate whether it is 1st, 2nd or any other instalment by putting a cross in the appropriate box.

**OPERATING INSTRUCTION NO. RDD/NADeP- 2016/01 (Amendment)**

Regional Development Department  
Central Bank of Sri Lanka  
P.O.Box 590  
No.30, Janadhipathi Mawatha  
Colombo 01.

27 May 2016

To: All PFIs

Dear Sir/ Madam

**REVISION OF MINIMUM LOAN LIMIT UNDER NATIONAL AGRIBUSINESS  
DEVELOPMENT PROGRAMME (NADeP)**

This is to inform you that Section 16 of the Operating Instructions No. RDD/NADeP- 2016/01 dated 07 January 2016, has been amended as follows.

**Section 16**

Size of the Individual Loan: Individual beneficiaries would be eligible for loans for IGAs ranging from Rs. 10,000 to Rs. 300,000. The objective is to include the people who are below the poverty level and to assist the group still vulnerable to shocks even income is above the poverty level.

**All other terms and conditions of the Loan Scheme will remain unchanged.**

The effective date for the amended Operating Instructions is 07.04.2016.

Yours faithfully,

S J A Handagama

**Director****Regional Development Department**

c.c: Dr Yasantha Mapatuna, Programme Manager, NADeP

**Operating Instructions No: RDD/NADeP/YOUTH2016/01**

Regional Development Department  
 Central Bank of Sri Lanka  
 P.O.Box 590  
 No.30, Janadhipathi Mawatha  
 Colombo 01.  
 03 August 2016

To: Bank of Ceylon  
 Regional Development Bank  
 HDFC Bank

Dear Sir/ Madam

**OPERATING INSTRUCTIONS –  
 “THARUNA DIRIYA” YOUTH EMPOWERMENT & EMPLOYMENT PROJECT OPERATED UNDER  
 NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP)**

**1) Introduction**

The National Agribusiness Development Programme (NADeP) (hereinafter called “the Programme”) is implemented by the Project Management Unit operated under the Presidential Secretariat and funded by the International Fund for Agricultural Development (IFAD). In terms of Subcomponent 2 (a), Microfinance, of Component 2, Microfinance and Training of Youth, of the Financing Agreement, “Tharuna Diriya” Youth Empowerment & Employment Project is introduced and the Regional Development Department (RDD) of the Central Bank of Sri Lanka acts as the executing agency.

Accordingly, the Programme has allocated Rs.225 mn for the implementation of “Tharuna Diriya” Youth Empowerment & Employment Programme (Tharuna Diriya project) and the Project Management Unit of the NADeP, which is the implementing agency of the Programme expects to complete the disbursement of funds by end September 2016. For the implementation of Tharuna Diriya programme, Bank of Ceylon (BOC), HDFC Bank and Regional Development Bank (RDB) have been selected as Participating Financial Institutions (PFIs). Accordingly, Rs.225 mn should be disbursed by the above PFIs as at end September 2016 as per the terms and conditions laid down in this Operating Instructions.

**2) The Objective of the Project**

- a. The primary objective of the “Tharuna Diriya Project” is to reach village level poor youth to help improve their livelihood by providing them with credit facilities to start small businesses and other forms of self-employment projects making them entrepreneurs.
- b. To assist the rural youth to improve their livelihood by engaging in self-employment projects for income generation.
- c. To improve the social conditions of the rural youth.
- d. To enhance financial inclusion among the rural youth by bringing them into the formal financial system.
- e. To enhance the skill levels of the rural youth and capacity building.
- f. To encourage rural youth to participate in the development process of the country.
- g. To inculcate savings habits and thrift among the rural youth.
- h. To improve vocational, entrepreneurial, management and financial skills of the rural youth.

The assistance of the Programme (NADeP) could be obtained for training and monitoring of the youth and the projects when necessary.

**3) Project Area**

The project will be implemented throughout the country.

PFIs are required to avoid any overlapping with Poverty Alleviation Microfinance Programme (PAMP) implemented by them.

**4) Eligible Activities**

Loans can be provided for fixed and working capital requirements of all Income Generating Activities (IGAs) undertaken by the beneficiaries that should be acceptable to the PFI. The main categories of activities shall include: Agribusiness/Agriculture, Fisheries, Livestock, Trade and Services, Small Industries etc.

**5) The Role and the Responsibilities of the PFI**

The PFI is required to play an active role in the implementation of the Project. The PFI shall;

- a) ensure that required staff is allocated to implement the project.
- b) take full responsibility of identifying beneficiaries, granting loans and recoveries.
- c) satisfy itself that each sub project is economically and financially viable and feasible in terms of marketing.
- d) monitor the sub projects so as they would become successful and assess their performances.
- e) maintain of Accounts and Financial Statements
  - PFIs should maintain appropriate accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
  - PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
  - PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD and the Project Management Unit (on behalf of IFAD). Further, the PFI should submit the Accounts and Financial Statements to RDD and the PMU as and when required.
- f) follow the refinance procedure stipulated in the Operating Instructions

#### 6) Eligible Beneficiaries

- a) The rural youth aged between 18-40 years.
- b) Ownership of land of the beneficiaries should be less than 1ha or none.
- c) The youth who are not defaulters of any other financial institution.
- d) Be able to provide equity contribution of not less than 10% of the project cost.
- e) Be able to satisfy the bank that the proposed sub project has a positive cash flow and an adequate repayment capacity.

#### 7) Main Features of the Tharuna Diriya Youth Empowerment & Employment Project

- a. The maximum loan limit is Rs.150,000
- b. The rate of interest to the end borrower is 6.5% per annum. The refinance rate for the PFI is 3.25%
- c. The PFI may grant a grace period to borrowers depending on the requirement of the sub project subject to a maximum duration of nine (9) months. However, the borrower is liable to pay interest during the grace period.
- d. Repayment Period: Agricultural loans for short term crops (seasonal crops) should be paid back within short term duration of less than 9 months. Loan repayment period of other loans should not exceed 36 months. The PFIs may fix flexible repayment schedules for working capital loans based on the cash flows of the respective sub projects.
- e. Collateral: inter-se guarantee of two other borrowers or guarantee of two family members (one person can guarantee only for two facilities) or personal guarantees of two individuals who derive regular monthly income or any other security acceptable to the PFI.

#### 8) Registration of Borrowers

The branches of the PFIs should submit the details of the applicants who wish to obtain loans under this project to the Regional Development Department of the Central Bank as per the Loan Registration Form given as **Annex A** of the Operating instructions.

#### 9) Refinance Procedure

Central Bank of Sri Lanka will provide 100 per cent refinance for all loans granted under the project subject to the terms and conditions laid down in this Operating Instructions.

- a. Duly completed applications for refinance should be submitted to RDD for reimbursement after releasing the loans. Each refinance application should be accompanied with the following documents:
  - Appendix I Application for Refinance (a)
  - Appendix II Application for Refinance (b)
  - Appendix III Demand Promissory Note
  - Appendix IV Delivery Note
  - Appendix V Form of Assignment by way of Pledge to CBSL
- b. Upon approval of the refinance application, RDD will sanction the refinance application and release refinance as early as possible. Every effort will be taken to provide refinance within 01 week of the receipt of the completed set of refinance applications.
- c. Refinance claims should be submitted to RDD through the PFIs Head Offices within one month of the date of disbursement.
- d. Capital and interest payments on refinance loan will be payable by the PFIs to the CBSL according to the Repayment schedule sent by the CBSL.



**10) Disbursement of Refinance**

Subsidiary Loan Agreement will be signed between the CBSL and the PFIs selected for the implementation of Tharuna Diriya project.

**11) Recovery of Loans**

The capital and interest for the refinance provided for the PFIs will be recovered semi – annually i.e. 30th June and 31st December of each year.

**12) Auditing of Accounts**

RDD will prepare annual financial statements of Tharuna Diriya Project and such financial statements will be audited by the Auditor General. A certified copy of the report of the Auditor General will be furnished to IFAD once it is available to RDD, but not later than six months after the end of each financial year. PFIs are also required to get the financial statements of this programme audited as it is a requirement of IFAD.

The CBSL reserves the right to revise the terms and conditions in respect of refinance scheme as and when necessary.

Yours faithfully,  
Mrs D V S Dayawansa

**Director**  
**Regional Development Department**

**APPENDICES****Appendix I: Application for Refinance (a)**

REFINANCE APPLICATION NO:- .....

**(Under Operating Instructions No. RDD/NADeP/YOUTH/2016/01)**

Address:

Date:

**APPLICATION FOR REFINANCE – ‘THARUNA DIRIYA’ YOUTH EMPOWERMENT &  
EMPLOYMENT PROGRAMME UNDER NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADEP)**

To: The Central Bank of Sri Lanka

Gentlemen

We, .....  
(Name of PFI)

a licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees .....  
..... (Rs.....) under the above Refinance Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/NADeP/YOUTH/2016/01 and the Subsidiary Loan Agreement under Tharuna Diriya Youth Empowerment & Employment Programme of National Agribusiness Development Programme (NADeP) between the Central Bank of Sri Lanka (CBSL) and us dated .....2016.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement of loans granted by us under the above Refinance Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby certify that we have satisfied ourselves that (i) the loans mentioned in Para (3) have been granted to eligible sub-borrowers for eligible projects under the above scheme, (ii) such loans are within the borrowing powers of the respective sub-borrowers and (iii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature, Name and Designation of the  
Authorized Officer(s) of the PFI  
Manager, Refinance Unit

**Appendix II: Application for Refinance (b)**

REFINANCE APPLICATION NO:- .....

(Under Operating Instructions No.RDD/NADeP/YOUTH/2016/01)

**STATEMENT OF LOANS DISBURSED UNDER THE 'THARUNA DIRIYA'  
YOUTH EMPOWERMENT & EMPLOYMENT PROGRAMME OF  
NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP)**

TO : CENTRAL BANK OF SRI LANKA

FROM : REFINANCE UNIT: .....

PFI : ..... BRANCH: ..... DISTRICT: .....

Enquiry No.	Name & Address of the Borrower	NIC No.	purpose of Loan *	Sub-loan Amount		Date of disbursement	Disbursed amount for which refinance is sought		Grace Period	Repayment Schedule			
				Loan Cycle **	Amount Rs.		Instalment No	Amounts Rs.		Instalments		Due Date for First Instalment	Due Date for Last Instalment
										No	Value		
<b>Total</b>													

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in bi-annual instalments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

Signature of Authorized Officer

Date: .....

\* Indicate categories as stated in items in Para 4 of the Operating Instructions

\*\* Indicate as 1st loan, 2nd loan, 3rd loan etc.

**Appendix III: Promissory Note**

REFINANCE APPLICATION NO:-.....

(Under Operating Instructions No. RDD/NADeP/YOUTH/2016/01)

Date:

**DEMAND PROMISSORY NOTE**

Rs. ....

On demand, we, the undersigned .....

.....

(Name and address of the PFI)

hereby promise to pay to THE CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO the sum of Rupees ..... (Rs. ....) for value received, with interest thereon at the rate of .....% per annum from the date hereof.

.....

For (Name of PFI)

REFINANCE UNIT

HEAD OFFICE

.....

(Stamp)

1. ....

2. ....

Signature of the Authorized Officer(s)

WITNESSES:

1. ....

2. ....

**Appendix IV: Delivery Note**

REFINANCE APPLICATION NO. :- .....

(Under Operating Instructions No. RDD/NADeP/YOUTH/2016/01)

Date :

**DELIVERY NOTE**

To: The Central Bank Of Sri Lanka

In consideration of you agreeing to grant us a loan in the amount of Rupees .....  
 ..... (Rs.....) with the object of granting refinance to us in respect  
 of lending operations carried out by us under the Refinance Scheme titled 'THARUNA DIRIYA' Youth Empowerment & Employment  
 Programme under National Agribusiness Development Programme (NADeP), referred to in your Operating Instructions No. RDD/  
 NADeP/2016/02 dated ..... WE HEREWITH DELIVER TO YOU OUR Promissory Note in your favour for Rupees  
 ..... (Rs.....  
 .....) payable on demand together with interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in  
 respect of our said Promissory Note.

For (name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

1.....

2. ....

Signature of the Authorized Officer(s)

**Appendix V: Form of Assignment**

REFINANCE APPLICATION NO:- .....

(Under Operating Instructions No. RDD/NADeP/YOUTH/2016/01)

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF  
 THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT \***

We, .....  
 .....  
 (Name and address of the PFI)

in terms of Section 88A of the Monetary Law Act, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debt  
 owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central  
 Bank of Sri Lanka of a Loan of Rupees .....  
 ..... (Rs.....) granted to us by the Bank repayable with interest at ..... percent per annum.

**SCHEDULE**

Amount of Debt(Rs.)	Borrower's Name & Address	Date	Notary

.....  
 Signature of the Authorized Officer  
 For (name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

\* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

**OPERATING INSTRUCTIONS No. RDD/NCRCS/2011**

Regional Development Department  
 Central Bank of Sri Lanka  
 P.O.Box 590  
 No. 30, Janadhipathi Mawatha  
 Colombo 01  
 Tel: 2477452, 2398748  
 Fax: 2477724  
 22 August 2016

To: All Participating Financial Institutions (PFIs)

Dear Sir/Madam

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE  
 NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS)**

All PFIs enrolled under NCRCS are hereby informed that the Operating Instructions No. RDD/NCRCS/2011 dated 23rd September 2011, which were subsequently amended on 10th January 2013, 6th June 2014 and 6th July 2015, are amended as follows.

These amendments shall be effective from 15th September 2016.

**Annex I – Eligibility Criteria for Granting Loans**

Sugarcane is included as an eligible crop under the “Other” category in Annex I to finance under NCRCS. Accordingly, Annex II – Scales of Finance for the Eligible Crops are also amended as follows;

Crop	Land Preparation (Rs)	Seed cane (Rs)	Fertilizer (Rs)	Chemicals (Rs)	Other (Rs)	Total (Rs)	Maximum loan limit (per acre)	Extend of land unit (Acres)	
								Minimum	Maximum
Sugarcane	6,206	4,137	13,653	5,792	37,650	67,438	50,000	1	5

The recovery period for the loans granted for Sugarcane cultivation under NCRCS is 365 days. Since this crop needs more than 270 days for harvesting, PFIs should submit duly completed formats separately (Interest Subsidy/Credit Guarantee and Rescheduling) within the period as stipulated in the Annexure III of Operating Instructions No. RDD/NCRCS/2011 dated 23rd September 2011. Further, PFIs that grant loans for sugarcane are requested to inform the Regional Development Department after disbursement of credit to farmers for registration.

**Interest Subsidy (Item 8 of the Operating Instructions dated 23.09.2011)**

- 8.1.1. (a) The interest subsidy payment will be made in two installments i.e., as an advance payment and a final payment. The advance payment will be calculated for a period of 180 days.
- 8.1.2. (a) The final payment will be made after 185 days. If the loan is fully recovered before 365 days (maximum repayment period) the payment of interest subsidy will be made only up to the recovery date.

All other terms and conditions stipulated in the Operating Instructions of the NCRCS issued earlier will remain unchanged.

Please bring the contents of this amendment circular to the notice of the relevant officers.

Mrs D V S Dayawansa  
**Director**  
**Regional Development Department**

c.c. Director General, Development Finance, Ministry of Finance

**Operating Instructions No: RDD/NADeP/ Value Chain Develop/2016/01**

Regional Development Department  
 Central Bank of Sri Lanka  
 P.O.Box 590  
 No.30, Janadhipathi Mawatha  
 Colombo 1.  
 07 October 2016

To : All PFIs

**Operating Instructions for**

- a) **Value Chain Development Capital Agriculture Loan Scheme and**
- b) **Value Chain Development Seasonal Agriculture Loan Scheme**

**UNDER THE "OUT-GROWER FARMERS LOAN SCHEME" OF THE NATIONAL AGRIBUSINESS  
 DEVELOPMENT PROGRAMME (NADeP)**

**1. Introduction**

The National Agribusiness Development Programme (NADeP) (hereinafter called "the Programme") is implemented by the Project Management Unit (PMU) operated under the Presidential Secretariat and funded by the International Fund for Agricultural Development (IFAD). In terms of the component 1 of the NADeP; Value Chain Development and Market linkages under Private Public Producer Partnerships (P4)1, two new Loan Schemes, namely a) "Value Chain Development Capital Agriculture Loan Scheme" and b) "Value Chain Development Seasonal Agriculture Loan Scheme" (hereinafter called The Loan Schemes) under the "Out- Grower Farmers Loan Scheme" are introduced. The Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) acts as the Executing Agency of the credit component of the Loan Scheme.

The Programme has allocated a total of Six Hundred Twenty Three Million and one Hundred and Ninety Thousand Rupees only (Rs.623,190,000.00) for both schemes and, out of which One Hundred Fifty Four Million and One Hundred and Seventy Thousand Rupees (Rs.154,170,000.00) has been allocated for the implementation of Value Chain Development Capital Agriculture Loan Scheme and Four Hundred Sixty Nine Million and Twenty Thousand Rupees (Rs.469,020,000.00) has been allocated for the implementation of Value Chain Development Seasonal Agriculture Loan Scheme. The PMU of NADeP, which is the Implementing Agency of the Programme expects to commence the disbursement of funds by early October, 2016. In order to implement these Loan Schemes in the "Out Grower Farmer Loan Scheme" (herein after called as the "Loan Scheme"), Bank of Ceylon (BOC), Hatton National Bank PLC. (HNB), Regional Development Bank (RDB) and Cargills Bank have been selected as Participating Financial Institutions (PFIs). Accordingly, the total of Rs. 623.19 Million is required to be disbursed by the above PFIs at the end October, 2016 as per the terms and conditions laid down in this Operating Instructions.

1. The partnership between the Private Agri- Business Companies which are selected by the NADeP, the Small Holder Producers/ ..... Farmers and The NADeP which is the programme Implementing Agency.

**2. The Objectives of the Scheme**

The primary objective of the Loan Scheme is to increase the production, productivity, quality and value addition of agriculture produce. In addition, the Loan Scheme facilitates to;

- a) Improve the living condition of the farmers by means of increasing their household income through the enhancement of the agriculture production and value addition
- b) Minimize the transaction cost of the loan to the farmer
- c) Improve the social conditions of the farmer
- d) Enhance financial inclusion among rural farmers by bringing them into the formal financial system
- e) Inculcate savings habits and thrift among the farmers
- f) Develop the value chain marketing and linkages among the rural farmers
- g) Introduce modern farming methods of skills for the rural farmers
- h) Encourage farmers to increase the agriculture production and contribute to the county's GDP growth

**3. The Scheme**

3.1) The following features are common to both loan schemes operated under the "Out-Grower Farmers Loan Scheme";

- a) Loan is granted for individual beneficiaries;

- b) Rate of Interest : 6.5 per cent per annum to the end borrower. The refinance interest rate for the PFI is 3.25 per cent per annum;
- c) Collateral/Security: The Buyback agreement between the companies under the P4 (Annex I) and the farmer and two personal guarantees.
- d) Area of Operation : All Island

3.2) The identical Features for the two different loan schemes are as follows;

3.2.1) Value Chain Development Capital Agriculture Loan Scheme

- a) Loan Limit : Maximum amount of Rs.300,000 per beneficiary;
- b) Purpose : Loans are provided for the farmers to purchase farm equipment and farm infrastructure development;
- c) Grace Period : Maximum duration of six (6) months, depending on the requirement of the project. The borrower is liable to pay interest during the grace period;
- d) Repayment Period : Maximum of 36 months;

3.2.2) Value Chain Development Seasonal Agriculture Loan Scheme

- a) Loan Limit : Maximum amount of Rs.150,000 per beneficiary;
- b) Purpose : Loans are provided for working capital requirements for farming activities.
- c) Repayment Period : Could range between 6 months to 9 months, based on the yielding period of the crops and farmers' cash flow;

#### 4.) Eligible Beneficiaries

- 4.1) The eligible beneficiaries are selected by the Private Public Producer Partnerships (P4), who are already linked to selected private companies through Value Chain Development under P4, under the component 1- Marketing chain development and linkage;
- 4.2) Farmers who are not defaulters of any other financial institution; and
- 4.3) Farmers who are able to satisfy the bank that the proposed project has a positive cash flow and an adequate repayment capacity.

#### 5.) Eligible Activities

- 5.1) The main categories of activities shall include; Agriculture based projects including value added agribusiness projects, undertaken by the NADeP farmers under P4 which are acceptable to the PFIs (Column I, Annex II).
- 5.2) Under the "Value Chain Development Seasonal Agriculture Loan Scheme", loans can be provided to meet the working capital requirements given in Column 2, Annex II.
- 5.3) Loans can be provided under the "Value Chain Development Capital Agriculture Loan Scheme" for the activities given in Column 3, Annex II.

#### 6.) The Role and Responsibilities of PFI

The PFI is required to play an active role in the implementation of the Programme. The PFI shall;

- a) Ensure that required staff is allocated to implement the programme.
- b) Take full responsibility of the delivery of credit and recoveries.
- c) Satisfy itself that each sub project is financially viable and contribute to the economic growth and feasible in terms of marketing.
- d) Maintain Accounts and Financial Statements
  - PFIs are required to maintain appropriate ledger accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
  - PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
  - PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD and the Project Management Unit (on behalf of IFAD). Further, the PFI should submit the Accounts and Financial Statements to RDD and the PMU as and when required.
- e) Follow the registration process and refinance procedure stipulated in the Operating Instructions.

#### 7.) Loan Registration Process

The Loan Registration process shall be carried out as follows;

- a) Potential borrowers, recommended through the P4 are directed to the PFI by the respective private companies in the P4.
- b) After evaluating the credit, the PFI should send the completed registration form (Annex III) in respect of each loan applicant, to the PMU of NADeP through the Head Office.
- c) PMU of NADeP will verify the loan details of beneficiaries and recommend registration applications with the original documents of loan details to the RDD of CBSL for registration.
- d) The CBSL will Register the details of the applicants recommended by the PMU and allocate a designated Enquiry Number to every registered loan applicant and notify it to the Head Office of the relevant PFI.
- e) The RDD reserves the right to refer the registration application to the PMU, in the event RDD needs any further clarification.

### 8.) Refinance Procedure

- 8.1) The Central Bank of Sri Lanka will provide 100 per cent refinance for all loans granted under the Loan Scheme, using funds provided by the IFAD subject to the terms and conditions laid down in this Operating Instructions.
- 8.2) Duly completed applications for refinance should be submitted by the Head Office of PFIs to RDD for reimbursement after releasing the loans by their branches. Each refinance application should be accompanied with the following documents:
  - a. Appendix IV Application for Refinance (a)
  - b. Appendix V Statement of Loans Disbursed Application for Refinance (b)
  - c. Appendix VI Demand Promissory Note
  - d. Appendix VII Delivery Note
  - e. Appendix VIII Form of Assignment by way of Pledge to CBSL
  - f. Appendix IX Disbursement Letter
- 8.3) Refinance claims should be submitted to RDD through the Head Offices of PFIs within 1 month of the date of disbursement.
- 8.4) Upon approval of the refinance application, RDD will sanction the refinance application and release refinance on the first come first serve basis.

### 9.) Disbursement of Refinance

Subsidiary Loan Agreements will be signed between the CBSL and the PFIs selected for the implementation of both Loan Schemes; "Value Chain Development Agriculture Capital Loan Scheme" and "Value Chain Development Seasonal Agriculture Loan Scheme".

### 10.) Recovery of Loans

- 10.1) The capital and interest for the refinance provided for the PFIs will be recovered semi-annually i.e. 30th June and 31st December of each year.
- 10.2) Capital and interest payments on refinance loans will be payable by the PFIs to the CBSL according to the Repayment Schedule for Refinance made available by the RDD.

### 11.) Auditing of Accounts

- 11.1) RDD will prepare annual financial statements of the Loan Scheme and such financial statements will be audited by the Auditor General. A certified copy of the report of the Auditor General will be furnished to the IFAD once it is made available to the RDD.
- 11.2) PFIs are also required to get the financial statements of this programme audited as it is a requirement of IFAD.

The CBSL reserves the right to revise the terms and conditions in respect of refinance scheme as and when necessary.

Yours faithfully  
Mrs D V S Dayawansa

**Director**  
**Regional Development Department**

Annex I

### COMPANIES OPERATED UNDER THE PRIVATE PUBLIC PRODUCER PARTNERSHIPS (P4)

No	Name of the company	Project names
01	Cargills Quality Dairies Pvt. Ltd.	Dairy Development
02	Sunfrost Pvt. Ltd	Gherkin cultivation
03	HJS Condiments Ltd.	Beekeeping Processing
04	Hayleys Agro Farms Pvt. Ltd.	Seed onion production

05	Sunfrost Pvt. Ltd	Jalapeno pepper cultivation
06	HJS Condiments Ltd.	Passion fruit cultivation
07	Landmark Agro Seeds Pvt. Ltd.	Vegetable seeds production
08	Nelna Farms Pvt. Ltd.	Organic maize cultivation
09	Chello Dairy Pvt. Ltd.	Dairy Development
10	Fonterra Brands Lanka Pvt. Ltd.	Dairy Development
11	CIC Grains Pvt. Ltd.	Maize Cultivation
12	CIC Agri export Pvt. Ltd.	Healthy Rice Production
13	SriLanka Poultry Development Co. Ltd	Poultry Development
14	Lanka eco products pvt Ltd	Kitul related products

## Annex II

**ELIGIBLE ACTIVITIES UNDER THE “VALUE CHAIN DEVELOPMENT SEASONAL AGRICULTURE LOAN” AND THE  
“VALUE CHAIN DEVELOPMENT CAPITAL AGRICULTURE LOAN”**

Project Name	Working Capital Seasonal Loan	Capital Agriculture Loan
Dairy development	Fodder/ Silage development, equipments with value less than Rs.30,000/=, fertilizers, cattle feed, Minerals, labour and other running cost.	Deep freezer, Grass Chopping Machine, Milk- ing machine, Construction/ Renovation of cat- tle sheds, Bio gas unit and Sheds with auto drinkers.
Gherkin cultivation	Gherkins Seeds, Fertilizer, Chemicals, Land preparation, equipments with value less than Rs. 30,000/=, labour and other running cost.	Water pump, Electric motor, drip irrigation, agri well constructions and renovation etc.
Beekeeping Processing	Bee colonies, wooden bee boxes, hive basement structure, equipments with value less than Rs. 30,000/=, labour and other running cost.	-
Seed onion production	Seeds and fertilizers, equipments with value less than Rs. 30,000/=, labour and other running cost.	Poly tunnel and structures
Jalapeno pepper cultivation	Planting materials, Fertilizer, chemicals, equipments with value less than Rs. 30,000/= labour and other running cost.	Water pump and Equipments
Passion fruit cultivation	Passion fruit plants, Fertilizer, Compost, equipments with value less than Rs.30,000/=, labour and other running cost.	Water pump and equipments
Vegetable seeds production	Insect proof nets, Trellising nets, trellis equipment, post harvest handling materials, equipments with value less than Rs. 30,000/=, labour and other running cost.	Water pump, poly/shade houses
Organic maize cultivation	Fertilizers, pest control liquids, seeds and labour, equipments with value less than Rs. 30,000/=, and other running cost.	Water pump
Maize Cultivation	Seeds, Fertilizer, Chemicals, Land preparation, equipments with value less than Rs. 30,000/=, labour and other running cost.	Agri well constructions and renovation and drip irrigation etc.
Poultry Development	Chicks purchase, poultry feed, equipments with value less than Rs. 30,000/=, labour and other running cost.	Construction of poultry sheds



Kitul related products	Household production unit and kithul plants any other item related to working capital, equipments with value less than Rs. 30,000/=, labour and other running cost.	industrial oven construction
Healthy rice production	Seeds, Fertilizer, Land preparation, equipments with value less than Rs. 30,000/=, labour and other running cost.	Water pump and equipments

**Annex III**

**NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME(NADeP) - VALUE CHAIN DEVELOPMENT - CAPITAL AND SEASONAL AGRICULTURAL LOAN REGISTRATION**

Name of the Partnership Project :  
 Name of the Bank :  
 Branch :

Farmer No	Name of the farmer	Address	City	District	Contact No.	NIC No.	Gender	Agricultural Seasonal Loan		Capital Loan	
								Purpose	Loan Amount	Item	Loan Amount

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Value Chain Development..... (Capital Agriculture Loan / Seasonal Agriculture Loan) Under "Out-Grower Farmers" Loan Scheme of National Agribusiness Development Programme (NADeP).

Date:

Manager:

**Annex IV**

**Application for Refinance (a)**

REFINANCE APPLICATION NO. :- .....

(Under Operating Instructions No. RDD/NADeP/VALUE CHAIN DEVELOP/2016/01)

Address:

Date:

**Application for Refinance -**

**VALUE CHAIN DEVELOPMENT ..... (CAPITAL AGRICULTURE LOAN/ SEASONAL AGRICULTURE LOAN) UNDER "OUT-GROWER FARMERS" LOAN SCHEME OF NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP)**

To: The Central Bank Of Sri Lanka

Gentlemen

We, .....

(Name of PFI)

a licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees ..... (Rs.....) under the above Refinance Scheme.

- In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/NADeP/VALUE CHAIN DEVELOP/2016/01 and the Subsidiary Loan Agreement under "Out-Grower Farmers" Loan Scheme of National Agribusiness Development Programme (NADeP) between the Central Bank of Sri Lanka (CBSL) and us dated .....2016.

3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement of loans granted by us under the above Refinance Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby certify that we have satisfied ourselves that (i) the loans mentioned in Para (3) have been granted to eligible borrowers for eligible projects under the above scheme, (ii) such loans are within the borrowing powers of the respective borrowers and (iii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature, Name and Designation of the  
Authorized Officer(s) of the PFI  
Manager, Refinance Unit

Annex V

### Application for Refinance (b)

REFINANCE APPLICATION NO. :- .....

(Under Operating Instructions No. RDD/NADeP/VALUE CHAIN DEVELOP/2016/01)

### STATEMENT OF LOANS DISBURSED UNDER THE "OUT-GROWER FARMERS" LOAN SCHEME OF NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP)

TO : CENTRAL BANK OF SRI LANKA

FROM : REFINANCE UNIT: .....

PFI: ..... BRANCH: ..... DISTRICT: .....

Enquiry No.	Name & Address of the Borrower	NIC No.	purpose of Loan *	loan Amount		Date of disbursement	Disbursed amount for which refinance is sought		Grace Period	Repayment Schedule			
				Loan Cycle **	Amount Rs.		Instalment No	Amounts Rs.		Instalments		Due Date for First Instalment	Due Date for Last Instalment
										No	Value		
Total													

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in bi-annual instalments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

Signature of Authorized Officer  
Date: .....

\* Indicate categories as stated in items in Para 4 of the Operating Instructions

\*\* Indicate as 1st loan, 2nd loan, 3rd loan etc.

Annex VI

### Promissory Note

REFINANCE APPLICATION NO. :- .....

(Under Operating Instructions No. RDD/NADeP/VALUE CHAIN DEVELOP/2016/01)

Date:

### DEMAND PROMISSORY NOTE

Rs. ....

On demand, we, the undersigned .....

(Name and address of the PFI)

hereby promise to pay to THE CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO the sum of Rupees ..... (Rs. ....) for value received, with interest thereon at the rate of .....% per annum from the date hereof.

.....  
For (Name of PFI)  
REFINANCE UNIT  
HEAD OFFICE

.....  
(Stamp)

1. ....  
2. ....

Signature of the Authorized Officer(s)

WITNESSES:

1. ....  
2. ....

Annex VII

**Delivery Note**

REFINANCE APPLICATION NO. :- .....  
(Under Operating Instructions No. RDD/NADeP/VALUE CHAIN DEVELOP/2016/01)

Date :

**DELIVERY NOTE**

To: The Central Bank Of Sri Lanka

In consideration of you agreeing to grant us a loan in the amount of Rupees .....  
..... (Rs.....) with the object of granting  
refinance to us in respect of lending operations carried out by us under the Refinance Scheme titled "Out-Grower Farmers" Loan Scheme  
of National Agribusiness Development Programme (NADeP), referred to in your Operating Instructions No. RDD/NADeP/VALUE CHAIN  
DEVELOP/2016/01 dated 07.10.2016 WE HEREWITH DELIVER TO YOU OUR Promissory Note in your favour for Rupees .....  
.....  
(Rs.....) payable on demand together with interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect  
of our said Promissory Note.

For (name of PFI)  
REFINANCE UNIT  
HEAD OFFICE

1. ....  
2. ....

Signature of the Authorized Officer(s)

Annex VIII

**Form of Assignment**

REFINANCE APPLICATION NO:- .....  
(Under Operating Instructions No: RDD/NADeP/VALUE CHAIN DEVELOP/2016/01)

Date:

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT \***

We, .....  
.....  
(Name and address of the PFI)

in terms of Section 88A of the Monetary Law Act, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debt  
owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central  
Bank of Sri Lanka of a Loan of Rupees .....  
..... (Rs.....) granted to us by the  
Bank repayable with interest at ..... percent per annum.

## SCHEDULE

Amount of Debt(Rs.)	Borrower's Name & Address	Date	Notary

.....  
Signature of the Authorized Officer  
For (name of PFI)  
REFINANCE UNIT  
HEAD OFFICE

-----  
\* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

Annex IX

## DISBURSEMENT LETTER

(Operating Instructions RDD/NADeP/VALUE CHAIN DEVELOP/2016/01)

Bank Name :

Bank Code No :

Branch Name :

Branch Code No :

Serial No. of the Loan :

Date :

Disbursement :

STATEMENT OF LOANS DISBURSED UNDER THE –  
'Out-Grower Farmers' Loan Scheme

**Enquiry Number :**

**1. Particulars of the Borrower :**

1.1 Name of the Borrower :

1.2 Address of the Borrower :

**2. Particulars of the Loan :**

2.1 Purpose of the Loan :

2.2 Location of the project:

2.3 Total amount of loan sanctioned : originally                      Rs.  
Subsequent enhancement of loan for cost overruns                      Rs.  
Total                      Rs. ....

2.4 Date of original sanction of loan :

Date of sanction of enhancement of loan :

2.5 Repayment Programme for the instalment for which refinance was applied for :

Date : Amount (Rs.):

2.6 Rate of interest:

**3. Status of Loan :**

3.1 Amount released previously                      Rs.  
and refinance claimed from the CBSL

3.2 Amount now released and for which                      Rs.  
Refinance is sought

Total                      Rs.....

I certify that the particulars given above are true and correct.

Date:

Signature of Branch Manager  
Name of Branch Manager

**Operating Instructions No: RDD/NADeP/YOUTH2016/01 (Amendment)**

Regional Development Department  
 Central Bank of Sri Lanka  
 P.O. Box 590  
 No.30, Janadhipathi Mawatha  
 Colombo 01.  
 20 December 2016

To: All PFIs  
 Dear Sir/Madam

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THARUNA DIRIYA YOUTH  
 EMPOWERMENT & EMPLOYMENT PROJECT OPERATED UNDER NATIONAL  
 AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP)**

This is to inform you that second paragraph of the Section 01 of the Operating Instructions No. RDD/NADeP/YOUTH2016/01 dated 03 August 2016, has been amended as highlighted below:

Accordingly, the Programme has allocated Rs.225 mn for the implementation of "Tharuna Diriya" Youth Empowerment & Employment Programme (Tharuna Diriya project) and the Project Management Unit of the NADeP, which is the implementing agency of the Programme, expects to complete the disbursement of funds and refinance by end March 2017. For the implementation of Tharuna Diriya programme, Bank of Ceylon (BOC), HDFC Bank and Regional Development Bank (RDB) have been selected as Participating Financial Institutions (PFIs). Accordingly, Rs.225 mn should be disbursed and refinanced by the above PFIs as at end March 2017 as per the terms and conditions laid down in this Operating Instructions.

All other terms and conditions of the Loan Scheme will remain unchanged.  
 The effective date for the amended Operating Instructions is 01/10/2016.  
 Please bring the contents of this amendment circular to the notice of the relevant officers.

Yours faithfully  
 Mrs D V S Dayawansa  
**Director**  
**Regional Development Department**

C.c: Dr Yasantha Mapatuna, Programme Manager, NADeP

**Microfinance Act Directions No.01 of 2016**

27 October 2016

**MINIMUM CORE CAPITAL**

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

- |  |      |  |
|--|------|--|
| 1. Minimum Core Capital                              | 1.1  | <p><b><u>Companies applying for the licence on or before January 15, 2018</u></b><br/>         Every Licensed Microfinance Company (LMFC) shall at all times maintain a core capital at a level not less than Rupees One Hundred Million (Rs. 100,000,000/-) and maintain a core capital at a level not less than Rupees One Hundred and Fifty Million (Rs. 150,000,000/-) from January 15, 2019.</p>  |
|  | 1.2. | <p><b><u>Companies applying for the licence after January 15, 2018</u></b><br/>         Maintain a core capital at a level not less than Rupees One Hundred and Fifty Million (Rs. 150,000,000/-).</p>   |
| 2. Regulatory measures in the case of non-compliance | 2.1  | <p>Where a LMFC has failed to comply with these Directions:</p> <p>a) The total amount of deposit liabilities and debt shall be capped at the level as at the end of the month in which the non-compliance was confirmed, and</p> <p>b) The LMFC shall not pay dividends, until the minimum capital requirement is complied with and is confirmed to the satisfaction of the Director/ Department of Supervision of Microfinance Institutions.</p> |
| 3. Core capital of the company                       | 3.1  | <p>Core capital of the company shall include the following;</p> <p>a) Issued and fully paid Ordinary Shares. Provided, however, in calculating core capital in regard to a company applying for a licence under this Act issued ordinary shares shall be considered as paid up only if they are issued for cash.</p>   |

- b) Issued and fully paid non-cumulative non-redeemable Preference Shares. Provided, however, in deciding core capital in regard to a company applying for a licence under this Act, issued non cumulative, non redeemable preference shares shall be considered as paid up only if they are issued for cash.
- c) Statutory Reserves
- d) General Reserves
- e) Retained profit or loss as shown in the last audited statement of account
- f) Unpublished current year's profit/(loss)

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

**Microfinance Act Directions No.02 of 2016**

27 October 2016

**STATUTORY RESERVE**

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

- |                      |   |
|----------------------|---|
| 1. Statutory Reserve | <p>1.1 Every Licensed Microfinance Company (LMFC) shall maintain a statutory reserve and shall, out of the net profits after the payment of tax of each year, before any dividend is declared, transfer to such reserve fund—</p> <ul style="list-style-type: none"> <li>a) a sum equivalent to not less than Five percent (5%) of such profits until the amount of the said statutory reserve is equal to fifty percent (50%) of the stated capital of such LMFC; and</li> <li>b) a further sum equivalent to not less than Two point Five percent (2.5%) of such profits until the amount of the said statutory reserve is equal to the stated capital of such LMFC.</li> </ul> |
| 2. Interpretation    | <p>2.1 Stated capital in relation to a company means the total of all amounts received by the company or due and payable to the company -</p> <ul style="list-style-type: none"> <li>a) in respect of the issue of shares; and</li> <li>b) in respect of calls on shares, as contained in the definition in the Section 58 of the Companies Act, No. 07 of 2007.</li> </ul>   |

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

**Microfinance Act Directions No.03 of 2016**

27 October 2016

**DEPOSITS**

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

- |  |   |
|--|---|
| 1. Restrictions on accepting time and savings deposits | <p>1.1 Every Licensed Microfinance Company (LMFC) shall not:</p> <ul style="list-style-type: none"> <li>i) accept or renew any time deposit repayable after a period of less than Three (03) months from the date of receipt or renewal of such deposit or more than Thirty Six (36) months from the date of receipt or renewal of such deposit.</li> <li>ii) accept any deposit if the core capital of such company is below the minimum required level as specified by the Monetary Board from time to time.</li> <li>iii) accept any deposit from minors. For this purpose "a minor" means a person who has not attained the legal age of majority within the meaning of the Age of Majority Ordinance (Chapter 66) and any amendments thereto.</li> </ul> |
|--|---|

- |                                      |     |  |
|--------------------------------------|-----|--|
| 2. Maximum amount of deposit         | 2.1 | Every LMFC shall not accept or renew deposits that the aggregate value of which is more than Rupees Three Hundred Thousand (Rs. 300,000/-) from a depositor held individually or jointly.  |
|                                      | 2.2 | The total deposits of a LMFC shall not be more than Fifty percent (50%) of total unimpaired loans and advances of such company.  |
| 3. Prohibitions of incentive schemes | 3.1 | No LMFC shall introduce any incentive scheme for soliciting deposits. For the purpose of this direction "Incentive Scheme" means an arrangement to confer a monetary or material benefit on the depositors other than by way of interest.  |
| 4. Dormant Account Policy            | 4.1 | Every LMFC shall establish a policy for dormant accounts, which includes; <ul style="list-style-type: none"> <li>i) Identification period of dormant account</li> <li>ii) Segregation of dormant accounts from active accounts</li> <li>iii) Reactivation under dual control.</li> </ul> |

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

### Microfinance Act Directions No.04 of 2016

27 October 2016

#### MAINTENANCE OF MINIMUM LIQUID ASSETS RATIO

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

- |                                      |     |   |
|--------------------------------------|-----|---|
| 1. Minimum Liquid Assets Ratio (LAR) | 1.1 | Every Licensed Microfinance Company (LMFC) shall at all times maintain minimum average monthly liquid assets at not less than Fifteen percent (15%) of its total monthly deposit liabilities. |
|                                      | 1.2 | The computation of the LAR shall be based on the following formula. The detailed computation of the LAR is provided in Annexure.  |

$$\text{LAR} = \frac{\text{Total Average Liquid Assets} * 100}{\text{Total Deposits}}$$

- |  |     |   |
|--|-----|---|
| 2. Total Average Liquid Assets                                     | 2.1 | Every LMFC shall compute total average liquid assets by aggregating the daily average of the following assets for the maintenance period. <ul style="list-style-type: none"> <li>a) Cash in hand</li> <li>b) Balance in the current account in the commercial banks free from any bankers lien or charge</li> <li>c) Balance in the deposit account in the commercial banks free from any bankers lien or charge</li> <li>d) Balance in the deposit account in the specialised banks free from any bankers lien or charge</li> <li>e) Sri Lanka Government Treasury Bills free from any bankers lien or charge</li> <li>f) Sri Lanka Government Treasury Bonds maturing within one year free from any bankers lien or charge</li> <li>g) Sri Lanka Government Securities maturing within one year free from any lien or charge</li> <li>h) Central Bank Securities maturing within one year free from any lien or charge</li> <li>i) Treasury bills and Treasury bonds held under reverse repurchase agreements maturing within one year free from any lien or charge.</li> </ul> |
| 3. Supervisory Intervention and step to secure minimum requirement | 3.1 | The Central Bank of Sri Lanka shall intervene at an early stage to prevent liquidity of a LMFC falling below the minimum requirement.   |
|  | 3.2 | Where a LMFC has failed to meet minimum liquidity requirement referred to in the Direction 1, such LMFC shall pay to the Central Bank 0.1 percent per day on the amount of the deficiency of liquidity or Rs. Twenty Five Thousand (Rs. 25,000/-), whichever is lower, until minimum requirement is effected and confirmed by the Director/ Department of Supervision of Microfinance Institutions (D/DSMI).  |
| 4. Regulatory Reporting  | 4.1 | Every LMFC shall submit a report on liquid assets ratio to D/DSMI on a monthly basis within Fifteen (15) days from the end of each month as per the reporting format annexure herewith.   |

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

## Annexure

From:

To : Director of Department of Supervision of Microfinance Institutions  
Central Bank of Sri Lanka

## Liquid Assets Ratio

Rs. '000

- |  |       |
|--|-------|
| 1. Total Deposits as at the last working day of the month of ..... (Base date)   | ..... |
| 2. Average statutory liquid assets for the Month of .....(Maintenance period)  | ..... |
| a) Cash  | ..... |
| b) Balance in the current account in the commercial bank free from any bankers lien or charge  | ..... |
| c) Balance in the deposit account in the commercial bank free from any bankers lien or charge  | ..... |
| d) Balance in the deposit account in the specialised bank free from any bankers lien or charge                                       | ..... |
| e) Sri Lanka Government Treasury bills free from any bankers lien or charge  | ..... |
| f) Sri Lanka Government Treasury bonds maturing within one year free from any bankers lien or charge                                 | ..... |
| g) Sri Lanka Government Securities maturing within one year and free from any lien or charge   | ..... |
| h) Central Bank Securities maturing within one year free from any bankers lien or charge   | ..... |
| i) Treasury bills and Treasury bonds held under reverse repurchase agreements maturing within one year free from any lien or charge. | ..... |

3. Liquid Assets Ratio [(2) as a % of (1)]

We/I hereby certify that the above statement is correct and is in accordance with the books of this company.

Date: .....

.....

Authorized officer's Signature

**NOTE:** The base date is the last working day of the previous month, e.g., Liquid assets for the month of April will be based on the deposit liabilities of end March. Liquid assets to be maintained for the period (Maintenance period) commencing from the 1<sup>st</sup> working day to last working day of the calendar month following the month in which the base date occur.

Microfinance Act Directions No.05 of 2016

27 October 2016

## ASSESSMENT OF SHAREHOLDERS

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

- |             |     |   |
|-------------|-----|---|
| 1. Criteria | 1.1 | No person shall be a significant shareholder of a Licensed Microfinance Company (LMFC), if that person :-   |
|             | a)  | 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;  |
|             | b)  | has been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that such person has committed or has been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued there under; |
|             | c)  | is being subject to court proceedings or has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;   |
|             | d)  | has been convicted by any court for an offence involving moral turpitude;   |
|             | e)  | has been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad.   |



- 2. Submission of Affidavit    2.1 Each LMFC shall obtain from persons who are significant shareholders an affidavit as in Annexure I and submit to the Director/ Department of Supervision of Microfinance Institutions (D/DSMI).
- 3. Interpretation                3.1 **“significant shareholder”** means a person who is among the top ten shareholders of the LMFC and hold more than ten percent of the shares of the company.

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

**Annexure I**

**Format of the affidavit to be submitted by shareholders**  
**Affidavit**

I,.....(full name) holder of National Identity Card No./Passport No.....of .....(address) being a Buddhist/Hindu/Christian/Catholic/Muslim do hereby solemnly, sincerely and truly declare and affirm/make oath and state<sup>1</sup> as follows:

- 1. I am the affirmant / deponent above named.
- 2. I am a / the shareholder of.....(name of the company).
- 3. I affirm/ state that I am not 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;
- 4. I affirm/ state that I have not been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that I have committed or have been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
- 5. I affirm/ state that I am not being subject to court proceedings or have been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
- 6. I affirm/ state that I have not been convicted by any court for an offence involving moral turpitude;

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 before me at ..... )  
on this .....day of..... )

Affix Stamps as  
Applicable

**Before me**  
  
**JUSTICE OF THE PEACE /**  
**COMMISSIONER FOR OATHS**

**Note:**

- 1- Delete inapplicable words.
- Christians and Catholics must make oath and state and Buddhists, Hindus, Muslims and persons following any other religion must declare and affirm

## Microfinance Act Directions No.06 of 2016

27 October 2016

## ASSESSMENT OF FITNESS AND PROPRIETY OF DIRECTORS AND CHIEF EXECUTIVE OFFICER/GENERAL MANAGER

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

- |  |   |
|--|---|
| 1. Criteria for assessment of fitness and propriety                | <p>1.1 No person shall be appointed and /or elected as a director or chief executive officer/general manager of a Licensed Microfinance Company (LMFC) or hold such position, if that person :-</p> <ul style="list-style-type: none"> <li>a) does not possess academic or professional qualifications or effective experience, in microfinance business, banking, finance, law or administration or other relevant discipline;</li> <li>b) 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;</li> <li>c) has been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that such person has committed or has been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;</li> <li>d) is being subject to court proceedings or has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;</li> <li>e) has been convicted by any court for an offence involving moral turpitude;</li> <li>f) has been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;</li> <li>g) has failed to satisfy any judgment or order of any court to repay a debt;</li> <li>h) has been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad;</li> <li>i) has been declared by a court of competent jurisdiction to be of unsound mind;</li> <li>j) is a chief executive officer, director or holding any other position of authority in any licensed bank or non-bank financial institution; <ul style="list-style-type: none"> <li>i) whose licence or business has been cancelled or suspended on grounds of regulatory concerns; or</li> <li>ii) which has been wound up or is being wound up or which is being compulsorily liquidated whether in Sri Lanka or abroad</li> </ul> </li> <li>k) is a director or an employee of another LMFC.</li> </ul> <p>1.2 A person over the age of Seventy (70) years shall not serve as a director of a LMFC. Provided however, a director who is over the age of 70 years or who will reach the age of 70 years prior to December 31, 2016 may continue in office for a further maximum period of Three (03) years commencing from January 01, 2017.</p> |
| 2. Procedure to be followed in assessing the fitness and propriety | <p>2.1 Each LMFC shall obtain from persons selected for appointment as a director or chief executive officer/general manager an affidavit and declaration as in Annexure I and II, respectively, and submit to the Director/Department of Supervision of Microfinance Institutions (D/DSMI).</p> <p>2.2 In addition to the Direction 2.1, at the time of first appointment, a letter from the former employer immediately preceding the appointment regarding the level of performance of duties assigned to him/her in the particular institution shall be submitted to D/DSMI.</p> <p>2.3 In respect of every continuing director, a LMFC shall obtain and submit affidavits and declarations to D/DSMI annually one month before the Annual General Meeting of the respective LMFC if such directors are nominated for re-appointment.</p>   |
| 3. Approval of the Director  | <p>3.1 D/DSMI may, having regard to the matters specified in Direction 1, approve or refuse to approve the appointment or continuation, as the case may be, as a director or chief executive officer/general manager of a LMFC.</p>   |

- 3.2 D/DSMI shall notify the LMFC of such approval or refusal (giving reasons therefore, in the case of a refusal) and it shall be the duty of the LMFC to communicate such notification to the director or the chief executive officer/general manager concerned and implement the same.
- 4. Subsequent ineligibility to be notified
  - 4.1 Every LMFC shall notify D/DSMI of any reasonable suspicions or findings to the effect that any director or chief executive officer/general manager is not a fit and proper person to hold office in the respective LMFC within fourteen days (14) of it being aware of such suspicion or findings.
  - 4.2 If circumstances vary, change, render invalid, make inapplicable or falsify the information contained in an affidavit or declaration submitted by a director or chief executive officer/general manager, such person shall, within fourteen days (14), notify D/DSMI.
- 5. Determination by the Director at any time
  - 5.1 Where D/DSMI, having regard to the matters specified in Direction 1, is satisfied at any time that a person appointed or continued is not fit and proper as a director or chief executive officer/general manager for continuation, may determine that the person is not fit and proper to be a director or chief executive officer/general manager of a LMFC and the Direction 3.2 shall be applicable thereafter.

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

**Annexure I**

**Affidavit to be submitted by persons selected for appointment as directors /chief executive officer/general manager**

**Affidavit**

I,.....(full name) holder of National Identity Card No/ Passport No.....of ..... (address) being a Buddhist/Hindu/Christian/Catholic/Muslim do hereby solemnly, sincerely and truly declare and affirm/make oath and state<sup>1</sup> as follows:

1. I am the affirmant / deponent above named.
2. I am a / the .....(designation) /I have been selected for appointment as a/the .....(designation) of..... (name of the company).
3. I affirm/state that I possess the following academic and /or professional qualification/s on relevant fields:  
 .....  
 .....
4. I affirm/state that the effective experience I possess in microfinance business, banking, finance, law or administration or other relevant discipline is as follows:  
 .....  
 .....
5. I affirm/ state that I am not 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;
6. I affirm/ state that I have not been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that I have committed or have been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
7. I affirm/ state that I am not being subject to court proceedings or have been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
8. I affirm/ state that I have not been convicted by any court for an offence involving moral turpitude;
9. I affirm/ state that I have not been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;
10. I affirm/ state that I have not failed to satisfy any judgment or order of any court to repay a debt;
11. I affirm/ state that I have not been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad;

- 12. I affirm/ state that I have not been declared by a court of competent jurisdiction to be of unsound mind;
- 13. I affirm/ state that I am not a chief executive officer, director or holding any other position of authority in any licensed bank or non-bank financial institution;
  - (i) whose licence 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.
- 14. I affirm/ state that I am not a director or an employee of another licensed microfinance company.

The averments contained herein )  
 were read over to the affirmitant/ )  
 deponent who having understood )  
 the contents hereof and having )  
 accepted same as true, affirmed/ )  
 swore to and placed his/her )  
 signature before me at ..... )  
 on this .....day of..... )

Affix Stamps as  
Applicable

**Before me**

**JUSTICE OF THE PEACE /  
COMMISSIONER FOR OATHS**

**Note:**

- 1- Delete inapplicable words.
- Christians and Catholics must make oath and state and Buddhists, Hindus, Muslims and persons following any other religion must declare and affirm.

**Annexure II**

**Name of Licensed Microfinance Company:** .....

**Declaration to be submitted by directors/ chief executive officer/general manager/ person selected for such appointment (with enclosures as appropriate as of .....**)

**1. Personal Details**

- 1.1 Full name: .....
- 1.2 National Identity Card Number: .....
- 1.3 Passport Number: .....
- 1.4 Date of birth: .....
- 1.5 Permanent address: .....
- 1.6 Present address: .....

**2. Appointment to LMFC**

- 2.1 Date of appointment to the board / present position: .....
- 2.2 Designation: .....
- 2.3 Local or expatriate: .....
- 2.4 Annual remuneration (with details): .....
- 2.5 Annual value of benefits derived by director or chief executive officer/general manager 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			
3.4.3			

**4. Background and Experience**

Name/s of institutions in which he/she is or has been a director or has been employed as the chief executive officer/general manager:

Name of the institution	Period of office	Designation

**5. Shareholdings in LMFCs and their Related Companies**

Share ownerships in LMFCs, their subsidiaries and associates, if any, presently held:

Name of the institution	No. of shares	Percentage of holding

**6. Business Transactions**

Any business transaction the director or chief executive officer or general manager or person selected such appointment presently has with the LMFC, its subsidiaries or associates (if any) and other financial institutions.

Name of the institution	Nature of transaction	Amount as at DD/MM/YYYY (Rs. mn)		Loan Classification (performing/non-performing)	Collateral	
		Limit	Out-Standing		Type	Value (Rs. mn.)

7. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director / chief executive officer/ general manager/persons selected such appointment in the LMFC.

**DECLARATION:**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the Licensed Microfinance Company and the Director, Department of Supervision of Microfinance Institutions 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/ chief executive officer/general manager/ person selected for such appointment**

**TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS**

Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director/chief executive officer/general manager/ person selected for such appointment.

Date : .....

.....  
Signature of the Chairman of the Board of directors

Microfinance Act Directions No.07 of 2016

27 October 2016

**REGULATORY FRAMEWORK FOR ACCOMMODATIONS**

Issued under Section 11 of the Microfinance Act, No. 6 of 2016

1. Maximum Amount of Accommodation (MAA) to customer
- 1.1 The Licensed Microfinance Company (LMFC) shall not grant accommodation in respect of the following customers in excess of the limits stipulated in Direction 1.2, based on its core capital as per the latest audited financial statements, subject to Direction 3:
- a) To any single company, public corporation, firm, association of persons or an individual [excluding Community Based Organisations (CBO)]; or
  - b) In the aggregate to (excluding CBO)–
    - i) an individual, his close relations or to a company or firm in which he has a substantial interest;
    - ii) a company and one or more of the following:–
      - a) its subsidiaries;
      - b) its parent company;
      - c) its associate company;
      - d) its joint ventures;
      - e) a subsidiary of its parent company; or
      - f) a company in which such company or its subsidiary, or its parent company, or a subsidiary of its parent company, has a substantial interest.
  - c) To a CBO

Level	Core capital in Rs. Mn	MAA relates to customers referred to in Direction 1.1(a) In Rs.	MAA relates to customers referred to in Direction 1.1(b) In Rs.	MAA relates to customers referred to in Direction 1.1(c) In Rs.
I	Over Rs 100 mn and less than Rs.200 mn	500,000	600,000	1,000,000
II	Over Rs.200 mn and less than Rs.300 mn	600,000	750,000	1,500,000
III	Over Rs.300 mn	750,000	1,000,000	2,000,000

2. Aggregate limit

- 2.1 **For LMFCs with a core capital of less than Rs. 300 mn;**  
In the case of accommodations granted as at any given date to any category of customers referred to in Direction 1 above in excess of Rupees Three Hundred Thousand (Rs.300,000/-), the sum total of the outstanding amount of accommodation granted to such customers shall not exceed forty percent (40%) of the total outstanding amount of accommodation granted by LMFC to all customers excluding the Government of Sri Lanka as at the end of the immediately preceding month.
- For LMFCs with a core capital of over Rs. 300 mn;**  
In the case of accommodations granted as at any given date to any category of customers referred to in Direction 1 above in excess of Rupees Five Hundred Thousand (Rs.500,000/-), the sum total of the outstanding amount of accommodation granted to such customers shall not exceed forty percent (40%) of the total outstanding amount of accommodation granted by LMFC to all customers excluding the Government of Sri Lanka as at the end of the immediately preceding month.

3. Exclusions of Accommodations from maximum limits 3.1 Accommodation granted against the security of cash, gold, Government Securities, Central Bank Securities, Treasury Guarantees, and Central Bank Guarantees shall be excluded, when computing MAA under the Direction 1.
4. Accommodation to related parties 4.1 No LMFC shall grant any accommodation to the following of such LMFC:
- Any directors
  - Any directors of the parent company
  - Chief Executive Officer/General Manager
  - Close relations of (a), (b) and (c) above
  - A shareholder who has 10 percent or more of the voting rights
5. Classification of credit exposures 5.1 Every LMFC shall adopt a credit risk grading system or categorization based on repayment patterns, i.e., delinquency status which must appropriately reflect the risks associated with credit facilities granted by the LMFC. Minimum guideline for such categorization of impaired facilities of customers based on the delinquency patterns are given at Annexure 1, Table 1.
- 5.2 LMFCs shall quantify provisions, as per the credit facilities categorised in accordance with Direction 5.1, on the amount outstanding net of realisable security value and interest suspended in the event of such interest being debited to the credit facility as per the following.
- | Categories of Non-performing Credit Facilities | Minimum Specific Provisioning Requirement |
|--|---|
| Substandard                                    | 25%                                       |
| Doubtful                                       | 50%                                       |
| Loss   | 100%                                      |
6. Regulatory Reporting 6.1 Every LMFC shall submit a quarterly return to the Director/Department of Supervision of Microfinance Institutions (D/DSMI) within 15 days from the end of each quarter in accordance with the format given in Annexure 1, Table 2 and 3.
7. Steps to secure compliance with Directions 7.1 Where the Monetary Board has determined that a LMFC has contravened Direction 1, and the determination of such contravention has been conveyed to LMFC, such LMFC shall not pay dividends or repatriate profits until the contravention is rectified and such rectification is confirmed by D/DSMI.
8. Interpretations 8.1 CBO shall be a registered legal entity and be able to legally accept loans as per its statute such as its Memorandum of Association/Articles of Association, Constitution or By-Laws. The following conditions have to be fulfilled in order to be considered as a CBO;
- A tri-party Memorandum of Understanding between the LMFC, CBO and any organization which the CBO operates with should be signed with regard to the loan repayments.
  - The CBO should have a Board resolution with regard to borrowing money from the LMFC
  - The bank statements, audited financial statements and corporate governance have to be assessed in deciding to grant loans to a CBO.
  - The individual's loans repayment capacity to be assessed by the LMFC and the CBO separately.
- 8.2 *Close relation* in relation to an individual means spouse and dependent child of such individual. Dependent child shall have the same meaning assigned to the term in the Finance Business Act, No. 42 of 2011.
- 8.3 *Substantial interest* means holding of beneficial interest by another company or an individual or his close relation whether singly or taken together, exceeding ten percent of the stated capital. In relation to a firm the beneficial interest held is applicable to an individual or his close relation of such firm.
- 8.4 "*Parent*", "*Subsidiary*", "*Associate*" and "*Joint Ventures*", as defined in the Sri Lanka Accounting Standards.
- 8.5 *Accommodations* shall mean credit exposure and investment exposure as specified below:
- Credit exposure shall include all on-balance sheet accommodations and off-balance sheet accommodations.

- i) On-balance sheet credit exposure shall mean term loans, pledge loans, revolving loans, hire purchase loans, leasing facilities, pawning advances and reverse repurchase agreements against debt securities and other instruments of a similar nature.
- ii) Off-balance sheet credit exposure shall mean a commitment to accept contingent liabilities, including guarantees and bonds
- b) Investments exposure shall include all financial investments excluding investments in government securities.
- 8.6 *Amount of accommodations* shall be the total of on-balance sheet accommodations and off-balance sheet accommodations as specified below:
- a) Amount of on-balance sheet accommodations: The amount of on-balance sheet accommodations shall mean the total of the accommodation limits prevailing at any given date or the total outstanding amount of all accommodations, whichever is higher. In the case of fully drawn term loans, the outstanding amount of accommodations shall be reckoned as the amount of accommodations.
- b) Amount of off-balance sheet accommodations: The amount of off-balance sheet accommodations shall mean the total of the accommodation limits prevailing at any given time or the outstanding amount of accommodations, whichever is higher.
- 8.7 Outstanding amount of accommodations shall be the carrying value as per the financial statements of the both on-balance sheet and off-balance sheet accommodations.

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

**Annexure I**

**Table I**  
**Criteria for Risk Grading – Further categorisation of impaired credit exposures**

Classification Type of credit exposure	Special Mention	Substandard	Doubtful	Loss
Credit exposures repayable in daily/weekly/bi-weekly basis, i.e., any repayment base less than one month.	The payment is in arrears for more than 30 days from the loan due date or more but less than 60 days from the due date.	The payment is in arrears for more than 60 days from the loan due date or more but less than 90 days from the due date.	The payment is in arrears for more than 90 days from the loan due date or more but less than 120 days from the due date.	The payment is in arrears for more than 120 days or more from the loan due date.
Credit exposures repayable in monthly installments, i.e., either interest or capital repayable in monthly installments.	3 installments or more but less than 6 installments, principal and/or interest are due and unpaid.	6 installments or more but less than 12 installments, principal and/or interest are due and unpaid.	12 installments or more but less than 18 installments, principal and/or interest are due and unpaid.	18 installments or more principal and/or interest are due and unpaid.
Credit exposures repayable in quarterly or half yearly or yearly installments.	The payments are in arrears for more than 30 days but less than 60 days from the due date.	The payments are in arrears for 60 days or more but less than 120 days from the due date.	The payments are in arrears for 120 days or more but less than 180 days from the due date.	The payments are in arrears for 180 days or more
Credit exposures repayable in one installment at the end of a specified period or on a due date (bullet payments).	The payments are in arrears for more than 30 days but less than 60 days from the due date.	The payments are in arrears for 60 days or more but less than 120 days from the due date.	The payments are in arrears for 120 days or more but less than 180 days from the due date.	The payments are in arrears for 180 days or more



**Table 2**  
**Top 20 Accommodation<sup>1</sup> as at dd/mm/yy**

In Rs.

Name of the Customer/ group	Loan Ref. No.	Facility Type	Limit	Outstand- ing	Type of Col- lateral	Remarks

**Table 3**  
**Other Information as at dd/mm/yy**

In Rs.

Reference	Description	On-balance sheet	Off-balance sheet	Total
a)	Total number of loan customers			
b)	Total outstanding value of the accommodation			
c)	Total number of customers/group that exceeds Rs.300,000/-			
d)	Total carrying value of the customers/group that exceed Rs.300,000/-			
e)	(d) as a % of (b)			

Microfinance Act Directions No.08 of 2016

27 October 2016

### REPORTING REQUIREMENTS

Issued under Sections 11 of the Microfinance Act, No. 6 of 2016

1. Requirement to submit information
- 1.1 Every Licensed Microfinance Company (LMFC) shall submit information to the Director, Department of Supervision of Microfinance Institutions (D/DSMI) according to the formats provided.

Schedule I: Time schedule for Reporting Requirements

	Report	Periodicity	Due Date
i	Statement of Financial Position	Monthly	By the 15th of following month
ii	Statement of Comprehensive Income	Monthly	By the 15th of following month
iii	Statement of Financial Position	Annually	As required by the Microfinance Act
iv	Statement of Comprehensive Income	Annually	As required by the Microfinance Act

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

Microfinance Act Rules No. 01 of 2016

27 October 2016

### LICENSING CRITERIA

Issued under Section 13(2) of the Microfinance Act, No. 6 of 2016.

1. Eligibility
- 1.1 To be eligible to apply for a licence under the Act, the applicant shall be a company registered under the Companies Act, No.07 of 2007. Such applicant company shall not be a company limited by guarantee, a private company, an offshore company or an overseas company, within the meaning of the Companies Act, No.07 of 2007.
- 1.2 Every applicant company shall submit audited financial statements and a report on its microfinance related activities, for the last three years.

<sup>1</sup> Based on amount outstanding

- |                              |     |   |
|------------------------------|-----|---|
| 2. Minimum Core Capital      | 2.1 | Every applicant company should have an initial minimum core capital of Rupees One Hundred Million (Rs.100,000,000/-) as specified in the Core Capital Directions No. 01 of 2016 or such higher amount as the Monetary Board may determine.  |
| 3. The Board's composition   | 3.1 | The number of directors in the board shall not be less than Three (3) and not more than Nine (9).   |
|                              | 3.2 | The board may consist of executive directors, independent non-executive directors and non-independent non-executive directors.  |
|                              | 3.3 | Number of executive directors shall not exceed One Third (1/3) of the number of directors of the board ('executive director' means an employee of a company appointed, elected or nominated as a director)  |
|                              | 3.4 | The board shall have at least One (1) independent non-executive director or One Third (1/3) of the total number of directors, whichever is higher.<br>A non-executive director shall not be considered independent if he/she,<br>a) Has direct and/or indirect share holdings of more than Five percent (5%) of the company;<br>b) Has been employed by the company during the Two (2) year period immediately preceding the appointment as director;<br>c) Has a close relation who is a director or chief executive officer or a significant shareholder of the company. For this purpose, a "close relation" shall mean a spouse or a dependent child;<br>d) Represent a significant shareholder of the company. |
| 4. Submission of Application | 4.1 | Every application for a licence shall be made in the Form "DSMI/LMFC/A" in Annexure I.  |
| 5. Evaluation Fee            | 5.1 | Every applicant company shall pay a non-refundable evaluation fee of Rupees Fifty Thousand (Rs.50,000/-) at the time of submitting the application to the Central Bank of Sri Lanka.  |
| 6. Definition                | 6.1 | "Dependent child" shall have the same meaning assigned to the term in the Finance Business Act, No. 42 of 2011.   |

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

**Annexure I**

**Form DSMI/LMFC/A**  
**Confidential**

### **Application for a Licence Under the Microfinance Act, No. 6 of 2016**

#### **Instructions**

- 1) All applications should be type written or written in clear block letters.
- 2) If the space provided to give full details pertaining to an item of the application is not adequate, please use a separate sheet of paper wherever necessary. Such sheets should carry a cross reference to the relevant item. If an item is not applicable it must be clearly stated.
- 3) Every page of the completed application including annexures should be initialed by at least two directors.
- 4) All documents and statements referred to in Schedule I shall be submitted with the application.
- 5) Completed application signed by all members of the board of directors of the applicant company along with the other required documents should be submitted to:

**The Director**  
**Department of Supervision of Microfinance Institutions**  
**Central Bank of Sri Lanka**  
**No. 30, Janadhipathi Mawatha**  
**Colombo 01**  
**Sri Lanka**

To: The Monetary Board of the Central Bank of Sri Lanka  
 Central Bank of Sri Lanka  
 Colombo 01.

.....  
 Name of the Company  
 of .....  
 Address

do hereby apply to the Monetary Board of the Central Bank of Sri Lanka for a licence in terms of the provisions of the Microfinance Act, No. 6 of 2016. The following information and documents are furnished in support of the application.

**1) General Information of the Company**

- 1.1. Date of incorporation as a company:  
 1.2. Date of commencement of business:  
 1.3. Address of:  
     1.3.1. Registered Office:  
     1.3.2. Head/Administrative Office:  
     1.3.3. Branch Office(s):

Location	District	Province	Contact Details

- 1.4. Financial year of the company:  
 1.5. Description of the main lines of business:

.....  
 .....

- 1.6. Shareholding Structure of the Company as at the date of application:

- 1.6.1. Total number of shares:  
 1.6.2. Number of shareholders:  
 1.6.3. Names of the ten major shareholders a/:

Name of Shareholder	No. of Shares	% of Issued Share Capital
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

a/ Refer item No 4 of schedule I

**1.7 (A). Board of Directors**

Full Name of director (Please begin with the name of the Chairman)	Residential Address	Date of Birth DD/MM/YYYY	National Identity Card (NIC) No.	Passport No.	Date of appointment as a director DD/MM/YYYY	Qualifications	Occupation a/	Contact Details
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								

a/ Position held in other entity

**1.7 (B). Chief Executive Officer (CEO)/General Manager (GM)**

Full Name of CEO/GM	Residential Address	Date of Birth DD/MM/YYYY	NIC No.	Passport No.	Date of appointment as a CEO/GM DD/MM/YYYY	Qualifications	Occupation a/	Contact Details
1.								

a/ Position held in other entity

1.8. Name, address and contact details of the Secretary of the company:

.....  
 .....

1.9. Names and addresses of the company's bankers:

Name of the Bank	Branch	Address

**1.10. Auditors (External)**

1.10.1. Name of the Auditor, address and contact details:

1.10.2. Since which financial year has the said auditor audited the company?

1.10.3. Whether any of the partners/directors of the audit firm is a shareholder of the company. (If yes, give details):

1.10.4. Audit fees paid for the last three financial years :

1.10.5. Whether any financial accommodation is granted to the audit firm or a partner/director of the firm. (If yes, give details):

**1.11. Auditors (Internal)**

1.11.1. State whether the company has an internal auditor/internal audit functions:

If yes, provide the following details

a) Name of the internal auditor:

b) Qualifications and experience:

c) Total staff available to the internal auditor and their qualifications:

Name	Qualification	No. of Years in Service
1.		
2.		
3.		

1.11.2. If the internal audit function is outsourced, state the following details:

- Name of the internal auditor:
- Address and contact Details:
- Qualifications and experience:
- Number of years of service to the company:

1.11.3. Name of the authority to which the internal auditor reports:

## 2. Core Capital of the Company a/

As at the end of the last three financial years and as at the end of the month immediately preceding the month in which the application is made.

		(In Rupees '000)			
Item		20.....	20.....	20.....	As at .....
a)	Issued and fully paid ordinary shares (issued for cash)				
b)	Issued and fully paid non-cumulative non-redeemable preference shares (issued for cash)				
c)	statutory reserves				
d)	General reserves				
e)	Retained profit or (loss) as shown in last audited statement of accounts				
f)	Unpublished current year's profit/ (loss)				
g)	Core capital (from (a) to (f))				

a/ Refer item No. 6 of Schedule I

## 3. Details of the immovable properties (land and building) a/

Type of Immovable Property	Location	Cost	Revaluation (if any)	
			Date	Amount (Rs)

a/ Refer item No. 7 of Schedule I

## 4. Related Party Exposures (Rs.'000)

Name of Company/ Individual	Nature of Relationship <sup>1</sup>	Nature of Business	Equity Investments <sup>2</sup>		Loans & Advances <sup>3</sup>		Collateral <sup>4</sup>		Any Other Exposures <sup>5</sup>		
			Amount	Shareholding %	On Balance Sheet	Off Balance Sheet	Amount	Type <sup>6</sup>	On Balance Sheet	Off Balance Sheet	Nature of Transactions (Pls. specify)
Companies											
Individuals											

<sup>1</sup> H – Holding company S – Subsidiary (directly or indirectly owned subsidiaries) A – Associate (directly or indirectly owned associates) OI – Other investee entities D – directors of the Company DH – directors of the Holding Company DS – directors of the Subsidiary Company DA – directors of the Associate Company DOI – directors of the Other Investee Entities SDC – Spouse and Dependent Children of directors of the Company SDCO – Spouse and Dependent Children of directors of any other related party companies KMP – Key Management Personnel of the Company KMPO – Spouse and Dependent Children of a KMP of the Company JD – director of a company is a director of any entity (based on common directorship) shareholding

<sup>2</sup> Shareholding as a percentage of total issued share capital

<sup>3</sup> Loans and advances extended to the related party company/individual by the applicant company

<sup>4</sup> Collateral accepted against loans and advances extended to the related party company/individual by the applicant company

<sup>5</sup> Any exposure other than equity investment and loans and advances, e.g., intercompany transactions

<sup>6</sup> IPF – Immovable properties (Freehold basis) IPL – Immovable properties (Leasehold basis) C – Cash GS – Government securities S – Shares of own company SO – Shares of other related party companies O – Any other securities

Note: KMP means a person having authority and responsibility for planning, directing and controlling the activities of any microfinance company directly or indirectly.

## 5. Large Exposures

(Facilities that exceed 5% of the core capital of the applicant company or the 10 largest exposures)

Name of Company/ Individual	Nature of Relationship <sup>1</sup>	Loan Type <sup>7</sup>	Classification <sup>8</sup>	Loans & Advances		Collateral	
				Granted Amount (Rs. '000)	Outstanding (Rs. '000)	Amount (Rs. '000)	Type

<sup>1</sup>H – Holding company S – Subsidiary (directly or indirectly owned subsidiaries) A – Associate (directly or indirectly owned associates) OI – Other investee entities D – directors of the Company DH – directors of the Holding Company DS – directors of the Subsidiary Company DA – directors of the Associate Company DOI – directors of the Other Investee Entities SD – Spouse and Dependent Children of directors of the Company SDCO – Spouse and Dependent Children of directors of any other related party companies KMP – Key Management Personnel of the Company KMPO – Spouse and Dependent Children of a KMP of the Company JD – director of a company is a director of any entity (based on common directorship) shareholding

<sup>7</sup>TL – Term Loans L – Leasing HP – Hire Purchases P – Pawning O – Others

<sup>8</sup>C – No arrears O – 61 to 90 days in arrears S – 91 to 180 days in arrears D – 181 to 360 days in arrears L – Over 360 days in arrears

## 6. Asset Quality

Loan Type	Performing Loans		Non-Performing Loans								Total	
	No Arrears		61-90 days in Arrears		91 - 180 days in Arrears		181 - 360 days in Arrears		Over 360 days in Arrears			
	No. of Accounts	Outstanding (Rs.'000)	No. of Accounts	Outstanding (Rs.'000)	No. of Accounts	Outstanding (Rs.'000)	No. of Accounts	Outstanding (Rs.'000)	No. of Accounts	Outstanding (Rs.'000)	No. of Accounts	Outstanding (Rs.'000)
Term Loans												
Leasing												
Hire Purchase												
Pawning												
.....												
.....												
Other												
Total												

## 7. Details of the borrowings as at end of the month immediately preceding the month in which the application is made.

Name of the Source	Amount Received (Rs.'000)	Annual Interest Rate %	Date of Receipt of the Loan	Nature of Security	Amount Outstanding (Rs.'000)
<b>A. From Licensed Banks</b>					
i. ....					
ii. ....					
iii. ....					
<b>B. From Other Financial Institutions</b>					
i. ....					
ii. ....					

<b>C. From directors</b>					
i. ....					
ii. ....					
iii. ....					
<b>D. From Other Sources</b>					
i. ....					
ii. ....					
iii. ....					
<b>Total</b>					

**8. Current Lending Rates/Charges:**

Category	Lending Rates (Range/Annual)				Default Charges	
	Less than 12 Months	12 Months	24 Months	Over 24 Months	%	Amount (Rs.'000)
Loans						
Hire Purchase						
Finance Leasing						
Pawning						
Other Products						

We declare that the particulars stated in this application have been verified and are complete in all respects, and that the information is to our knowledge and belief true and accurate.

For and on behalf of .....  
(Company)

*Names of directors*

*Signatures*

- 1. ....
- 2. ....
- 3. ....
- 4. ....
- 5. ....
- 6. ....
- 7. ....
- 8. ....
- 9. ....
- Date .....

- .....
- .....
- .....
- .....
- .....
- .....
- .....
- .....
- .....
- .....
- (Common seal of the Company)

**9. If the company is a subsidiary or an associate of another company or a member of a group of companies, provide the following details of the Holding Company.**

**9.1. General Information of the Holding Company**

- 9.1.1. Date of incorporation as a company:
- 9.1.2. Date of Commencement of business:
- 9.1.3. Address of :
  - 9.1.3.1. Registered Office:
  - 9.1.3.2. Head/Administrative Office:
  - 9.1.3.3. Branch Office(s):

9.2. Description of the main lines of business:

9.3. Shareholding Structure of the Holding Company

9.3.1. Names of the ten major shareholders:

Name of Shareholder	No. of Shares	% of Issued Share Capital
1.		
2.		
3.		
4.		
5.		
6.		

9.4.1. (A). Board of directors

Full Name of director (Please begin with the name of the Chairman)	Residential Address	Date of Birth DD/MM/YYYY	NIC No.	Passport No.	Date of appointment as a director DD/MM/YYYY	Qualifications	Occupation	Contact Details
1.								
2.								
3.								
4.								
5.								
6.								

9.4.2. (B). Chief Executive Officer (CEO)/General Manager (GM)

Full Name of CEO/GM	Residential Address	Date of Birth DD/MM/YYYY	NIC No.	Passport No.	Date of appointment as CEO/GM DD/MM/YYYY	Qualifications	Occupation	Contact Details
1.								
2.								

We declare that the particulars stated in this form have been verified and are complete in all respects, and that the information is to our knowledge and belief true and accurate.

For and on behalf of .....  
(Holding Company)

Names of directors

Signatures

1.	.....	.....
2.	.....	.....
3.	.....	.....
4.	.....	.....
5.	.....	.....
6.	.....	.....
7.	.....	.....
8.	.....	.....
9.	.....	.....

Date : .....

(Common seal of the Company)



## Schedule I

**Documents to be submitted along with the application**

1. A certified copy of the Certificate of Incorporation.
2. A certified copy of the Memorandum and /or Articles of Association.
3. A certified copy of each of the latest forms filed with the Registrar of Companies regarding the registered address, list of directors, and the annual return (Forms 20, 13 and 15) certified by the Registrar of the Company.
4. Affidavits of the significant shareholders as per Schedule I (A).
5. Affidavits and declarations of the directors, CEO/General Manager and person selected for such appointment as per Schedule I (B) and Schedule I (C).
6. A letter of confirmation from the qualified auditor on the availability of minimum core capital as at end of the month immediately preceding the month in which the application is made.
7. Certified copies of valuation reports of each revalued immovable property.
8. Audited financial statements of the applicant company and its holding company for the last three years.
9. Financial statements of the applicant company audited by a qualified auditor as at the end of the month immediately preceding the month in which the application is made.
10. Organization chart of the applicant company.
11. A copy of the manual of operations of the applicant company.
12. A feasibility report, including projections on deposits, lending and other operations, profit and loss, etc., for the first 3 years of operation after obtaining licence.
13. Statement of the Board of directors in respect of the company's ability to comply with the Directions issued and Rules made under the Microfinance Act No. 6 of 2016.
14. Tax clearance certificate issued by the Inland Revenue Department.

**Note:** *In addition to the above, on receipt of the application, the Director of Department of Supervision of Microfinance Institutions may, where deemed necessary, require the applicant to furnish such other documents, information or other particulars.*

## Schedule I (A)

**Format of the affidavit to be submitted by shareholders****Affidavit**

I,.....(full name) holder of National Identity Card No./Passport No.....of .....(address) being a Buddhist/Hindu/Christian/Catholic/Muslim do hereby solemnly, sincerely and truly declare and affirm/make oath and state<sup>1</sup> as follows:

1. I am the affirmant / deponent above named.
2. I am a / the shareholder of.....(name of the company).
3. I affirm/ state that I am not 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;
4. I affirm/ state that I have not been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that I have committed or have been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
5. I affirm/ state that I am not being subject to court proceedings or have been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
6. I affirm/ state that I have not been convicted by any court for an offence involving moral turpitude;

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 before me at ..... )  
 on this .....day of..... )

Affix Stamps as  
Applicable

**Before me**

**JUSTICE OF THE PEACE /  
COMMISSIONER FOR OATHS**

**Note:**

- 1- Delete inapplicable words.  
 Christians and Catholics must make oath and state and Buddhists, Hindus, Muslims and persons following any other religion must declare and affirm

**Schedule I (B)**

**Format of the affidavit to be submitted by directors, chief executive officer/general manager and persons selected for such appointment**

**Affidavit**

I,.....(full name) holder of National Identity Card No./Passport No.....of .....(address) being a Buddhist/Hindu/Christian/Catholic/Muslim do hereby solemnly, sincerely and truly declare and affirm/make oath and state<sup>1</sup> as follows:

1. I am the affirmant / deponent above named.
2. I am a / the.....(designation) /I have been selected for appointment as a/the .....(designation) of.....(name of the company).
3. I affirm/state that I possess the following academic and /or professional qualification/s in the relevant fields:  
 .....
4. I affirm/state that the effective experience I possess in microfinance business, banking, finance, law or administration or other relevant discipline is as follows:  
 .....
5. I affirm/ state that I am not 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;
6. I affirm/ state that I have not been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that I have committed or have been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
7. I affirm/ state that I am not being subject to court proceedings or have been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
8. I affirm/ state that I have not been convicted by any court for an offence involving moral turpitude;
9. I affirm/ state that I have not been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;
10. I affirm/ state that I have not failed to satisfy any judgment or order of any court to repay a debt;
11. I affirm/ state that I have not been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad;

- 12. I affirm/ state that I have not been declared by a court of competent jurisdiction to be of unsound mind;
- 13. I affirm/ state that I am not a chief executive officer, director or holding any other position of authority in any licensed bank or a non-bank financial institution;
  - (i) whose licence 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.
- 14. I affirm/ state that I am not a director or an employee of another licensed microfinance company.

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 before me at ..... )  
 on this .....day of..... )

Affix Stamps as  
Applicable

**Before me**

**JUSTICE OF THE PEACE /  
COMMISSIONER FOR OATHS**

**Note:**

- 1- Delete inapplicable words.  
 Christians and Catholics must make oath and state and Buddhists, Hindus, Muslims and persons following any other religion must declare and affirm

**Schedule I (C)**

**Name of the company:** .....

**Declaration to be submitted by directors/ Chief Executive Officer/General Manager/  
Persons selected for such appointment  
(with enclosures as appropriate as of .....)**

**1. Personal Details**

- 1.1 Full name: .....
- 1.2 National Identity Card Number: .....
- 1.3 Passport Number: .....
- 1.4 Date of birth: .....
- 1.5 Permanent address: .....
- 1.6 Present address: .....

**2. Appointment to the company**

- 2.1 Date of appointment to the board / present position: .....
- 2.2 Designation: .....
- 2.3 Local or expatriate: .....
- 2.4 Annual remuneration (with details): .....
- 2.5 Annual value of benefits derived by director or Chief Executive Officer/General Manager and/or his/her family from company assets.  
(Example by use of company land, building, vehicles, etc.).
- 2.6 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.)
- 2.7 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			
3.4.3			

**4. Background and Experience**

Name/s of the other institutions in which he/she is or has been a director or has been employed as the Chief Executive Officer/General Manager:

Name of the institution	Period of office	Designation

**5. Shareholdings in Licensed Microfinance Companies and their Related Companies**

Share ownerships in Licensed Microfinance Companies, their subsidiaries and associates, if any, presently held:

Name of the institution	No. of shares	Percentage of holding

**6. Business Transactions**

Any business transaction the director or chief executive officer /general manager or a person selected for such appointment presently has with the applicant company, its subsidiaries or associates (if any) and other financial institutions.

Name of the institution	Nature of transaction	Amount as at dd/mm/yyyy (Rs. mn)		Loan Classification (performing/non-performing)	Collateral	
		Limit	Outstanding		Type	Value (Rs. mn.)

7. Any other explanation/information with regard to the information furnished above and other information considered relevant for assessing the suitability of the director, chief executive officer/general manager or person selected for such appointment in the applicant 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 Company and the Director, Department of Supervision of Microfinance Institutions 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 / chief executive officer/general manager/ person selected for such appointment

**TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS**

Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director/chief executive officer/general manager or person selected for such appointment.

Date: .....

Signature of the Chairman of the Board of Directors

**Microfinance Act Rules No.02 of 2016**

27 October 2016

**LICENCE FEE**

Issued under Section 13(2) of the Microfinance Act, No. 6 of 2016.

1. Initial Licence Fee 1.1 The licence fee payable by a Licensed Microfinance Company (LMFC) in the year of licensing shall be Rupees Fifty Thousand (Rs. 50,000/-) and shall be paid to the Central Bank of Sri Lanka on or before the date of licensing.
2. Annual Licence Fee 2.1 Every LMFC shall pay an annual licence fee for every subsequent year to the year of licensing, to the Central Bank of Sri Lanka, on or before 31<sup>st</sup> January of the respective year, as set out below, based on the total assets of the company;

<b>Total Assets as at end of the Previous Calendar Year</b>	<b>Annual Licence Fee (Rs.)</b>
Rs. 250 million or below	50,000/=
Above Rs. 250 million up to Rs. 500 million	100,000/=
Above Rs. 500 million up to Rs. 750 million	150,000/=
Above Rs. 750 million up to Rs. 1.0 billion	200,000/=
Over Rs. 1.0 billion	250,000/=

Indrajit Coomaraswamy  
**Chairman of the Monetary Board**  
**Governor of the Central Bank of Sri Lanka**

**Finance Business Act Direction No. 01 of 2016**

18 January 2016

**OPENING , CLOSURE AND RELOCATION OF BUSINESS PLACES**

Issued under section 12 of the Finance Business Act, No. 42 of 2011

The Monetary Board issues Directions as follows for the opening, closure of business place and a change in the location of any existing business place of Licensed Finance Companies (LFCs).

1. Prior Approval of the Monetary Board 1.1 Without the prior approval of the Monetary Board, no LFC shall open branch and Automated Teller Machine (ATM) or close any existing business place or effect a change in the location of any existing business place, in any part of Sri Lanka.
- 1.2 Other than the fully fledged branch and ATM, no LFC shall be authorized to open other outlets.
2. Opening of New Branches/ATMs 2.1 Every LFC shall ensure that appropriate board approved prudent policies on Annual Branch Expansion Plan (ABEP) are in place.
- 2.2 In establishing policies on ABEP as referred to in Direction 2.1 above, every LFC shall largely consider the potential for business at the new branches, profitability of the proposed branches, efficiency of the internal control system, redeployment of staff where surplus manpower has been identified, extension of prompt and cost-effective customer service to the clientele etc.
- 2.3 LFC shall submit application for opening of new branch/es to the Director in accordance with the application form given in Appendix 1.
- 2.4 LFC shall submit an economic feasibility study together with application for each branch to be opened, showing the need of financial services in the area where the LFC is applying to open a branch. Such a study shall cover, at least, the following areas;
- i. The need of financial services in the proposed area.
  - ii. Expected increase in demand for financial services in that area, and the period within which the activity of the branch will become profitable.
  - iii. The financial assumptions of the applied branch, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.

- 2.5 LFC shall ensure to obtain prior approval of its Board of Directors before submitting application for an opening of new branch/es and Automated Teller Machine/s.
- 2.6 LFC shall ensure to obtain the appropriate approval from the respective Government Authorities.
- 2.7 LFC shall ensure to inform the Director about the significant changes affecting any of the commitments, representations or projections contained in the original application during/after the formation and establishment of the new branch.
- 2.8 LFC shall ensure to commence business of the approved new branch within 3 months from the date of announcement of the Monetary Board decision by the Director.
- 2.9 LFC shall ensure to notify the Director on the date of new branch opened within ten business days after the new branch opened.
3. Closure of Business Places
- 3.1 LFC shall submit application for closing of existing business places to the Director at least 45 days before the expected date of the closure in accordance with the format given in Appendix II.
- 3.2 LFC shall ensure to obtain prior approval of its Board of Directors before submitting application for a closure of business place.
- 3.3 LFC shall ensure that no further finance business activities would thereafter be carried out at the existing location of business place after the effects of closure of such.
- 3.4 LFC shall ensure to notify the Director on the date of business place closed within ten business days after the closure.
4. Relocation of Business Places
- 4.1 LFC shall submit the request for effect a change in the location of any existing business place to the Director at least 45 days before the expected date of the relocation in accordance with the format given in Appendix III.
- 4.2 LFC shall ensure to obtain prior approval of its Board of Directors before submitting application for a change in the location of any existing business place.
- 4.3 LFC shall ensure that no further finance business activities would thereafter be carried out at the existing location of the business place after the effects of relocation.
5. Supervisory Evaluation and Approval Process for ABEP
- In considering ABEP, the following criteria of LFC shall largely be considered by the Monetary Board.
- i. the strength of risk management and corporate governance;
  - ii. the financial condition;
  - iii. the level and adequacy of the capital;
  - iv. the quality of assets and adequacy of provisions/impairments;
  - v. the level of liquidity position;
  - vi. the earning trends and future earnings prospects;
  - vii. the track record of the company's adherence to prudential regulations;
  - viii. the appropriateness of management information systems and technology;
  - ix. the performance of the existing branches;
  - x. the range of financial services offered by proposed branches; and
  - xi. the convenience and needs of the community to be served.
6. Deposit mobilization
- Deposit mobilization shall only be conducted at branch offices.
7. Sanctions on non-compliance with these Directions
- Any LFC which fails to comply with these Directions shall be guilty of an offence as per the section 25 of the Finance Business Act, No. 42 of 2011.
8. Interpretations
- In this Direction,
- i. "Other outlets" shall mean service centers, pawning centers, collection centers or any other outlets determined by Director.
  - ii. "Business place" shall mean branches, Automated Teller Machines and other outlets.
  - iii. "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

9. Revocation of Previous Directions
- The following Direction and Guideline are hereby revoked.
- i. The Finance Companies (Opening/Shifting/Closure of Branches/ Offices) Direction No. 06 of 2005.
  - ii. The Finance Companies (Opening of Branches/Offices) Guideline No. 01 of 2006.

Arjuna Mahendran  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

**Appendix I**

**Application Form - Opening of a New Branch**

1. General							
1.1	Name of Licensed Finance Company						
1.2	Date of Board of Directors approval obtained for the proposed opening						
1.3	Contact Person						
a.	Name of Officer						
b.	Designation						
c.	Telephone						
d.	Email						
2. Status of Existing Branches and Other Outlets (as at date of application)							
	Item	Western Province		Other Provinces		Total	
		No.	Profits/(losses)- (Rs. bn)	No.	Profits/(losses)- (Rs. bn)	No.	Profits/(losses)- (Rs. bn)
2.1	<b>Branches</b>						
	a. Total branches						
	b. Total loss making branches						
	c. Total new branches opened within last 3 years						
	d. Total loss making new branches opened within last 3 years						
2.2	<b>Pawning Centers</b>						
2.3	<b>Automated Teller Machines</b>						
	a. Located at branch premises						
	b. Located at other places						
2.4	<b>Other Outlets</b>						
3. Projected Financial Information: Please provide the financial projections for next three year period of company operations, including the proposed branches.							
	Item	Year 1		Year 2		Year 3	
3.1	Tier I ratio, %						
3.2	Total Capital ratio, %						
3.3	Gross non-performing ratio,%						
3.4	Net non-performing ratio,%						
3.5	Total Deposits, Rs. bn						
3.6	Total Loans and Advances, Rs. bn						
3.7	Core Capital, Rs. bn						
3.8	Total Capital Base, Rs. bn						
3.9	Profit and Loss, Rs. bn						
4. Opening of New Branches							
4.1	<b>Number of Proposed New Branches</b>						
	Western Province		Other Provinces		<b>Total</b>		
4.2	Details of new branches, please provide the details of proposed branches separately as per appendix I(a)						

<b>5. Certification</b>	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
Name:		
Title:		
Signature:		
Date:		

Appendix I (a)

## Details of the New Branch

<b>1. General</b>					
1.1	Please provide the official name to be used by the branch				
1.2	Location				
a.	Administrative District				
b.	Electorate				
c.	Name of Town				
d.	Local Government Authority				
e.	Divisional Secretariat				
f.	Postal Address, if available				
<b>2.</b>	<b>No of Automated Teller Machines of the proposed branch</b>				
<b>3. Staff Requirements</b>					
3.1	Staff Grade	Clerical	Minor Staff	Security	Total
3.2	Provide the staff profiles of the proposed branch indicating their qualifications, experience and job description (submit the details on a separate annexure).				
<b>4. Financial Information - Please provide branch-only projections at year-end for each of the first three years of operation</b>					
	<b>Item (Rs. million)</b>	<b>Year-1</b>	<b>Year-2</b>	<b>Year-3</b>	
4.1	Deposits				
4.2	Loans and Advances				
4.3	Interest Income				
4.4	Interest Expenses				
4.5	Employee's Expenses				
4.6	Profit/(Loss)				
<b>5. Information of other financial institutions operating within the Divisional Secretariat (DS)/ Local Government Authority of the proposed branch to be located</b>					
	<b>Item</b>				<b>No.</b>
5.1	Licensed Banks/branches				
5.2	Licensed Finance Companies/branches				
5.3	Specialized Leasing Companies/branches				
5.4	Divineguma Community Based Banks				
5.5	Rural Banks				
<b>6. Information of other financial institutions (banks, finance companies, leasing companies as above) operating within the surrounding area of the proposed branch to be located. (Surrounding area = 1 km from the proposed branch in the municipal councils, 3 km from the proposed branch in the urban councils, 5 km from the proposed branch in the divisional councils)</b>					
	<b>Name of the Institution/s</b>				<b>Distance from proposed branch (km)</b>



<b>7. Economic Feasibility Report</b>	
Name:	
Title:	
Signature:	
Date:	

## Appendix II

## Application for Closure of a Business Place

<b>1. General</b>	
1.1	Name of Licensed Finance Company
1.2	Category of the proposed business place to be closed (X):
	Branch
	ATM
	Pawning
	Collection Center
	Service Center
	Others (specify)
1.3	Date of Board of Directors approval obtained for the proposed closure:
1.4	Reasons for the closure of business place
<b>2. Location</b>	
2.1	Administrative District
2.2	Electorate
2.3	Name of Town
2.4	Local Government Authority
2.5	Divisional Secretariat
2.6	Postal Address
<b>3. Key information of the proposed closure (Rs.mn)</b>	
3.1	Total Assets
3.2	Loans and advances
	a. Finance Leasing
	b. Hire Purchase
	c. Pawning
	d. Micro finance
	e. Others
3.3	Other assets
3.4	Deposits
	a. Fixed deposits
	b. Savings
	c. Others
3.5	Total borrowings
3.6	Other Liabilities
3.7	No. of employees
<b>4. Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:</b>	
<b>5. Certification</b>	
The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:
	Title:
	Signature:
	Date:

## Appendix III

## Application for Relocation of a Business Place

<b>1.</b>	<b>General</b>				
1.1	Name of Licensed Finance Company				
1.2	Category of the proposed business place to be relocated (X):				
	Branch		ATM		Pawning
	Collection Center		Service Center		Others (specify)
1.3	Date of Board of Directors approval obtained for the proposed relocation:				
1.4	Reasons for the relocation of business place				
<b>2.</b>	<b>Location</b>				
<b>2.1</b>	<b>Existing</b>				
	a. Administrative District				
	b. Electorate				
	c. Name of Town				
	d. Local Government Authority				
	e. Divisional Secretariat				
	f. Postal Address				
<b>2.2</b>	<b>New (Proposed)</b>				
	a. Administrative District				
	b. Electorate				
	c. Name of Town				
	d. Local Government Authority				
	e. Divisional Secretariat				
	f. Postal Address				
<b>3.</b>	<b>Key information of the proposed relocation (Rs.mn)</b>				
3.1	Total Assets				
3.2	Loans and advances				
	a. Finance Leasing				
	b. Hire Purchase				
	c. Pawning				
	d. Micro finance				
	e. Others				
3.3	Other assets				
3.4	Deposits				
	a. Fixed deposits				
	b. Savings				
	c. Others				
3.5	Total borrowings				
3.6	Other Liabilities				
3.7	No. of employees				
<b>4.</b>	<b>Certification</b>				
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.				
	Name:				
	Title:				
	Signature:				
	Date:				

**Finance Business Act Direction No. 02 of 2016**

28 October 2016

**MAXIMUM INTEREST RATES ON DEPOSITS AND DEBT INSTRUMENTS**

Issued under Section 12 of the Finance Business Act, No. 42 of 2011

The Monetary Board issues Directions as follows for the maximum interest rates payable on saving and term deposit products accepted or renewed and debt instruments issued by Licensed Finance Companies (LFCs).

- |    |  |       |   |
|----|--|-------|---|
| 1. | Maximum interest rates                 | 1.1   | The maximum interest rates that may be offered or paid by an LFC on term deposit products and debt instruments at the time of accepting or renewal or issuing shall not exceed the following basis points over the primary auction Weighted Average Yield Rate (WAYR) of 364 days Treasury bills; |
|    |  | 1.1.1 | in respect of term deposit products;  |
|    |  |       | (i). 300 basis points for products maturing one year or less;   |
|    |  |       | (ii). 400 basis points for products maturing over one year and up to three years; and   |
|    |  |       | (iii). 550 basis points for products maturing over three years.   |
|    |  | 1.1.2 | in respect of debt instruments;   |
|    |  |       | (i). 300 basis points for instruments maturing one year or less;  |
|    |  |       | (ii). 400 basis points for instruments maturing over one year and up to three years; and  |
|    |  |       | (iii). 650 basis points for instruments maturing over three years.  |
|    |  | 1.2   | In respect of saving deposits, the maximum interest rate shall be the primary auction WAYR of 91 days Treasury bills.   |
|    |  | 1.3   | Notwithstanding the provisions of Directions 1.1.1 and 1.2 above, an LFC may pay an additional interest not exceeding 100 basis points exceeding the maximum interest rates stipulated above to Senior Citizens' deposits.  |
| 2. | Applicable Weighted Average Yield Rate | 2.1   | Applicable WAYR referred to in Directions 1.1 and 1.2 above shall be announced by the Director at the end of months of June and December of each year and such WAYR shall be the overall WAYR relating to the primary auctions for Treasury bills conducted in the respective months.             |
|    |  | 2.2   | The WAYR announced in June shall be applicable for the period of second half (July to December) of the year and the WAYR announced in December shall be applicable for the period of first half (January to June) of the following year.  |
| 3. | Regulatory reporting                   | 3.1   | Every LFC shall submit details of the interest rates in accordance with the monthly web based return on 'Rate of Interest'.   |
| 4. | Interpretations                        | 4.1   | "Term deposit products" mean any deposit other than savings deposits accepted or renewed by an LFC with an agreement to repay after a specified period of time;   |
|    |  | 4.2   | "Debt instruments" mean a bond, debenture, commercial paper, promissory note or any other instrument used for borrowing as may be determined by the Director.   |
|    |  | 4.3   | "Senior Citizens" mean persons who are over fifty five (55) years of age at the time of accepting or renewal of a deposit.  |
|    |  | 4.4   | "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.   |
| 5. | Revocation of previous Direction       | 5.1.  | The Finance Companies (Interest Rates) Direction, No.01 of 2014 is hereby revoked.  |

Dr. Indrajit Coomaraswamy

**Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka**

**Finance Leasing Act Direction No. 01 of 2016**

18 January 2016

**OPENING , CLOSURE AND RELOCATION OF BUSINESS PLACES**

In terms of section 34 of the Finance Leasing Act, No. 56 of 2000, the 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").

The Director issues Directions as follows for the opening, closure of business place and a change in the location of any existing business place of Specialized Leasing Companies (SLCs).

- |   |  |
|---|--|
| 1. Prior Approval of the Monetary Board | <p>1.1 Without the prior approval of the Monetary Board, no SLC shall open branch or close any existing business place or effect a change in the location of any existing business place, in any part of Sri Lanka.</p> <p>1.2 Other than the fully fledged branch, no SLC shall be authorized to open other outlets.</p>  |
| 2. Opening of New Branches              | <p>2.1 Every SLC shall ensure that appropriate board approved prudent policies on Annual Branch Expansion Plan (ABEP) are in place.</p> <p>2.2 In establishing policies on ABEP as referred to in Direction 2.1 above, every SLC shall largely consider the potential for business at the new branches, profitability of the proposed branches, efficiency of the internal control system, redeployment of staff where surplus manpower has been identified, extension of prompt and cost-effective customer service to the clientele etc.</p> <p>2.3 SLC shall submit application for opening of new branch/es to the Director in accordance with the application form given in Appendix 1.</p> <p>2.4 SLC shall submit an economic feasibility study together with application for each branch to be opened, showing the need of financial services in the area where the SLC is applying to open a branch. Such a study shall cover, at least, the following areas;</p> <ul style="list-style-type: none"> <li>i. The need of financial services in the proposed area.</li> <li>ii. Expected increase in demand for financial services in that area, and the period within which the activity of the branch will become profitable.</li> <li>iii The financial assumptions of the applied branch, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.</li> </ul> <p>2.5 SLC shall ensure to obtain prior approval of its Board of Directors before submitting application for an opening of new branch/es.</p> <p>2.6 SLC shall ensure to obtain the appropriate approval from the respective Government Authorities.</p> <p>2.7 SLC shall ensure to inform the Director about the significant changes affecting any of the commitments, representations or projections contained in the original application during/after the formation and establishment of the new branch.</p> <p>2.8 SLC shall ensure to commence business of the approved new branch within 3 months from the date of announcement of the Monetary Board decision by the Director.</p> <p>2.9 SLC shall ensure to notify the Director on the date of new branch opened within ten business days after the new branch opened.</p> |
| 3. Closure of Business Places           | <p>3.1 SLC shall submit application for closing of existing business places to the Director at least 45 days before the expected date of the closure in accordance with the format given in Appendix II.</p> <p>3.2 SLC shall ensure to obtain prior approval of its Board of Directors before submitting application for a closure of business place.</p> <p>3.3 SLC shall ensure that no further business activities would thereafter be carried out at the existing location of business place after the effects of closure of such.</p> <p>3.4 SLC shall ensure to notify the Director on the date of business place closed within ten business days after the closure.</p>  |

4. Relocation of Business Place
- 4.1 SLC shall submit the request for effect a change in the location of any existing business place to the Director at least 45 days before the expected date of the relocation in accordance with the format given in Appendix III.
- 4.2 SLC shall ensure to obtain prior approval of its Board of Directors before submitting application for a change in the location of any existing business place.
- 4.3 SLC shall ensure that no further business activities would thereafter be carried out at the existing location of the business place after the effects of relocation.
5. Supervisory Evaluation and Approval Process for ABEP
- In considering ABEP, the following criteria of SLC shall largely be considered by the Monetary Board.
- i. the strength of risk management and corporate governance;
  - ii. the financial condition;
  - iii. the level and adequacy of the capital;
  - iv. the quality of assets and adequacy of provisions/impairments;
  - v. the level of liquidity position;
  - vi. the earning trends and future earnings prospects;
  - vii. the track record of the company's adherence to prudential regulations;
  - viii. the appropriateness of management information systems and technology;
  - ix. the performance of the existing branches;
  - x. the range of financial services offered by proposed branches; and
  - xi. the convenience and needs of the community to be served.
6. Issuing of Debt Instruments
- Issuing of debt instruments shall be only carried out at branches.
7. Business Hours
- No SLC shall close any of its business places for business on any day, which is not a holiday declared by the Ceylon Chamber of Commerce, without the prior approval in writing of the Director.
8. Interpretations
- In this Direction,
- i. "Other outlets" shall mean service centers, pawning centers, collection centers or any other outlets determined by Director.
  - ii. "Business place" shall mean branches and other outlets.
  - iii. "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
9. Revocation of Previous Directions
- The Finance Leasing (Opening/Shifting/Closure of Branches/ Business Places) Direction No. 03 of 2010 is hereby revoked.

U P Alawattage  
**Director, Department of Supervision of  
 Non-Bank Financial Institutions Central  
 Bank of Sri Lanka**

Appendix I

### Application Form - Opening of a New Branch

1.	<b>General</b>	
1.1	Name of Specialized Leasing Company	
1.2	Date of Board of Directors approval obtained for the proposed opening	
1.3	Contact Person	
a.	Name of Officer	
b.	Designation	

c.	Telephone						
d.	Email						
<b>2. Status of Existing Branches and Other Outlets (as at date of application)</b>							
	Item	Western Province		Other Provinces		Total	
		No.	Profits/(losses)- (Rs. bn)	No.	Profits/(losses)- (Rs. bn)	No.	Profits/(losses)- (Rs. bn)
2.1	<b>Branches</b>						
	a. Total branches						
	b. Total loss making branches						
	c. Total new branches opened within last 3 years						
	d. Total loss making new branches opened within last 3 years						
2.2	<b>Pawning Centers</b>						
2.3	<b>Automated Teller Machines</b>						
	a. Located at branch premises						
	b. Located at other places						
2.4	<b>Other Outlets</b>						
<b>3. Projected Financial Information:</b> Please provide projections for next three year period of company operations, including the proposed branches.							
	Item	Year 1		Year 2		Year 3	
3.1	Tier I ratio, %						
3.2	Total Capital ratio, %						
3.3	Gross non-performing ratio,%						
3.4	Net non-performing ratio,%						
3.5	Total Borrowings, Rs. bn						
3.6	Total Loans and Advances, Rs. bn						
3.7	Core Capital, Rs. bn						
3.8	Total Capital Base, Rs. bn						
3.9	Profit and Loss, Rs. bn						
<b>4. Opening of New Branches</b>							
4.1	<b>Number of Proposed New Branches</b>						
	Western Province		Other Provinces		<b>Total</b>		
4.2	Details of new branches, please provide the details of proposed branches separately as per appendix I(a)						
<b>5. Certification</b>							
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.						
	Name:						
	Title:						
	Signature:						
	Date:						

Appendix I (a)

## Details of the New Branch

<b>1. General</b>	
1.1	Please provide the official name to be used by the branch
1.2	Location
a.	Administrative District
b.	Electorate
c.	Name of Town

d.	Local Government Authority				
e.	Divisional Secretariat				
f.	Postal Address, if available				
<b>2.</b>	<b>Staff Requirements</b>				
<b>2.1</b>	<b>Staff Grade</b>	<b>Clerical</b>	<b>Minor Staff</b>	<b>Security</b>	<b>Total</b>
2.2	Provide the staff profiles of the proposed branch indicating their qualifications, experience and job description (submit the details on a separate annexure).				
<b>3.</b>	<b>Financial Information - Please provide branch-only projections at year-end for each of the first three years of operation</b>				
	<b>Item (Rs. million)</b>	<b>Year-1</b>	<b>Year-2</b>	<b>Year-3</b>	
3.1	Borrowings				
3.2	Loans and Advances				
3.3	Interest Income				
3.4	Interest Expenses				
3.5	Employee's Expenses				
3.6	Profit/(Loss)				
<b>4.</b>	<b>Information of other financial institutions operating within the Divisional Secretariat (DS)/ Local Government Authority of the proposed branch to be located</b>				
	<b>Item</b>				<b>No.</b>
4.1	Licensed Banks/branches				
4.2	Licensed Finance Companies/branches				
4.3	Specialized Leasing Companies/branches				
4.4	Divineguma Community Based Banks				
4.5	Rural Banks				
<b>6.</b>	<b>Information of other financial institutions (banks, finance companies, leasing companies as above) operating within the surrounding area of the proposed branch to be located. (Surrounding area = 1 km from the proposed branch in the municipal councils, 3 km from the proposed branch in the urban councils, 5 km from the proposed branch in the divisional councils)</b>				
	<b>Name of the Institution/s</b>				<b>Distance from proposed branch (km)</b>
<b>7.</b>	<b>Economic Feasibility Report</b>				
	Name: Title: Signature: Date:				

## Appendix II

## Application for Closure of a Business Place

<b>1.</b>	<b>General</b>				
1.1	Name of Specialized Leasing Company				
1.2	Category of the proposed business place to be closed (X):				
	Branch		Pawning		Others (specify)
	Collection Center		Service Center		
1.3	Date of Board of Directors approval obtained for the proposed closure:				
1.4	Reasons for the closure of business place				
<b>2.</b>	<b>Location</b>				
2.1	Administrative District				

2.2	Electorate	
2.3	Name of Town	
2.4	Local Government Authority	
2.5	Divisional Secretariat	
2.6	Postal Address	
<b>3.</b>	<b>Key information of the proposed closure (Rs.mn)</b>	
3.1	Total Assets	
3.2	Loans and advances	
	a. Finance Leasing	
	b. Hire Purchase	
	c. Pawning	
	d. Micro finance	
	e. Others	
3.3	Other assets	
3.4	Borrowings	
	a. Debt instruments	
	b. Others	
3.5	Other Liabilities	
3.6	No. of employees	
<b>4.</b>	<b>Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:</b>	
<b>5.</b>	<b>Certification</b>	
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	
	Title:	
	Signature:	
	Date:	

## Appendix III

## Application for Relocation of a Business Place

<b>1.</b>	<b>General</b>				
1.1	Name of Specialized Leasing Companies				
1.2	Category of the proposed business place to be relocated (X):				
	Branch		Pawning		Others (specify)
	Collection Center		Service Center		
1.3	Date of Board of Directors approval obtained for the proposed relocation:				
1.4	Reasons for the relocation of business place				
<b>2.</b>	<b>Location</b>				
<b>2.1</b>	<b>Existing</b>				
	a. Administrative District				
	b. Electorate				
	c. Name of Town				
	d. Local Government Authority				
	e. Divisional Secretariat				
	f. Postal Address				
<b>2.2</b>	<b>New (Proposed)</b>				
	a. Administrative District				
	b. Electorate				
	c. Name of Town				
	d. Local Government Authority				



	e. Divisional Secretariat	
	f. Postal Address	
<b>3.</b>	<b>Key information of the proposed relocation (Rs.mn)</b>	
3.1	Total Assets	
3.2	Loans and advances	
	a. Finance Leasing	
	b. Hire Purchase	
	c. Pawning	
	d. Micro finance	
	e. Others	
3.3	Other assets	
3.4	Total borrowings	
3.5	Other Liabilities	
3.6	No. of employees	
<b>4.</b>	<b>Certification</b>	
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	
	Title:	
	Signature:	
	Date:	

