

CENTRAL BANK OF SRI LANKA



ANNUAL REPORT (Volume II)

OF THE MONETARY BOARD TO THE
HON. MINISTER OF FINANCE

FOR THE YEAR

2022

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PART II

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1. ACCOUNTS AND FINANCE

Activity Report of the Monetary Board Advisory Audit Committee during and relating to the Financial Year 2022

1. Introduction

The Monetary Board Advisory Audit Committee (AAC) is a subcommittee of the Monetary Board which is governed by the AAC Framework approved by the Monetary Board. Thus, the content of this Activity Report is in line with the approved AAC Framework of the Central Bank. AAC provides its recommendations to the Monetary Board on policies related to financial reporting, internal controls, internal audit, external audit, and any other matters assigned to AAC by the Monetary Board.

2. Composition of AAC

AAC is chaired by an appointed member of the Monetary Board and comprises two audit /accounting professionals.

The composition of AAC during the year 2022 was as follows:

- i. Dr. Ranees Jayamaha - Chairperson
- ii. Mrs. Anusha I Mohotti - Member
- iii. Mr. A Indrajith Fernando - Member

The Secretary to the Monetary Board is the Secretary to AAC, and the Director of the Internal Audit Department (IAD) is the Assistant Secretary to AAC. IAD provides secretarial facilitation to AAC. The Assistant Governor in charge of the Finance Department, Chief Compliance Officer, Chief Accountant, and Chief Risk Officer of the Central Bank and Audit Superintendent of the National Audit Office who is in charge of the external audit of the Central Bank attend AAC Meetings as Observers. As and when necessary, AAC invites the Central Bank Heads of Department for discussions and to respond to audit queries. The engagement partner of the Audit Firm appointed by the Auditor General to carry out the external audit of the Central Bank also attends AAC meetings by invitation when the financial statements of the Central Bank are discussed.

AAC is required to meet at least six times a year. Meetings of the Committee are called by the Secretary to the Committee with the approval of the Chairperson, at the request of the Monetary Board, External Auditors/Chief Accountant or Director of IAD, and the Superintendent of the Employees' Provident Fund (EPF). The quorum for a meeting is two, including the Chairperson.

3. AAC held a total of nineteen (19) meetings (fifteen (15) in 2022 and four (04) in 2023) from 01.01.2022 to 31.03.2023 and the following activities were carried out at the said meetings in 2022 and 2023.

3.1. Activities performed by AAC during 2022 are indicated below.

3.1.1. Financial Reporting and External Audit:

AAC reviewed,

- i. Interim Management Letter and the Final Management Letter submitted by M/s. KPMG relating to the audit of the Financial Statements of the Central Bank for the year ended 31.12.2021 and the comments of the management.
- ii. Financial Statements of the Central Bank for the year ended 31.12.2021.
- iii. Report of the Auditor General on the affairs of the Central Bank including the Financial Statements for the year ended 31.12.2021 in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka and the comments of the management.
- iv. Financial Statements of EPF for the year ended 31.12.2021.
- v. Report of the Auditor General on the Financial Statements of the EPF for the year ended 31.12.2021.
- vi. Financial Statements of five Pension Funds (Pension Fund, Widows' and Orphans' Pension Fund, Widowers' and Orphans' Pension Fund, New Pension Fund, New Widows' and Orphans' and Widowers' and Orphans' Pension Fund) of the Central Bank as at 31.12.2021.
- vii. Financial Statements of the Central Bank Provident Fund for the year ended 31.12.2021.
- viii. Audit Plan of M/s. E & Y with regard to the audit of the Financial Statements of the Central Bank for the year 2022.

3.1.2. Internal Controls

- i. Reviewed and advised on internal controls of the Central Bank.
- ii. Reviewed the implementation progress of AAC recommendations by respective stakeholders.

3.1.3. Internal Audit

- i. Reviewed the progress of audits conducted by IAD.
- ii. Reviewed the implementation status of audit recommendations by process owners.
- iii. Reviewed and reassessed the Annual Audit Plan 2022.
- iv. Recommended the Strategic Audit Plan for 2023 – 2026 and the Annual Audit Plan for 2023.
- v. Reviewed the reports on Ongoing Monitoring of Internal Audit Activity and Periodic Self-Assessment for the year 2021.
- vi. Recommended the revised Internal Audit Charter.
- vii. Provided necessary information for the IMF safeguards assessment.

3.2. Activities performed by AAC during 2023 which are related to Financial Statements of 2022 are indicated below:

- i. Reviewed Interim Management Letter for the year ended 31.12.2022 issued by M/s. E & Y.
- ii. Reviewed Financial Statements of EPF for the year ended 31.12.2022.
- iii. Reviewed Financial Statements of the Central Bank for the year ended 31.12.2022.

Activity Report of the Board Risk Oversight Committee during the Financial Year 2022

1. Introduction

The Board Risk Oversight Committee (BROC) is a subcommittee appointed by the Monetary Board, overseeing the overall Risk Management and Compliance Functions of the Central Bank through a formal delegation from the Monetary Board. BROC is responsible for setting the broad strategy and policies for the Risk Management and Compliance Functions of the Central Bank, ensuring a dedicated focus on risk management and compliance.

2. Composition of BROC

BROC is chaired by an appointed member of the Monetary Board and comprises two other independent external experts with relevant expertise, who have not been involved in the Financial Services Sector for at least one year prior to their appointments.

The composition of BROC during the year 2022 was as follows:

- i. Mr. Sanjeeva Jayawardena, President's Counsel - Appointed Member of the Monetary Board (Chairman)
- ii. Mr. Naomal Goonewardena (Independent External Member – 3 year tenure ended on 14.03.2022)
- iii. Mr. Trevine Jayasekara (Independent External Member - appointed on 23.07.2022)
- iv. Mr. H A Karunaratne (Independent External Member - appointed on 23.07.2022)

The Secretary to the Monetary Board is the Secretary to BROC and Director of the Risk Management Department (Chief Risk Officer of the Central Bank) is the Assistant Secretary to BROC. The Risk Management Department provides secretarial facilitation to BROC.

All Deputy Governors, Chairman of the Business Continuity Planning Committee, Chief Compliance Officer of the Central Bank, and Director of the Internal Audit Department of the Central Bank attend BROC meetings in the capacity of observers.

BROC is required to meet at least once every quarter or more frequently as may be decided by the Chairman or as directed by the Monetary Board. Meetings of BROC are convened by the Secretary to the Committee. Quorum for a meeting is 2, including the Chairman.

3. Activities Carried out during the Financial Year 2022

BROC held 2 meetings in 2022 and the major activities carried out are as follows:

- i. Reviewed the Departmental Risk Registers and made recommendations to the Monetary Board in order to expedite the mitigation of operational risks highlighted.
- ii. Reviewed the revised Operational Risk Taxonomy and recommended the same for approval of the Monetary Board.
- iii. Reviewed the revised Risk Management Policy Statement (RMPS) and recommended the same for approval of the Monetary Board.
- iv. Reviewed the risk management and compliance updates pertaining to funds managed by the Central Bank (International Reserves (IR), Internal Investment Funds (IIF), and Employees' Provident Fund (EPF)), to ensure that such funds are managed within the stipulated parameters.
- v. Reviewed improvements to the Investment Policy Statement for IR and IIF and recommended the same for approval of the Monetary Board.
- vi. Reviewed the proposed new Strategic Asset Allocation for IR, EPF, and IIF and recommended the same for approval of the Monetary Board.
- vii. Reviewed improvements to the Investment Guidelines for IR and IIF and recommended the same for approval of the Monetary Board.

Central Bank of Sri Lanka

Management Statement

For the period ended 31 December 2022

Accountability and the Financial Performance of the Central Bank of Sri Lanka in relation to the Objectives

The Central Bank was established as the authority responsible for the administration, supervision and regulation of the monetary, financial and payment systems of Sri Lanka under the Monetary Law Act. In accordance with this Act, the Bank is charged with the responsibility of securing the core objectives of economic and price stability and financial system stability.

The basis of accountability for the Central Bank and the success of its operations therefore would be the effectiveness of its policies and operations leading towards the achievement of its core objectives and not necessarily its profitability. These statutory objectives are the fundamental features that distinguish the Central Bank from any other entity, private or public. Accordingly, profitability related approach, if adopted by the Central Bank, could result in the Bank pursuing profits while compromising its core objectives, since it has the unique ability to create its own profits through its monetary policy activities, which could influence interest rates and exchange rates. It therefore

follows that the Central Bank's objectives of economic and price stability and financial system stability need to be distinguished and detached from the pure profitability objective which should essentially be incidental or academic only.

In this background, the Central Bank's financial statements record gains and/or deficits in the implementation of its monetary policy operations, exchange rate management, issuing of currency, etc. at the values as realized and hence, the financial performance as reported in these statements needs to be interpreted and understood in that context.

The Bank is subject to an external audit by the Auditor General under the Monetary Law Act sections 42 & 43. The Auditor General in turn has obtained the services of a firm of Chartered Accountants, M/s Ernst & Young, to carry out an audit under International Standards of Auditing to ensure compliance with the International Financial Reporting Standards.



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

BAN/G/CBSL/1/22/1

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உமது இல. }
Your No. }

දානය
திகதி }
Date }

31 March 2023

The Honorable Minister of Finance

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Bank of Sri Lanka for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Central Bank of Sri Lanka (the “Bank”), which comprise the statement of financial position as at 31 December 2022, and the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No 19 of 2018, Section 13(1) of the Finance Act, No.38 of 1971 and Section 42(2) of the Monetary Law Act (Chapter 422). My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course. To carry out this audit, I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

1.2 Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the audit of the financial statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව.

இல. 306-72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை.

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1.3 Responsibilities of Monetary Board and those charged with governance for the financial statements

Monetary Board is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as Monetary Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Monetary Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Bank.

1.4 Auditor's responsibilities for the audit of the financial statements

My objectives is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Bank.



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Monetary Board.
- conclude on the appropriateness of Monetary Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Monetary Board regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No.19 of 2018 includes specific provisions for the following requirements:

2.1.1 I have obtained all information and explanation that were required for the audit and as far as appears from my examinations, proper accounting records have been kept by the Bank as per the requirement of Section 12(a) of the National Audit Act, No.19 of 2018.

2.1.2 The Financial Statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No.19 of 2018.

2.1.3 The financial statements presented includes all material recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No.19 of 2018.

2.2. Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered in to by the Bank which are out of the normal course of business as per the requirement of Section 12 (d) of the National Audit Act, No.19 of 2018;



- 2.2.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of Section 12 (f) of the National Audit Act, No.19 of 2018;
- 2.2.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No.19 of 2018;
- 2.2.4 to state that the resources of the Bank has not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No.19 of 2018.

W.P.C. Wickramaratne

Auditor General

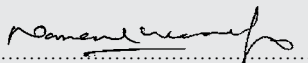
Central Bank of Sri Lanka Statement of Financial Position

As at 31 December

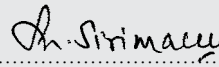
Assets	Note	2022 Rs. 000	2021 Rs. 000
Foreign Currency Financial Assets			
Cash & Cash Equivalents	8	651,687,864	512,762,452
Securities at Fair Value through Other Comprehensive Income	9	10,867,425	8,818,244
Derivative Financial Instruments	10	401,580	54,022,836
IMF Related Assets	11	281,421,074	188,045,837
Other Receivables	30.3	37,022,631	-
Total Foreign Currency Financial Assets		981,400,574	763,649,369
Local Currency Financial Assets			
Sri Lanka Government Securities	12	2,498,995,015	1,377,820,347
Securities Purchased under Resale Agreements	13	698,069,219	567,532,312
Provisional Advances to Government	14	235,638,700	150,128,800
Equity Investments in Financial and Other Institutions	15	1,817,132	1,671,218
Loans to Banks	16	28,257,902	90,572,746
Other Assets	17	30,182,560	34,063,770
Total Local Currency Financial Assets		3,492,960,528	2,221,789,193
Total Financial Assets		4,474,361,102	2,985,438,562
Foreign Currency Non-Financial Assets			
Gold	18	10,031,610	35,151,981
Non-Financial Assets			
Inventories	19	4,788,407	4,928,533
Other Receivables and Prepayments		1,222,568	961,456
Property, Plant and Equipment	20	19,035,278	19,235,994
Intangible Assets	21	908,137	561,632
Total Non-Financial Assets		35,986,000	60,839,596
Total Assets		4,510,347,102	3,046,278,158
Liabilities and Equity			
Foreign Currency Financial Liabilities			
Banks and Financial Institutions	22	146,408,028	13,701
Derivative Financial Instruments	10	71,697,994	1,139,323
Asian Clearing Union	23	736,258,129	104,764,616
International Monetary Fund	24	1,127,925,092	670,065,243
Others	25	594,383,451	357,295,676
Total Foreign Currency Financial Liabilities		2,676,672,694	1,133,278,559
Local Currency Financial Liabilities			
Deposits of Banks and Financial Institutions	26	323,046,181	300,704,162
Deposits of Government and Governmental Entities	27	221,411	1,392,301
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	28	330,637,059	101,062,880
Currency in Circulation	29	1,026,567,252	1,005,099,066
Other Payables	30	68,320,347	19,163,882
Total Local Currency Financial Liabilities		1,748,792,250	1,427,422,291
Total Financial Liabilities		4,425,464,944	2,560,700,850
Other Liabilities			
Deferred Grants	31	1,834	1,178
Pension and Other Post - Employment Benefit Plans	32	1,772,429	17,929,737
Miscellaneous Liabilities and Accruals	33	855,043	4,027,349
Total Other Liabilities		2,629,306	21,958,264
Total Liabilities		4,428,094,250	2,582,659,114
Equity			
Capital Funds		50,000,000	50,000,000
Other Reserves	34	(191,184,970)	315,128,226
Retained Earnings		223,437,822	98,490,818
Total Equity		82,252,852	463,619,044
Total Liabilities and Equity		4,510,347,102	3,046,278,158

The accounting policies and notes on pages 13 to 78 form an integral part of these Financial Statements.

The Governor and the Chief Accountant of the Central Bank of Sri Lanka authorised these Financial Statements for issue on 31 March 2023 and signed on behalf of the Monetary Board.



Dr. P. Nandalal Weerasinghe – Governor



D. S. L. Sirimanne - Chief Accountant

Central Bank of Sri Lanka Statement of Income

For the year ended 31 December		2022 Rs. 000	2021 Rs. 000
	Note		
Operating Income :			
Income from Foreign Currency Financial Assets			
Interest Income	36	1,579,295	4,379,048
Gain/(Loss) from Unrealized Price Revaluations	37	(127,286,104)	41,859,703
Gain/(Loss) from Realized Price Changes		(9,968,941)	20,317,794
Total Income from Foreign Currency Financial Assets		(135,675,750)	66,556,544
Expenses on Foreign Currency Financial Liabilities			
Interest Expense	38	(32,293,277)	(3,634,528)
Reversal/(Charge) of Expected Credit Losses on Foreign Currency Financial Assets	39	(763,218)	2,282,695
Total Expenses on Foreign Currency Financial Liabilities		(33,056,495)	(1,351,833)
Net Foreign Exchange Revaluation Gain/(Loss)		(610,149,293)	34,041,805
Foreign Currency Investment Income		(778,881,538)	99,246,516
Net Income from Local Currency Financial Assets			
Interest Income	36	482,676,527	68,612,928
Gain/(Loss) from Realised Price Changes		(7,866,974)	(387,202)
Interest Expense	38	(37,619,594)	(8,469,897)
Reversal/ (Charge) of Expected Credit Losses on Local Currency Financial Assets	39	497,432	(808,696)
Net Income from Local Currency Financial Assets		437,687,391	58,947,133
Other Income	40	2,454,218	16,280,370
Other Expense	40.1	(10,260,110)	-
Total Net Operating Income		(349,000,039)	174,474,019
Operating Expenses:			
Personnel Expenses:	41		
- Salaries and Wages		(6,691,770)	(7,116,223)
- Defined Contribution Plan Costs		(11,550,422)	(1,717,811)
- Post Employment Benefit Plan Costs		(2,091,404)	(1,891,272)
		(20,333,596)	(10,725,306)
Depreciation and Amortization		(737,304)	(526,675)
Cost of Inventory (Cost of New Currency Issue)		(2,339,653)	(2,780,250)
Administration and Other Expenses	42	(1,910,381)	(2,279,122)
Total Operating Expenses		(25,320,934)	(16,311,353)
Profit/ (Loss) Before Tax		(374,820,973)	158,162,666
Tax	43	-	-
Profit/ (Loss) for the Year		(374,820,973)	158,162,666

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 78 form an integral part of these Financial Statements.

Central Bank of Sri Lanka Statement of Other Comprehensive Income

For the year ended 31 December

	Note	2022 Rs. 000	2021 Rs. 000
Profit/ (Loss) for the Year		(374,320,973)	158,162,666
Other Comprehensive Income (OCI)			
Items that are or may be re-classified subsequently to Profit/(Loss)			
Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income	34	(1,189,382)	(16,108,192)
Net Fair Value Gain/(Loss) on Government Securities at Fair Value through Other Comprehensive Income	34	11,225,713	(11,641,542)
		10,036,331	(27,749,734)
Items that will not be re-classified subsequently to Profit/(Loss)			
Post-Employment Benefit Plan (Cost)/Income Recognized in Other Comprehensive Income	32	14,163,877	1,293,721
Net Fair Value Gain on Equity Investments at Fair Value through Other Comprehensive Income	34	145,915	55,862
		14,309,792	1,349,583
Other Comprehensive Income/(Expense)		24,346,123	(26,400,151)
Total Comprehensive Income /(Expense)		(349,974,850)	131,762,515

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 78 form an integral part of these Financial Statements.

Central Bank of Sri Lanka Statement of Changes In Equity

For the year ended 31 December

	Contributed Capital	Other Reserves	Retained Earnings	Total
	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1 January 2021	50,000,000	282,012,023	15,153,549	347,165,572
Net Profit for the year	-	-	158,162,666	158,162,666
Transfer to RTGS Sinking Fund	-	369,008	(369,008)	-
Post Employment Benefit Plans cost recognized in Other Comprehensive Income	-	-	1,293,721	1,293,721
Transfer of Net Foreign Exchange Revaluation Gain (IRR)	-	34,041,805	(34,041,805)	-
Transfer to CBSL Internal Funds	-	-	(291,870)	(291,870)
Net Fair Value Gain on Securities at Fair Value through Other Comprehensive Income	-	(16,108,192)	-	(16,108,192)
Transfer of Funds from Retained Earnings to Market Revaluation Reserve	-	23,574,367	(23,574,367)	-
Transfer of Funds to General Reserve	-	2,859,208	(2,859,208)	-
Profit appropriation for the year 2020 - Recovery of outstanding GOSL obligations from 2020 profit	-	-	(15,016,745)	(15,016,745)
Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund	-	-	(72)	(72)
Transfer to Reserve for funding purposes of Post-Employment Benefits	-	757,613	(757,613)	-
Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income	-	55,862	-	55,862
Gain on Market Valuation of Government Securities Classified at Fair Value through Other Comprehensive Income	-	(11,641,542)	-	(11,641,542)
Gain on Revaluation of Property, Plant and Equipment	-	(791,926)	791,570	(356)
Balance as at 31 December 2021	50,000,000	315,128,226	98,490,818	463,619,044
Balance as at 1 January 2022	50,000,000	315,128,226	98,490,818	463,619,044
Net Profit /(Loss) for the year	-	-	(374,320,973)	(374,320,973)
Transfer to RTGS Sinking Fund	-	438,146	(438,146)	-
Post Employment Benefit Plans cost recognized in Other Comprehensive Income	-	-	14,163,877	14,163,877
Transfer of Net Foreign Exchange Revaluation Gain/(Loss) (IRR)	-	(610,149,293)	610,149,293	-
Transfer to CBSL Internal Funds	-	-	(355,494)	(355,494)
Net Fair Value Loss on Securities at Fair Value through Other Comprehensive Income	-	(1,189,382)	-	(1,189,382)
Transfer of Funds from Retained Earnings to Market Revaluation Reserve	-	49,638,590	(49,638,590)	-
Transfer of Funds to General Reserve	-	27,526,076	(27,526,076)	-
Transfer of Funds to MLTCF for the RDD operations as per the profit appropriation BP of 2021	-	15,000,000	(15,000,000)	-
Profit appropriation for the year 2021 - Recovery of outstanding GOSL obligations from 2021 profit	-	-	(31,035,788)	(31,035,788)
Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund	-	-	(60)	(60)
Transfer to Reserve for funding purposes of Post-Employment Benefits	-	1,051,039	(1,051,039)	-
Gain on Market Valuation of Government Securities Classified at Fair Value through Other Comprehensive Income	-	11,225,713	-	11,225,713
Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income	-	145,915	-	145,915
Balance as at 31 December 2022	50,000,000	(191,184,970)	223,437,822	82,252,852

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 78 form an integral part of these Financial Statements.

Central Bank of Sri Lanka

Statement of Cash Flows

For the year ended 31 December

Cash Flows from Operating Activities

Receipts:

Interest Received - Foreign Currency
Interest Received - Local Currency - Others
Liquidity Management and Trading Income
Realised Exchange Loss
Other Income Received

Disbursements:

Interest Paid - Foreign Currency
Interest Paid - Local Currency
Payments to Employees
Payments to Suppliers

Net Cash Flows generated from Operating Activities

Cash Flows from Investing Activities

Receipts:

Net Increase in Other Local Currency Financial Assets
Principal Recoveries from Loans and Advances to Other Institutions
Proceeds on disposal of Property, Plant and Equipment
Net Increase/(Decrease) in Securities Purchased under Resale Agreements

Disbursements:

Net Decrease in Foreign Currency Securities
Net Increase/(Decrease) in Other Foreign Currency Financial Assets
Net (Increase)/Decrease in Other Foreign Currency Financial Liabilities
Net (Increase)/Decrease in Other Local Deposits and Payables
Purchase of Property, Plant and Equipment, net of Grants
Purchase of Intangible Assets
Purchase of Leasehold Assets
Net Decrease in Gold Inventory
Net Loans and Advances Granted to/(Recovered from) Other Institutions

Net Cash Flows generated from Investing Activities

Cash Flows from Financing Activities

Receipts :

Issue of Circulating Currency
Withdrawal of Circulating Currency
Net Issue of Circulating Currency

Disbursements:

Net Issues of Circulating Currency on Government Transactions
Net Issues/(Withdrawals) of Circulating Currency on Transactions with Banks and
Financial Institutions
Net Issues of Circulating Currency

Net Decrease in Circulating Currency

Disbursements:

Grant/(Repayment) of Foreign Currency Term Liabilities
Payments to Other Funds
Payments to Pension Fund
Transfer of Profits to Consolidated Fund

Net Cash Flows used in Financing Activities

Net Increase/(Decrease) in Cash and Cash Equivalents

Exchange Rate Effect on Cash and Cash Equivalents
Cash and Cash Equivalents at the Beginning of the Year

Cash and Cash Equivalents as at 31 December

Note	2022 Rs. 000	2021 Rs. 000
	1,550,703	16,510,461
	3,498,481	2,433,655
	(17,835,915)	14,468,586
	(179,967,468)	(13,003,097)
	8,020,273	1,572,512
	(184,733,926)	21,982,117
	23,170,613	5,841,243
	40,437,692	6,571,438
	12,435,846	8,295,030
	(31,924,158)	498,361
	44,119,993	21,206,072
44	(228,853,919)	776,045
	(2,431,705)	(3,542,041)
	49,642	5,534
	(234)	338,246
	229,574,179	(108,445,017)
	227,191,882	(111,643,278)
	31,403,136	(755,979,008)
	(42,189,977)	22,242,111
	(704,622,720)	218,313,967
	(3,660)	489
	3,773	686,469
	879,377	72,928
	-	9,113
	(26,108,952)	(38,743,707)
	(61,796,952)	(30,118,054)
	(802,435,975)	(583,515,692)
	1,029,627,857	471,872,414
	347,595,479	390,975,631
	(326,127,293)	(220,684,424)
	21,468,186	170,291,207
45	851,954,489	1,172,364,801
46	(22,342,019)	(171,102,641)
	829,612,470	1,001,262,160
	(808,144,284)	(830,970,953)
	27,384,295	(145,925,443)
	60	72
	3,363,735	7,547,179
	30,000,000	15,000,000
	60,748,090	(123,378,192)
	(868,892,374)	(707,592,761)
	(68,118,436)	(234,944,302)
	(3,321,000)	28,871,146
	197,504,486	403,577,642
8	126,065,050	197,504,486

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 78 form an integral part of these Financial Statements.

Central Bank of Sri Lanka Notes to the Financial Statements

For the year ended 31 December 2022

1. REPORTING ENTITY AND STATUTORY BASE

The Central Bank of Sri Lanka ("Bank" or "CBSL") is an institution established under the Monetary Law Act No. 58 of 1949 of Sri Lanka as amended ("MLA"), as the authority responsible for the administration, supervision and regulation of monetary, financial and payment system of Sri Lanka. The Bank is domiciled in the Democratic Socialist Republic of Sri Lanka and situated at No: 30, Janadhipathi Mawatha, Colombo 01.

These financial statements were authorized for issue by the Governor and Chief Accountant for and on behalf of the Monetary Board on 31 March 2023.

1.1 Principal Activities

The Monetary Board of the CBSL is, in addition to determining the policies or measures authorized to be adopted or taken under Monetary Law Act No. 58 of 1949 of Sri Lanka as amended, vested with the powers, duties and functions of the CBSL and are generally responsible for the management, operations and administration of the Bank. The Bank is primarily responsible for the administration, supervision, regulation of monetary, financial and payment system of Sri Lanka and also acts as the fiscal agent of the Government. The activities of the Bank mainly include:

- Implementing monetary and exchange rate policies.
- Issuing of currency.
- Management of the official international reserves
- Oversight of the financial system
- Licensing, regulating and supervising of Banks and selected Non-Bank Financial Institutions
- Provision of settlement facilities and the regulation of the payment system.
- Compilation, dissemination and analysis of economic data and statistics.
- Providing loans and advances to the Government, bank and financial institutions under various facilities.
- Banker to the government and its agencies, and provision of current account facilities to LCBs and non-commercial bank primary dealers for government securities.

The activities carried out in order to achieve its objective of economic, price and financial system stability with a view to encouraging and promoting the development of the productive resources of Sri Lanka can be broadly segregated into foreign currency and local currency

activities. Results of these activities are taken to Operating Activities in the context of the Statement of Income.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

These financial statements of the Bank for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Basis of Measurement

The financial statements are prepared on the historical cost basis, except for the following,

- Gold is measured at fair value through profit or loss (FVTPL).
- Derivative financial instruments and non-derivative financial instruments held at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) are measured at fair value.
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Liability for defined benefit obligations is measured as the present value of the defined benefit obligation less the fair value of the plan assets.

2.3 Reporting Format

The Bank presents financial assets and financial liabilities, and their associated income and expense streams, by distinguishing between foreign currency and local currency operations. In the Statement of Financial Position, assets and liabilities are presented broadly in order of liquidity within such distinguished categories. The Bank considers that this reporting approach provides appropriate reporting of the Bank's activities which are more fully described in Note 7.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Bank's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand. There was no change in the Bank's presentation and functional currency during the year under review.

2.5 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in Statement of Financial Position when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.7 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the Financial Statements are described in the following notes.

3.1 Classification and Impairment of Financial Assets

The Bank used judgements when assessing of the business model within which the assets are held and whether the contractual terms of the financial assets are solely-payment-of-principal-and-interest (SPPI) on the principal amount of the outstanding. The Bank also used judgements when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

3.2 Pensions and Other Post Employment Benefit Plans

The cost of defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future compensation increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used in the actuarial valuation are disclosed in Note 32 to the Financial Statements.

3.3 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives.

3.4 General Implications of Adverse Economic Conditions and COVID-19

The Bank considered the impact of the adverse economic environment and COVID-19 in preparing the financial statements. While the specific areas of judgement have not changed, the impact of adverse economic conditions and COVID-19 resulted in application of additional judgement and estimates mainly in relation to loans to banks and the expected credit loss assessment in the financial statements.

CBSL implemented a range of relief and policy measures to revive the economy which was affected by the COVID-19 outbreak. Among those, the most significant relief measure which had financial implication on the Bank's financial statements were the loan schemes implemented to support the revival of the economy. Accordingly, the Bank launched refinance and credit schemes through LCBs and LSBs under the names Saubagya COVID-19 Renaissance Facility Phase I, II, III and Liquidity Facility to the Construction Sector at concessionary interest rates with maturity terms ranging from 6 months to 2 years with the condition of lending by LCBs and LSBs to businesses affected by the pandemic. Most of these facilities were outstanding as of the end of 31.12.2022 due to the extension of the moratoriums given resulting from the adverse economic circumstances prevailed in year 2022. The fair value is determined by using valuation techniques that involve use of unobservable inputs and judgment, particularly with respect to ensuring that the valuation techniques and inputs are relevant and appropriate. As such, critical judgments were used in the determination of the repayment terms and the market interest rate used in arriving at the initial recognition of fair value of the said loan schemes.

Though the fundamental credit loss model mechanics and methodology underpinning the Bank's calculation of expected credit losses have remained consistent with prior periods, the Bank has captured the impact of the adverse economic circumstances of year 2022 and COVID-19 through the expected credit loss model inputs, assumptions and forward-looking macroeconomic variables used in the computation process. In addition, the Bank used calibrations in the forward looking macroeconomic data used in the expected credit loss model to avoid unprecedented statistical variations caused by the

movements in the macro- economic data resulting from both the adverse economy and COVID-19.

However, for non-financial assets, the Bank's assessment is that both the adverse economic situation and COVID-19 related conditions had no impact on the carrying values and was appropriately assessed in the financial statements for the year ended 31 December 2022.

4. CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

There were no changes to the accounting policies and accounting policies adopted are consistent with those of the previous financial year.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Foreign Currency Translations and Balances

Transactions in foreign currencies are translated to Sri Lankan Rupees at the rate of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the rate of exchange prevailing at the reporting date. The foreign currency translation gain or loss on monetary items are taken to the Statement of Income. For the purposes of retranslation, as at the reporting date, the following Sri Lankan Rupee exchange rates for major currencies were used:

Currency	2022 Rs.	2021 Rs.
1 Australian Dollar	247.0237	145.5851
1 Canadian Dollar	268.4335	158.6150
1 Euro	388.3461	227.8832
1 Japanese Yen	2.7703	1.7417
1 Special Drawing Rights (SDR)	483.3276	280.9312
1 Sterling Pound	437.4023	271.2270
1 United States Dollar	363.1100	200.4338
1 Chinese Yuan (Offshore)	52.6513	31.5294

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

5.2 Fair Value Measurement

The Bank measures financial instruments, such as, foreign securities, derivatives, and non-financial assets such as gold, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in Note 50.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.3 Financial Assets and Financial Liabilities

The Bank presents financial assets and liabilities, and the associated income and expense streams, by distinguishing between foreign currency and local currency activities.

Foreign currency activities mainly arise from the Bank's foreign reserves management function. Local currency activities mainly reflect the assets and liabilities

associated with monetary policy implementation, issuing currency and banking activities.

The separate reporting of these activities is considered to provide a better presentation of the Bank's financial position, financial performance and risk profile. The Bank considers that the combined reporting of foreign and local currency activities would weaken the informational value of the financial statements.

5.3.1 Recognition and Initial Measurement

All financial assets and liabilities are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. All regular way purchases and sales of financial assets and liabilities are recognised on the trade date respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.3.2 Classification

Financial Assets

On initial recognition, Bank classifies the financial assets as measured at;

- Amortized Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cashflows that are Solely Payment of Principle and Interest.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cashflows that are Solely Payment of Principle and Interest.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. All other financial assets are classified as measured at FVTPL.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes but not limited to:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest

The Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purpose of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition and "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

5.3.3 Derecognition

Financial Assets

Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions. In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial Liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

5.3.4 Impairment of Financial Assets

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets at Fair Value through Other Comprehensive Income
- Financial Assets at Amortized Cost
- Credit guarantee contracts of Regional Development Department

No impairment loss is recognized on equity investments.

The Bank measures loss allowances at an amount equal to 12 months ECL for investments which are in investment grade (rated Baa3/BBB- and above). Majority of the investments of the Bank which are classified as Fair value through other comprehensive income and Amortized cost are above Baa3/BBB- rate. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".

Life time ECL is calculated for those instruments which are below the investment grade at initial recognition or whose credit risk deteriorates below Baa3/BBB- or when a doubling of the probability of default has occurred after initial recognition. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments". Life time ECL would also be computed for credit impaired assets which would be referred to as "Stage 3 financial instruments".

Measurement of ECL

The mechanism of the ECL calculations are outlined below with the key elements.

Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The Bank uses specific equity PD's of issuers/counterparties from Bloomberg for all its foreign investments at FVOCI and amortized cost and in the absence of equity PDs, the PD's applicable to the rating of the specific issuer/counterparty from the Bloomberg common PD table at a given reporting date.

Exposure at Default: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

Loss Given Default (LGD): The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Bank has an approved internal policy in applying the LGD for different types

of Financial Assets based on their risk exposure to the Bank.

Economic Factor Adjustment: Bank uses the Economic Factor Adjustment for the conversion of through the cycle PD to point in time PD and the Bank mainly uses GDP, Inflation and Interest rate data as the main economic factors in stimulating the PD.

Assessing the Significant Increase in Credit Risk (SICR)

Bank will consider that the financial instruments have Significant Increase in Credit Risk (SICR) when doubling of PD has occurred from initial recognition and any rating downgrade below BBB- after initial recognition. This is based on the observation that all ratings downgrades from an investment grade rating to a non-investment grade rating, including the marginal one notch downgrade from Baa3 to Ba1, results in a two-fold or greater increase of PD.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, at FVOCI, and credit guarantees are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Investments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in Other Comprehensive Income.
- Credit guarantee contracts: generally, as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion

thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the Statement of Income and OCI.

5.4 Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held for trading are included in the category "securities at fair value through profit or loss". Upon initial recognition, attributable transaction cost are recognized in profit or loss as incurred. These securities are subsequently valued at quoted market prices. Changes in market values are recognised as an increase or decrease in the value of the securities in the Statement of Financial Position while resulting gains and losses are recognised in the Statement of Income.

Where the security is still owned, the gain or loss is reported as "Gain/(Loss) from Unrealised Price Revaluations". Where the gain or loss has been realised (through selling the security), it is reported as "Gain / (Loss) from Realised Price Revaluations".

5.5 Financial Assets at Fair Value through Other Comprehensive Income

Investments at Fair Value through Other Comprehensive Income are non-derivative investments that are designated as Fair Value through Other Comprehensive Income or are not classified as another category of financial assets. Investments at Fair Value through Other Comprehensive Income comprise of equity securities and debt securities.

Foreign Currency debt securities at Fair Value through Other Comprehensive Income are subsequently valued at quoted market prices. Changes in market value are recognized as an increase or decrease in the value of the Investments at Fair Value through Other Comprehensive Income in the Statement of Financial Position.

The equity investments at Fair Value through Other Comprehensive Income are subsequently valued based on the Net Assets of the respective institutions due to the non-availability of quoted prices.

Gains and losses arising from changes in the market value of Foreign and Local Currency debt securities and Equity Investments at Fair Value through Other Comprehensive Income are recognised directly in equity (Other Comprehensive Income) which is shown under Other Reserves in the Statement of Financial Position until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as equity is included in Statement of

Income with the exception of fair value changes in equity investments which will not be recycled to Statement of Income upon derecognition. Interest income is recognised in Statement of Income using the effective interest method.

5.6 Instruments held at Amortized Cost

The items that are held within the business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms give rise to cash flows on specific dates that are solely principle and interest are classified as instruments held at amortized cost. These instruments are subsequently measured at amortized cost using the effective interest method.

5.7 Derivative Instruments

The Bank uses derivatives such as cross currency swaps and forward foreign exchange contracts for risk management purposes and not for speculative purposes. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Gain / (Loss) from Unrealized Price Revaluations'.

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 difference) in 'Gain / (Loss) from Unrealized Price Revaluations'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Income when inputs become observable, or when the instrument is derecognised.

5.8 International Monetary Fund (IMF) Related Balances

The Bank transacts with the International Monetary Fund (IMF) in its own right rather than as the depository of the Government of Sri Lanka. All transactions by the Bank with the IMF have been included in these financial statements on that basis.

The bank records the quota with the IMF as an asset and the amount payable to the IMF for quota is recorded as a liability of the Bank. The cumulative allocation of SDRs by the IMF is treated as a liability. The IMF quota asset and the SDR holding is classified as FVTPL while other IMF related assets and liabilities are recognized at amortised cost using the effective interest method. Exchange gains and losses arising on revaluation of IMF assets and liabilities at the exchange rate applying at reporting date as published by the IMF are recognised in the Statement of Income.

All other charges and interest pertaining to balances with the IMF are recorded immediately in the Statement of Income.

5.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at foreign banks and financial institutions, short-term deposits and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments and cash equivalents are carried at amortized cost in the Statement of Financial Position.

As a part of local currency activities CBSL generates certain income and incurs expenses, which do not involve in movement of cash. Those activities result in certain assets and liabilities and mainly comprise of the transactions with the Government of Sri Lanka (GOSL) and transactions with domestic banks and financial institutions. Transactions with GOSL include the purchase of Treasury bills and bonds that are issued by the Government as a monetary policy mechanism. Such purchases, disposals or interest thereon are reflected as mere book entries in the records of CBSL. These are disclosed separately in Note 45 and Note 46 to the Financial Statements.

As the sole statutory authority, CBSL issues currency to the public in line with Monetary Law Act. Currency issued by CBSL represents a claim on the Bank in favor of the holder. This is a liability on the part of the CBSL while it is an item of cash in the hands of the holder.

Movement in circulation currency is included as part of financing activities in line with prevailing industry practices among those central banks which present cash flow statements.

CBSL through the cash/pay order process disburses cash in the form of notes and coins or cheques drawn on CBSL, to various drawees including suppliers and employees for goods and services obtained, which is either added to the currency in circulation liability or deposits by banks and financial institutions. Such forms of utilization of currency for the purposes of CBSL's payments form part of cash outflows of CBSL.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of cash/ pay order outflows.

5.10 Repurchase and Reverse-Repurchase Transactions

Securities sold under agreements to repurchase continue to be recorded as assets in the Statement of Financial Position. The obligation to repurchase (Securities Sold under Agreements to Repurchase) is recognised as a liability. The difference between the sale and repurchase price in repurchase transactions and the purchase

price and sale price in reverse-repurchase transactions represents an expense and income respectively and recognised in the Statement of Income.

Securities held under reverse-repurchase agreements are recorded as an asset in the Statement of Financial Position (Securities Purchased under Resale Agreements). Both repurchase and reverse-repurchase transactions are reported at amortized cost inclusive of any accrued income or expense.

5.11 Standing Deposit and Lending Facilities

With effect from 1 February 2014, Standing Deposit Facility (former Standing Repurchase (Repo) Facility) was converted in to a 'clean deposit' with no allocation of collateral. Hence, participating institutions invest their excess funds in the Standing Deposit Facility as a clean deposit on daily basis at standing deposit facility rate.

The procedures of Standing Lending Facility (Formerly Standing Reverse Repurchase (Reverse Repo) Facility) are identical to the Standing Reverse Repurchase Facility and both are recognized at amortized cost in the Statement of Financial Position.

5.12 CBSL Securities

The Bank issues CBSL Securities from time to time under its Monetary Policy operations to absorb excess liquidity in the market. The securities issued are recorded as a liability.

5.13 Sri Lanka Government Securities

Sri Lanka Government Securities consists of Treasury Bills and Bonds purchased from GOSL. Investments in Sri Lanka Government Securities is recorded in the Statement of Financial Position at Fair value through Other Comprehensive Income.

5.14 Provisional Advances to Government

Advances to Government represents direct provisional advances made to GOSL under Section 89 of the Monetary Law Act No.58 of 1949 of Sri Lanka, as amended. These advances are subsequently measured at amortized cost.

5.15 Loans to Other Institutions

Loans granted to Other Institutions are recognized and carried at amortized cost.

5.16 Securities Borrowings and Securities Lending

Bank borrows Government Securities from time to time under its monetary policy operations from major institutional investors. The borrowed securities are used by the Bank for repurchase operations to absorb excess liquidity in the market.

The securities borrowings is an unconditional blanket guarantee from the Bank for return of securities, payment of agreed fee and on compensation at market rate (as per the market rates communicated to the primary market participants by the Public Debt Department of the Bank) in the events of any failure in delivery.

The market values of the securities borrowed and not used for the repurchase operations at a particular time are recorded as a contingent liability. The commission paid is expensed on accrual basis.

Transfer of securities to counterparties under lending transactions is only reflected on the Statement of Financial Position if the risks and rewards of ownership are also transferred.

5.17 Staff Loans

Bank employees are entitled to loan facilities under concessionary interest rates. These loans which were granted from 2008 onwards are fair valued as per IFRS 9 "Financial Instruments" using discounted cash flows.

Discount rate - Average Weighted Prime Lending Rate (AWPR) is used as the discount rate and it varies with the period of the loans.

The difference between the present value of the staff loan as at the end of a year and beginning of the year have been amortized yearly to record the expense incurred by the Bank in providing these loans at concessionary rates and equivalent amount is recorded as other income to record the income that would have been earned by the Bank if these loans were granted at market rates.

Assumptions used for computation of fair valuation

- The date of staff loan granted is considered as 1 January.
- There were no amendments or early settlements.

5.18 Gold

Section 67 (1) of the Monetary Law Act which specifies the composition of the International Reserve indicates that gold may be held by the CBSL as part of this Reserve. According to Section 67(2), Monetary Board is required to endeavor to hold at least a nuclear reserve in gold or currencies freely convertible by the Central Bank, whether directly or indirectly, in to gold as per the MLA. As this gold is part of the International Reserve and not used as a commodity which is traded during the normal course of business, gold is fair valued and the gains or losses are transferred to the Statement of Income. Prior to appropriation of profits, the unrealised gains from gold are transferred to the relevant reserve account.

5.19 Currency Inventory

Inventories of the Bank include new currencies that are not yet issued to the circulation. Cost related to production

and design of new currency notes and coins are initially recognized at cost. Cost of new currency notes and coins which are issued to the circulation is determined on a weighted average basis and at the time of issue it is charged to Statement of Income. Allowance is made for slow moving inventories.

5.20 Other Inventories

Other inventories are carried at lower of cost and net realisable value. Cost is determined on a weighted average basis.

5.21 Property, Plant and Equipment

Property, Plant and Equipment excluding land and buildings are stated at cost, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such Property, Plant and Equipment when that cost is incurred if the recognition criteria are met.

Land and buildings are measured at revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Except for the freehold land, depreciation is calculated on a straight-line method over the following estimated useful lives.

Class of Asset	Useful Life
Buildings on Freehold Lands	Over 50 Years
Buildings on Leasehold Land	Lower of 50 Years or over the lease term
Plant & Plant Integrals	20 Years
Furniture & Equipment	10 Years
Motor Vehicles	5 Years
Motor Vehicles acquired 2014 onwards	10 Years
Computer Hardware	4 Years
Others	3 Years

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Policy for revaluation of land and buildings of the Bank is at least once in three years or at any shorter interval when a significant valuation adjustment becomes evident. Any revaluation surplus is credited to the Revaluation Reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in Statement of Income, in which case the increase is recognized in Statement of Income. A revaluation deficit is recognized in Statement of Income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the Revaluation Reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold

is transferred to retained earnings.

An item of Property, Plant and Equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Income in the year the asset is de-recognized. The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, regularly.

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

5.22 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Bank acting as a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the lands or office premises.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicated in the lease or if that rate cannot be determined, the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

- Exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise an extension option, and penalties for early termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in Statement of Income if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in "Property, Plant and Equipment" (Note 20) and lease liabilities in "Miscellaneous Liabilities and Accruals" (Note 33) in the Statement of Financial Position.

5.23 Intangible Assets

Computer software not integral to computer hardware are shown as intangible assets and recognized at cost. Following initial recognition these intangible assets are carried at cost less any accumulated amortization and accumulated impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in Statement of Income on a straight-line basis over the useful life of 4 years, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

5.24 Other Assets

Other assets are carried at expected realisable values.

5.25 Impairment of Non-Financial Assets

The Bank assesses at each end of reporting period if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in Statement of Income.

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether

there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.26 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

5.27 Currency in Circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for Currency in Circulation is recorded at face value in the Statement of Financial Position.

5.28 Defined Benefit Plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan. Bank operates defined benefit schemes for Pension, Widows' and Orphans' Pensions (W&OP), Widowers' and Orphans' Pensions (WR&OP), Retirement Gratuity and Post Employment Medical Benefits. The Bank and eligible beneficiaries make contributions, to separately administered funds in respect of the first three schemes.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The Bank's obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the valuation date on Government Bonds that have maturity dates approximating to the average remaining

years of service. All principal actuarial assumptions disclosed in Note 32 are revised annually.

5.29 Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Bank contributes 24% and 3% of employees' gross emoluments to Employees' Provident Fund and Employees' Trust Fund respectively which are separately administered defined contribution plans.

Obligations for contributions to defined contribution plans are recognized as expense in the Statement of Income as and when they are due.

5.30 Grants

Grants recognised at their fair value (where there is a reasonable assurance that the grant will be received and all attaching conditions, if any, will be complied with) are shown under equity. When the grant relates to an expense item it is recognised in the Statement of Income over the periods necessary to match them to the expenses it is intended to compensate on a systematic basis. Where the grant relates to an asset, the fair value is credited to a deferred government grant account and is released to the Statement of Income over the expected useful life of the relevant asset on a systematic basis consistent with the depreciation policy of the related asset.

5.31 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. All guarantees of indebtedness, forward foreign exchange transactions and other commitments, which are not recognized in Statement of Financial Position, are shown under respective headings disclosed as Contingent Liabilities and Capital Commitments items. Where applicable, such amounts are measured at best estimates.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

5.32 Revenue and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expenses are recognised in the Statement of Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the result for the year.

The following specific recognition criteria must also be met before revenue and expenses are recognised:

5.32.1 Interest Income and Expenses

Interest income and expense are recognised in the Statement of Income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price unless collectability is in doubt. Interest income includes coupons earned on fixed income investments and securities and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection. Such income is excluded from interest income until received.

5.32.2 Dividends

Dividend income is recognized when the Bank's right to receive the payment is established.

5.32.3 Miscellaneous Income and Expenses

Miscellaneous income and expenses are recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the Statement of Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

5.32.4 Personnel Expenses

Personnel expenses include the full cost of all staff benefits. Salaries and related expenses due at year-end are included in other local payables.

5.32.5 Income Tax Expense

The income of the Bank is exempted from tax under section 118 of the Monetary Law Act 58 of 1949 as amended and as per section 9 (1) of Inland Revenue Act No. 24 of 2017 and subsequent amendment as per Inland Revenue (Amendment) Act No. 10 of 2021 and as per Inland Revenue (Amendment) Act No. 45 of 2022. In terms of the Economic Service Charge (amendment) Act No. 07 of 2017, the Bank is liable for ESC commencing from 1 April 2017. However, unrealized gain on exchange rate and unrealized marked to market gain on foreign currency financial assets are exempted from ESC with effect from October 2018 as per the ESC (amendment) Act, No 33 of 2018. Further, the Bank is exempted from Value Added Tax on supply of financial services as per Value Added Tax (Amendment) Act No.17 of 2013.

ESC was abolished with effect from 1 January 2020.

5.33 Events Occurring after the Reporting Date

All material subsequent events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

STATEMENT OF CASH FLOWS

The cash flow statement has been prepared by using the "Direct Method" of preparing of cash flow statement in accordance with the IAS 7 - Statement of Cash Flow.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of cash/pay order outflows.

6. NEW ACCOUNTING STANDARD AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AS AT REPORTING DATE

A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2022 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements. Further, the Bank does not expect that these standard amendments and interpretations will have a material impact on the Bank's financial statements.

6.1 Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The key amendments to IAS 1 include:

- Replaces the requirements for entities to disclose their "significant" accounting policies with a requirement to disclose "material" accounting policies.
- Provides guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- Specify the requirements for classifying liabilities as current or non-current

The amendments are effective for periods beginning on or after 1st January 2023.

6.2 Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that the Bank develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected

cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments are effective for periods beginning on or after 1st January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Bank applies the amendments.

7. NATURE AND EXTENT OF ACTIVITIES

7.1 Foreign Currency Activities

Foreign currency activities result mainly from the CBSL's holdings of foreign currency assets under its foreign reserves management function. The foreign reserves management portfolio comprises of foreign currency assets held for foreign exchange intervention purposes and other foreign currency assets held for trading purposes.

The foreign currency assets are held in various currencies. The majorities are denominated in United States Dollars, Australian Dollars, Euros, Sterling Pounds, Japanese Yen and New Zealand Dollars. The financial instruments held within these foreign currency portfolios consist mainly of sovereign securities, securities held under reverse-repurchase transactions or balances held with other central banks, commercial banks and custodial institutions.

The Bank also holds, from time-to-time, foreign currency assets and liabilities that arise from international market operations.

7.2 Local Currency Activities

Local currency activities arise as follows:

- (i) Liquidity management operations: Liquidity management largely involves the CBSL offsetting the daily net flows to or from government or market by advancing funds to or withdrawing funds from the banking system. Most of this business is undertaken through daily open market operations.
- (ii) Holding an investment portfolio comprising of Sri Lanka government securities to support the liability for currency in circulation. The Bank's policy is to hold these investments for monetary operations and not for trading.

7.3 Trust and Custodial Activities

Amounts administered by the CBSL under custodial and administration arrangements are not included in these financial statements, as they do not form part of elements of financial statements of the Bank.

8. CASH AND CASH EQUIVALENTS

	2022 Rs. 000	2021 Rs. 000
Cash Balances with Banks	7,626,592	23,385,534
Time Deposits with Banks	-	49,430,045
Overnight Placements	118,410,171	124,669,823
Interest Receivable on Cash and Cash Equivalents	28,287	19,084
Cash and Cash Equivalents for Cash Flow Purpose	126,065,050	197,504,486
Cash and Cash Equivalents available for Restricted Use (Note 8.1)	526,467,646	315,343,334
Less: Expected Credit Losses on Cash and Cash Equivalents (Note 8.2)	(844,832)	(85,368)
Total	651,687,864	512,762,452

8.1 The cash balance available for restricted use represents the CNY 10 billion received under the bilateral currency swap agreement between CBSL and the PBoC as explained in Note 25.5. The amount received under this arrangement can be used to finance trade and direct investment between the two countries and for other purposes agreed upon by both parties.

8.2 Movement in Expected Credit Losses on Cash and Cash Equivalents

	2022			2021		
	Stage 1 Rs. 000	Stage 2 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Total Rs. 000
Balance as at 1 January	52,009	33,359	85,368	90,277	180,061	270,338
Charge/ (Reversal) during the year	789,431	(29,967)	759,464	(38,268)	(146,702)	(184,970)
Balance as at 31 December	841,440	3,392	844,832	52,009	33,359	85,368

9. INVESTMENTS IN FOREIGN SECURITIES

	2022 Rs. 000	2021 Rs. 000
Securities at Fair Value through Other Comprehensive Income		
-Investment in Foreign Securities	10,867,425	8,818,244
Total Investment in Foreign Securities	10,867,425	8,818,244
Expected Credit Loss on Securities at Fair Value through Other Comprehensive Income (Note 9.1)	4,744	995

9.1 Movement in Expected Credit Losses on Securities at Fair Value through Other Comprehensive Income

	2022			2021		
	Stage 1 Rs. 000	Stage 2 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Total Rs. 000
Balance as at 1 January	995	-	995	36,546	2,062,175	2,098,721
Charge/ (Reversal) during the year	3,749	-	3,749	(35,551)	(2,062,175)	(2,097,726)
Balance as at 31 December	4,744	-	4,744	995	-	995

10. DERIVATIVE FINANCIAL INSTRUMENTS

10.1 The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

	2022			2021		
	Assets Rs. 000	Liabilities Rs. 000	Notional Amount Rs. 000	Assets Rs. 000	Liabilities Rs. 000	Notional Amount Rs. 000
Currency SWAPS	401,580	71,669,551	208,591,719	54,022,803	1,130,519	197,002,554
Forex Forward	-	28,443	1,724,773	33	8,804	229,487
Total	401,580	71,697,994	210,316,492	54,022,836	1,139,323	197,232,041

10.2 The above derivatives consisting of Currency Swaps and Foreign Exchange Forward Contracts that were used for the purpose of managing market and liquidity risks in foreign reserves held by the Bank in line with the statutory objectives of maintenance of foreign reserves. The Bank entered into swap transactions and forward contracts with Licensed Banks, Foreign Central Banks, Foreign Banks and Financial Institutions in order to maintain international stability of the Sri Lankan rupee, to strengthen the financial system stability of the country, to enhance the economic and financial cooperation among regional countries and to improve foreign exchange inflows to the country.

10.3 Derivatives are financial contracts that derive their value in response to changes in interest rates, financial instruments prices, commodity prices, foreign exchange rates, credit risk and indices.

10.4 A significant part of derivatives portfolio of the Bank consists of currency swaps entered into as a strategy to manage exchange rate risk and the short term liquidity requirements. In a currency swap, the Bank pays/ receives a specified amount of a currency on an agreed date in exchange of another currency at agreed rates.

10.5 From Foreign Exchange Forward contracts, the Bank gets the obligation to buy or sell specific amount of foreign currency on an agreed future date at an agreed rate.

10.6 The Bank's exposure to derivative contracts is closely monitored as part of the overall risk management of the Bank to ensure expected benefits from such derivatives are crystallized to the Bank.

10.7 Long-term USD/LKR Buy-Sell Swap Agreements

Note 10.1 consists of long-term (maturities after 30.06.2023) USD/LKR buy-sell swap agreements of which the Bank has entered with licensed commercial banks with a view to build-up foreign reserves. As at 31 December 2022, the outstanding of such swap agreements of the Bank with licensed commercial banks are as follows.

Bank	Date of Agreement	Notional Outstanding Amount (USD mn)	Last Maturity Date on Tranche-wise	Tenor/ Conditions	Underlying Transaction
Bank of Ceylon	22-Apr-21	45.00	15-Dec-27	<ul style="list-style-type: none"> • 6 years at zero cost. • Settlements in 5 tranches and approximately USD 10 mn is expected to be settled in every 6 months 	Loan received under Asian Infrastructure Investment Bank (AIIB) COVID 19 Emergency and Crisis Response Project.
Bank of Ceylon	29-Jun-21	44.78			
People's Bank	23-Apr-21	45.00			
People's Bank	30-Sep-21	44.78			
DFCC Bank PLC	24-Feb-21	125.00	15-Aug-28	<ul style="list-style-type: none"> • 7 years at zero cost. • Settlements in 20 tranches and USD 6.25 mn is expected to be settled in every 3 months. 	Loan received from the United States International Development Finance Corporation (DFC).
Commercial Bank of Ceylon PLC	17-Nov-21	35.00	23-Nov-26	<ul style="list-style-type: none"> • 5 years, at zero cost for the first 18 months and, a semi-annual premium of Rs. 1.00 per USD thereafter. • One off settlement at maturity. 	Loan received from CDC PLC, UK.
National Development Bank PLC	18-Mar-22	36.00	19-Mar-29	<ul style="list-style-type: none"> • 7 years, at a premium of Rs. 1.00 per USD for first 18 months and henceforth, a semi-annual premium of Rs. 1.00 per USD for remaining five and half years of the loan. • Settlements in 12 tranches and USD 3.00 mn is expected to be settled in semi-annually. 	Loan received from DFC

11. IMF RELATED ASSETS

11.1 IMF Quota

	2022 Rs. 000	2021 Rs. 000
Measured at Fair Value through Profit or Loss		
IMF Quota (Note 11.1)	279,779,554	162,603,548
Holding of Special Drawing Rights (Note 11.2)	626,461	24,800,563
	280,406,015	187,404,111
Measured at Amortized Cost		
Deposits with IMF (Note 11.3)	377,081	216,785
Prepaid Charges - IMF Loans	637,986	424,944
Less: Expected Credit Losses on IMF Related Assets (Note 11.4)	(8)	(3)
	1,015,059	641,726
	281,421,074	188,045,837

The IMF Quotas (capital subscriptions) are the primary source of IMF resources received from its member countries. Each country's quota is determined broadly on the basis of the relative economic size of the country. Upon joining the IMF, a country must pay 25 per cent of its quota in widely accepted foreign currencies or SDRs, and the remaining 75 per cent in its own currency. The IMF quota represents an asset of the Bank as it transacts with the IMF on its own account on behalf of the Government as per Articles of the IMF.

The IMF, based on the General Quota Review Agreement, decided to increase the quotas of each of the IMF's 189 members in January 2016 (Currently there are 190 IMF member countries). As a result, Sri Lanka's IMF quota increased to SDR 578.80 Mn on 17 February 2016 from the previous quota amount of SDR 413.40 Mn.

The amounts payable in respect of the IMF Quota is shown under the heading Quota Liability in Note 24. A member's quota determines that country's financial and organizational relationship with IMF, including:

Should a member withdraw from the IMF, its quota subscription is refunded to the extent it is not needed to settle the net obligations to the IMF. However, members are not entitled for an interest on the IMF quota and hence there is no compensation for the time value of money. Therefore, under IFRS 9, this is classified as Fair Value Through Profit or Loss. Since there is no maturity period to compute the fair value, fair value would be equal to the amortized cost value.

- (i) **Subscriptions:** A member's subscription to IMF resources is equal to its quota and determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full; up to 25 per cent must be paid in reserve assets specified by the IMF (SDRs or usable currencies), and the rest in the member's own currency.
- (ii) **Voting power:** The quota defines a member's voting power in IMF decisions. IMF member's votes comprise basic votes plus one additional vote for each SDR 100,000 of quota. The 2008 reform fixed the number of basic vote at 5.50 per cent of total votes.
- (iii) **Access to financing:** The amount of financing a member can obtain from the IMF (access limits) is based on its quota. Under Stand-By and Extended Arrangements, for instance, a member can currently borrow up to 145 per cent of its quota annually (temporarily increased to 245 percent of quota through end 2021 as part of the Fund's COVID-19 response) and 435 per cent cumulatively. Access to finance may be higher in exceptional circumstances.
- (iv) **SDR allocations:** Members' shares of SDR allocations are established in proportion to their quotas. A general SDR allocation equivalent to about US dollars 650 billion was made to IMF members that are participants in the SDR Department in proportion to their existing quotas in the IMF, which became effective on 23 August 2021. Of this general SDR allocation Sri Lanka's share amounted to SDR 554.80 million.

11.2 Holding of Special Drawing Rights

Holding of Special Drawing Rights (SDR) is potentially a claim on the freely usable currencies of IMF members in which holders of SDRs can exchange their SDRs for these currencies. The SDRs value as a reserve asset derives from the commitments of members to hold and accept SDRs, and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on freely usable currencies is being honored in two ways: by designating IMF members with a strong external position to

purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market. The amount shown above represents the total holding of the Bank as at the respective reporting dates.

The characteristics of holding of SDR have traits similar to cash. Hence under IFRS 9, this is classified as Fair Value Through Profit and Loss. Since there is no maturity period to compute the fair value, fair value would be equal to the amortized cost value.

11.3 Deposits with IMF – PRGF – HIPC Trust Deposit

The PRGF – HIPC (Poverty Reduction and Growth Facility for the Heavily Indebted Poor Countries) Trust Deposit was made under the agreement between the GOSL and the IMF on 21 April 2000 by transferring SDR 788,783 from Sri Lanka's deposit in the post SCA-2 (Special Contingent Account) administered account with the IMF. This account was created under the guidance of the IMF by transferring the balance held in SCA-2 against Sri Lanka when it was decided to wind up SCA-2 by the IMF. The IMF requested the countries that had balances in the Post SCA-2 account to consider providing the balances in that account to the PRGF/HIPC Trust either as outright grant or as a means of providing a subsidy for PRGF/HIPC Loan. Accordingly GOSL agreed to transfer the funds from Post SCA-2 accounts to PRGF/HIPC Trust account, not as an outright grant, but as an interest free deposit until 2018. This was later extended until 2024.

11.4 Movement in Expected Credit Losses on IMF Related Assets

	2022 Rs. 000	2021 Rs. 000
Stage 1		
Balance as at 1 January	3	2
Charge/(Reversal) for the Year	5	1
Balance as at 31 December	8	3

12. SRI LANKA GOVERNMENT SECURITIES

Portfolio of Government Securities is acquired and maintained primarily as per Section 90 (2) of the Monetary Law Act for the purpose of open market operations to be carried out in the conduct of the monetary policy. In addition, the Government Securities portfolio may include securities purchased by the Bank as per Section 112 of the Monetary Law Act.

	2022 Rs. 000	2021 Rs. 000
Treasury Bills	2,480,822,291	1,351,378,149
Treasury Bonds	17,708,352	25,876,232
Interest Receivable	464,372	565,966
	2,498,995,015	1,377,820,347

Government Securities held by CBSL is subject to impairment accounting in accordance with IFRS 9. However, Government Securities attracted a zero loss allowance for Expected Credit Losses in the Financial Statements up to 31 December 2021. Central Bank of Sri Lanka together with Ministry of Finance, Economic Stabilization and National Policies, held a virtual investor presentation on 30 March 2023 and indicated a Domestic Debt Optimization (DDO). The authorities are exploring options to be evaluated in the DDO; however there is no adequate information at this point to determine the impact of the DDO on the ECL of the portfolio of Sri Lanka Government Securities held by CBSL.

13. SECURITIES PURCHASED UNDER REALE AGREEMENTS

	2022 Rs. 000	2021 Rs.000
Securities Purchased under Resale Agreements	691,637,000	567,297,000
Interest Receivable on Securities Purchased under Resale Agreements	6,432,219	235,312
	<u>698,069,219</u>	<u>567,532,312</u>

14. PROVISIONAL ADVANCES TO GOVERNMENT

In terms of the Section 89 of the Monetary Law Act, the Central Bank of Sri Lanka provides provisional advances to the Government, to finance expenditures authorized to be incurred out of the Consolidated Fund, subject to a ceiling of 10 per cent of the estimated Government revenue for the financial year in which they are made. This advance is used by the Government as a interest free Revolving Credit Facility , which shall be repayable within a period not exceeding six months.

15. EQUITY INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS

These investments are made in terms of Section 105 A of the Monetary Law Act. Under this Section, the Bank is empowered to acquire and hold shares in any company which, in the opinion of the Monetary Board, was formed for the advancement and promotion of human resources and technological development in the banking and financial sector or to facilitate clearance of transactions among commercial banks operating in Sri Lanka.

15.1 Investment position

Company	Nature of the Business	2022		2021	
		No. of Shares	Fair Value Rs. 000	No. of Shares	Fair Value Rs. 000
Lanka Pay (Private) Limited	Automated Clearing	2,986,824	769,866	2,986,824	653,414
Lanka Financial Services Bureau Limited	Automated Fund Transfers	500,000	-	500,000	-
Credit Information Bureau of Sri Lanka Limited	Provision of Credit Information	48,244	1,047,266	48,244	1,017,804
			<u>1,817,132</u>		<u>1,671,218</u>

Lanka Clear (Private) Limited and Lanka Pay (Private) Limited are now referred to as "Lanka Pay (Private) Limited" from 3 November 2022.

15.2 The equity investments were carried at fair value as at 31 December 2022 based on Net Assets per share basis as per the latest available unaudited financial statements of those Companies at the time of preparation of the Bank's financial statements. Accordingly, the Net Asset per share as at the following dates were used.

Lanka Pay (Private) Limited - 31 December 2022 - Net Asset Value per Share Rs. 257.75

Lanka Financial Services Bureau Limited - 30 November 2022 - Net Asset Value per Share Rs. -4.60

Credit Information Bureau of Sri Lanka Limited - 31 December 2022 - Net Asset Value per Share Rs. 21,707.69

16. LOANS TO BANKS

	2022 Rs. 000	2021 Rs. 000
Loans to Banks (Note 16.1)	28,601,832	90,621,674
Less: Expected Credit Loss on Loans to Banks (Note 16.2)	(343,930)	(48,928)
	<u>28,257,902</u>	<u>90,572,746</u>

16.1 Loans To Banks

These are the loans granted in terms of Part IIIA of Chapter V of the Monetary Law Act to facilitate lending for productive purposes.

	2022 Rs. 000	2021 Rs. 000
Medium & Long Term Credit Scheme		
- Related Parties	18,173	20,368
Repair of Damaged Houses North & East		
- Related Parties	42,260	89,707
Saubagya COVID-19 Renaissance Facility (Note 16.1.1)		
- Related Parties	1,337,217	60,373,446
- Others	484,532	9,245,265
Saubagya COVID-19 Renaissance Refinance Facility (Note 16.1.2)		
- Related Parties	11,207,691	8,644,208
- Others	2,570,533	3,173,742
Saubagya Loan Scheme (Note 16.1.3)		
- Related Parties	10,469,090	6,850,588
- Others	2,087,594	2,211,334
Loans Recognized under Credit Guarantee Scheme of CBSL		
- Related Parties	86,307	13,016
Domestic Agriculture Development Pilot Phase (DAD-PP) Loan Scheme (Note 16.1.4)		
- Related Parties	227,305	-
- Others	71,130	-
	28,601,832	90,621,674

16.1.1 Saubagya Covid-19 Renaissance Facility : To support the revival of the economy affected by COVID-19 outbreak, the Central bank introduced this new credit scheme under the Section 83 of the Monetary Law Act No.58 of 1949 on the condition that Licensed Commercial Banks lend to businesses adversely affected by COVID-19 outbreak.

16.1.2 Saubagya Covid-19 Renaissance Refinance Facility : In order to revive the Micro, Small and Medium Sector enterprises adversely affected by the COVID-19 outbreak and to promote economic activity in the country, the Central Bank launched a new refinance facility under the Saubagya Loan scheme in 2020.

16.1.3 Saubagya Loan Scheme : In terms of section 88A of the Monetary Law Act, Regional Development Department introduced Saubagya (The Prosperity) loan scheme in the year 2010 with a view to provide credit facilities for agriculture, livestock, micro, small and medium scale enterprises (MSMEs) and MSMEs affected by disaster in Sri Lanka.

16.1.4 Domestic Agriculture Development Pilot Phase Loan Scheme (DAD-PP) : In terms of section 88A

of the Monetary Law Act, Regional Development Department implemented DAD-PP in 2021 to promote inclusive development of the agriculture sector in Sri Lanka by providing affordable financing facilities for the smallholder farmer community along with a range of technical assistance and better market opportunities through well connected value chains.

16.2 Movement in Expected Credit Losses on Loans to Banks

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 2	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1 January	14,435	21,477	13,016	48,928	6,215	148,153	-	154,368
Charge/(Reversal) during the year	(8,378)	230,088	73,291	295,001	8,220	(126,676)	13,016	(105,440)
Balance as at 31 December	6,057	251,565	86,307	343,930	14,435	21,477	13,016	48,928

17. OTHER ASSETS

	2022 Rs. 000	2021 Rs. 000
Financial Assets		
Investments by Internal Funds	18,557,124	16,490,667
Less: Expected Credit Loss on Investments by Internal Funds (Note 17.1)	(405)	(280)
Net Investment by Internal Funds	18,556,719	16,490,387
Investments of Schemes operated by RDD	-	5,380,169
Less: Expected Credit Loss on Investments of RDD (Note 17.2)	-	(150)
	-	5,380,019
Staff Loans at Amortized Cost	5,355,855	5,592,375
Receivable from Treasury and Other Ministries	3,540,585	4,087,983
Other Receivables	2,258,723	2,258,932
Less: Expected Credit Loss on Other Receivables (Note 17.3)	(2,226,887)	(2,226,887)
	8,928,276	9,712,403
	27,484,994	31,582,809
Non Financial Assets		
Deferred Asset on Staff Loan	2,697,566	2,480,961
	30,182,560	34,063,770

17.1 Movement in Expected Credit Loss on Investments by Internal Funds

	2022			2021		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1 January	39	241	280	48	79,524	79,572
Charge/(Reversal) during the Year	47	78	125	(9)	(79,283)	(79,292)
Balance as at 31 December	86	319	405	39	241	280

17.2 Movement in Expected Credit Losses on Investment Schemes Operated by RDD

	2022 Stage 1 Rs. 000	2021 Stage 1 Rs. 000
Balance as at 1 January	150	-
Charge during the year	(150)	150
Balance as at 31 December	-	150

17.3 Movement in Expected Credit Losses on Other Receivables

	2022 Stage 3 Rs. 000	2021 Stage 3 Rs. 000
Balance as at 1 January	2,226,887	183,276
Charge during the year	-	-
Transferred from schemes operated by RDD	-	2,043,611
Balance as at 31 December	2,226,887	2,226,887

18. GOLD

This is the value of physical gold held as required under Section 67 (1) and Section 67(2) of the Monetary Law Act (MLA) as part of the International Reserve of the Bank. As per Section 67(2) of MLA, Monetary Board is required

to endeavor to hold at least a nuclear reserve in gold or currencies freely convertible by the Bank, whether directly or indirectly, in to gold as per the MLA.

19. INVENTORIES

	2022 Rs. 000	2021 Rs. 000
Notes for Circulation	2,485,880	1,788,014
Coins for Circulation	2,074,163	2,821,514
Coins in Transit from the Supplier	-	-
Notes in Transit from the Supplier	144,188	253,168
	4,704,231	4,862,696
Less: Provision for Slow Moving Items	(2,446)	(2,446)
	4,701,785	4,860,250
Stationery and Sundry Inventory	86,622	68,124
Medical Center Stock	-	159
Total Inventories	4,788,407	4,928,533

In 2022, inventories of Rs. 2,339.65 Mn (2021 - Rs. 2,780.25 Mn) were recognized as an expense during the year and included in "Cost of Inventory (Cost of New Currency Issue)" in the Statement of Income.

20. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Land and Buildings Rs.000	Plant & Plant Integrals Rs.000	Furniture & Equipment Rs.000	Vehicles Rs.000	Computers Rs.000	Right of use Assets Rs.000	Others Rs.000	Construction In progress Rs.000	2022 Total Rs.000	2021 Total Rs.000
As at 1 January	18,174,063	1,615,478	1,394,680	611,793	1,141,540	69,049	57,417	154,042	23,218,062	24,026,767
Additions during the Year	2,473	14,042	221,970	-	9,841	-	286	216,736	465,348	293,823
Disposals during the Year	-	(95)	(5,357)	-	(2,025)	-	-	-	(7,477)	(1,091,338)
Transfers during the Year	-	-	-	-	-	-	-	(177,699)	(177,699)	-
Retirement of Right of Use Asset	-	-	-	-	-	-	-	-	-	(11,190)
As at 31 December	18,176,536	1,629,425	1,611,293	611,793	1,149,356	69,049	57,703	193,079	23,498,234	23,218,062
Accumulated Depreciation	Land and Buildings Rs.000	Plant & Plant Integrals Rs.000	Furniture & Equipment Rs.000	Vehicles Rs.000	Computers Rs.000	Right of use Assets Rs.000	Others Rs.000	Construction In progress Rs.000	2022 Total Rs.000	2021 Total Rs.000
As at 1 January	219,099	1,143,599	1,133,460	463,386	974,746	8,194	39,584	-	3,982,068	3,571,315
Depreciation for the Year	219,129	75,892	82,240	30,973	72,414	7,161	242	-	488,051	503,845
Disposals during the Year	-	(56)	(5,198)	-	(1,909)	-	-	-	(7,163)	(81,902)
Retirement of Right of Use Asset	-	-	-	-	-	-	-	-	-	(11,190)
As at 31 December	438,228	1,219,435	1,210,502	494,359	1,045,251	15,355	39,826	-	4,462,956	3,982,068
Net Book Value	17,738,308	409,990	400,791	117,434	104,105	53,694	17,877	193,079	19,035,278	19,235,994

The carrying values of Land and Buildings are recorded at fair value. The latest independent valuation was performed as at 31 December 2020 by Mr. A. A. M. Fathihu, Chartered Valuer, which was recorded as at 31 December 2020. The Bank is of the view that the carrying amounts of these lands and buildings as of 31 December 2022 have not changed significantly compared to the fair values as at 31 December 2020.

During the financial year, the Bank has acquired property, plant and equipment by means of cash with an aggregated cost of Rs.617.28 Mn (2021 - Rs. 680.89 Mn).

The value of the fully depreciated assets which are still in use as at 31 December 2022 was Rs. 2,939.00 Mn. (2021 - Rs. 1,929.55 Mn).

Valuation Approach and Significant Unobservable Inputs used in the Valuation of Freehold Land and Buildings and Buildings on Leasehold Land of the Bank

Property	Name of the chartered valuation surveyor	Valuation approach	Estimated price per perch (Rs.)	Estimated price per square foot (Rs.)	Estimated rent per month (Rs.)	Outgoing expenses	Years Purchase	Fair Value as at 31 December 2020 (Rs. 000)
Land & Building								
Head Office - Colombo 01	A. A. M. Fathihu	Market Approach & Cost Approach	15,750,000	11,000 - 18,500	-	-	-	10,437,567
Whiteaways Building - Colombo 01	-do-	Market Approach & Income Approach	13,200,000	-	7,000,000	35%	16.66	783,407
Central Point Building - Colombo 01	-do-	Market Approach & Income Approach	14,400,000	-	10,000,000	35%	16.66	1,077,180
Centre for Banking Studies - Rajagiriya	-do-	Market Approach & Cost Approach	3,600,000	3,000 - 12,000	-	-	-	2,660,026
Bank House - Colombo 07	-do-	Market Approach & Cost Approach	10,000,000	4,000 - 11,000	-	-	-	1,709,163
Regional Office - Matara	-do-	Market Approach & Cost Approach	2,000,000 - 4,000,000	4,000 - 9,500	-	-	-	360,397
Regional Office - Matale	-do-	Market Approach & Cost Approach	150,000 - 750,000	3,000 - 9,500	-	-	-	222,786
Holiday Home - Nuwara Eliya	-do-	Market Approach & Cost Approach	1,350,000	5,000 - 8,750	-	-	-	334,193
Holiday Home - Kataragama	-do-	Market Approach & Cost Approach	270,000	5,000 - 12,500	-	-	-	231,605
Building on Leasehold Land								
Regional Office - Anuradhapura	A. A. M. Fathihu	Cost Approach	-	4,500 - 9,500	-	-	-	90,783
Holiday Home - Anuradhapura	-do-	Cost Approach	-	7,000	-	-	-	21,960
Regional Office - Kilinochchi	-do-	Cost Approach	-	2,000 - 8,500	-	-	-	199,050
Holiday Home - Somawathiya	-do-	Cost Approach	-	11,750 - 12,000	-	-	-	45,946

Composition of Land and Buildings

	Carrying Value 2022 Rs. 000	Carrying Value 2021 Rs. 000
Freehold Land	10,855,725	10,855,725
Buildings on Freehold Land	6,593,850	6,798,976
Buildings on Leasehold Land	288,733	300,263
	17,738,308	17,954,964

The carrying amount of revalued land and buildings that would have been included in the financial statements had they been carried at cost less depreciation is Rs. 7,133.73 Mn (2021 - Rs. 7,273.50 Mn).

21. INTANGIBLE ASSETS

	Intangible Assets Rs. 000	2022 Intangible Assets - WIP Rs. 000	Total Rs. 000	2021 Rs. 000
Computer Software:				
Cost:				
As at 1 January	1,083,541	481,375	1,564,916	1,088,965
Additions during the Year	879,377	329,632	1,209,009	475,951
Transfers during the Year	-	(613,507)	(613,507)	-
As at 31 December	1,962,918	197,500	2,160,418	1,564,916
Amortization:				
As at 1 January	1,003,284	-	1,003,284	980,713
Amortization Charge for the Year	248,997	-	248,997	22,571
As at 31 December	1,252,281	-	1,252,281	1,003,284
Net Book Value:				
As at 31 December	710,637	197,500	908,137	561,632

The Bank has acquired intangible assets by means of cash with an aggregated cost of Rs. 879.38 Mn during the year (2021 - Rs. 78.50 Mn).

The value of fully amortized intangible assets which are still in use as at 31 December 2022 was Rs. 982.69 Mn. (2021 - Rs. 957.20 Mn).

22. BANKS AND FINANCIAL INSTITUTIONS

	2022 Rs. 000	2021 Rs. 000
Payable to Foreign Banks	146,381,827	7,380
Payable to Other Foreign Financial Institutions	26,201	6,321
	146,408,028	13,701

Rs.146.37Bn included in the Payable to Foreign Banks represents the payable balance under the Bilateral Currency Swap Agreement (BCSA) between the Central Bank of Sri Lanka (CBSL) and the Reserve Bank of India (RBI). This was initially entered into in July 2020 under the Framework on Currency Swap Arrangement for South Asian Association for Regional Cooperation (SAARC). Under the BCSA, USD 400 million was initially received by Sri Lanka in July 2020 and after its first roll-over in November 2020, the swap facility was settled in February 2021. In January 2022, the CBSL was able to execute the second drawal of the swap facility of USD 400 million under the same BCSA and upon its first roll-over in April 2022, it was due for settlement.

23. ASIAN CLEARING UNION

	2022 Rs. 000	2021 Rs. 000
ACU Liability	731,375,677	104,755,558
Interest Accrual	4,882,452	9,058
	736,258,129	104,764,616

The Asian Clearing Union (ACU) was established in 1974 at the initiative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The ACU was established as a mechanism to settle, on a multilateral net basis, the payments for intra-regional transactions, among Central Banks of participant countries. The participants of the ACU are Sri Lanka, Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal and Pakistan. The net settlement position of each ACU participant is calculated based on the daily outstanding balance held over the applicable two-month period and settlement takes place within four working days of the following month. The applicable interest rate varied between 0.10% and 4.09% during the year 2022, in comparison to a range of 0.09% to 0.15% in 2021.

24. INTERNATIONAL MONETARY FUND

	2022 Rs. 000	2021 Rs. 000
Interest bearing Loans (Note 24.1)	385,639,212	253,476,993
Allocation of Special Drawing Rights (Note 24.2)	459,264,653	266,944,782
Quota Liability (Note 24.3)	129,765,698	75,425,522
Other Amounts Payable to IMF (Note 24.4)	153,255,529	74,217,946
	1,127,925,092	670,065,243

24.1 Interest bearing Loans consist of the Extended Fund Facility (EFF) obtained from the IMF. Extended Fund Facility (EFF) is a three year facility provided by the IMF to support the Balance of Payments and Government's economic reform agenda. The IMF approved the EFF of SDR 1.10 Bn (approximately USD 1.50 Bn) in June 2016. This amount is equivalent to 185 per cent of the country's current quota with the IMF. The first tranche under the EFF amounting to SDR 119.89 Mn (approximately USD 168.10 Mn) was made available in June 2016. The second tranche to the value of SDR 119.89 Mn (approximately USD 162.56 Mn), third tranche to the value of SDR 119.89 Mn (approximately USD 167.20 Mn), fourth tranche to the value of SDR 177.77 Mn (approximately USD 251.40 Mn), the fifth tranche to the value of SDR 177.77 Mn (approximately USD 252.00 Mn), the sixth tranche to the value of SDR 118.50 Mn (approximately USD 164.10 Mn) and the seventh tranche to the value of SDR 118.50 Mn (approximately USD 164.00 Mn) were disbursed in November 2016, July 2017, December 2017, June 2018, May 2019 and November 2019, respectively. With the disbursement of the seventh tranche, a total of USD 1.31 Bn has been received by Sri Lanka on account of EFF. The interest rate applicable on the EFF comprises of the basic rate of charge, which is equivalent to the SDR interest rate (as of 31 December 2022, rate stands at 2.916 per cent per annum) plus 100 basis points.

	Effective interest rate %	Maturity	2022 Rs. 000	2021 Rs. 000
Extended Fund Facility	0.077	2029	385,639,212	253,476,993
Total Interest bearing Loans			385,639,212	253,476,993

24.2 The Special Drawing Rights (SDR) is a reserve asset created by the IMF in order to meet a long-term global need to supplement existing reserve assets. SDRs are allocated to member countries in proportion to their IMF quotas. SDR allocations can only be made to countries that participate in the IMF's SDR Department (an accounting unit within the IMF). The IMF created SDRs to supplement existing official reserve assets

such as gold holdings, foreign exchange and reserve positions in the IMF. Under certain conditions, which are set in the Articles of Agreement signed on behalf of the Government of Sri Lanka by the Bank, the IMF may allocate SDRs to members in proportion to their IMF quotas. An allocation of SDRs by the IMF provides each member with a costless asset on which interest is neither earned nor paid. The Articles of Agreement also allow for cancellations of SDRs, but to date, this provision has not been used. Increases in Allocation of SDR represents increases in holding of SDR as described in Note 11. Members of IMF are obligated to pay to the IMF an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Rights Department at the point of termination or liquidation of IMF's SDR Department.

24.3 Quota Liability : The amounts payable in respect of the IMF Quota as described in Note 11.1.

24.4 Other Payable to IMF represent amounts owed by the Bank to IMF on account of operational and administrative transactions.

25. OTHERS

	2022 Rs. 000	2021 Rs. 000
DST - PRPIII under Escrow Agreement (Note 25.1)	179	99
DST - PRPIII Phase II under Escrow Agreement (Note 25.2)	30,071	16,599
DST Special Dollar A/C 2 (Note 25.3)	991,218	1,484,824
Amount due to Bangladesh Bank (BB) under swap facility (Note 25.4)	73,060,873	40,161,167
Amount due to People's Bank of China (PBoC) under swap facility (Note 25.5)	520,231,000	315,452,000
Other Foreign Liabilities	70,110	180,987
	594,383,451	357,295,676

25.1 Priority Road Project III under Escrow Agreement

This Facility Agreement was signed between the China Development Bank (CDB) and the Government of Sri Lanka on 11 March 2014 for USD 300.00 Mn. The purpose of this loan is to finance the cost of improvement and rehabilitation of Priority Road Project III-Phase I. As per the Facility Agreement, the Bank has been appointed as the Banker to the Government of Sri Lanka. Accordingly, an account has been opened in its books of account for the sole purpose of depositing the loan and disbursing such received funds to the Road Project. During the year 2019, USD 19.13 Mn was disbursed. Several disbursements were made using these funds during 2020 resulting only USD 0.0004 Mn as the balance at 31 December 2020. There was no transaction during 2021 and 2022. Thus, the balance remains as USD 0.0004 Mn as at 31 December 2022.

25.2 Priority Road Project III Phase II under Escrow Agreement

The Phase II of this agreement was received on 24 November 2014 for USD 100.00 Mn. During the year 2019, USD 20.24 Mn was disbursed. The disbursements amounting to USD 13.83 Mn were made during 2020. There was no disbursements during 2021 and 2022. The balance as at 31 December 2022 is only USD 0.082 Mn.

25.3 DST Special Dollar A/C 2

This is a dollar account maintained on behalf of the Treasury Operations Department in order to credit the proceeds received on behalf of Treasury in USD. During the year 2022, the proceeds of SLDB, miscellaneous US dollar receipts to treasury from various foreign and local organizations have been credited and utilized for repayment of loans and other disbursements on behalf of Government. The balance as at 31 December 2022 is USD 2.73 Mn.

25.4 Amount due to the Bangladesh Bank (BB) under the Bilateral Currency Swap Agreement (BCSA) signed between the BB and the CBSL

The CBSL and the BB entered into a BCSA and a subsequent Addendum to the same in August 2021 and May 2022, respectively, for a total amount of USD 200.00 million that was received in three tranches during August/September 2021, in exchange of an equivalent amount of LKR, initially for a period of three months with the possibility of rolling-over for five times for similar tenors.

Accordingly, the outstanding balance as at 31 December 2022 represents the rolled-over value of USD 200.00 million on November and December 2022 and the next roll-over is due in February and March 2023, subject to the mutual consent of the two central banks.

25.5 Amount due to the People's Bank of China (PBoC) under the Bilateral Currency Swap Agreement (BCSA) signed between the PBoC and the CBSL

Under the BCSA between the CBSL and the PBoC entered into in March 2021, CNY 10 billion (equivalent to approximately USD 1.5 Bn) was received from the PBoC in exchange of an equivalent amount of LKR for a period of one year in December 2021 and the CNY swap proceeds can be utilized for restricted use (Note 8.1).

Outstanding balance as of 31 December 2022 represents the CNY 10 billion swap rolled-over once in December 2022 for another period of one year, and its second roll-over is possible in December 2023 until the BCSA expires in March 2024, subject to the mutual consent of the PBoC and the CBSL.

26. DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

These are the deposits maintained by LCBs for the purpose of meeting Statutory Reserve Requirement under section 93 of the Monetary Law Act and deposits maintained by LCBs, Primary Dealers and the Employee Provident Fund as participants of Real Time Gross Settlement System (RTGS) for honoring payments under the RTGS operated by the Bank as per the provisions of the Monetary Law Act. Under the scheme, an interest free intra-day liquidity facility, fully collateralized by Government securities is available to participants to meet payment obligations within the day to facilitate smooth functioning of the settlement system. Although these deposits are classified as related parties (i.e., State owned Banks and institutions) and others for the purpose of accounting disclosure requirements, such deposits are maintained in terms of relevant statutory provisions and not because of specific business relationship of the Bank with those state institutions.

	2022 Rs. 000	2021 Rs. 000
Deposits by Banks :		
- Related Parties	240,719,873	221,738,927
- Others	70,817,929	67,657,247
	<u>311,537,802</u>	<u>289,396,174</u>
Deposits by Financial Institutions :		
- Related Parties	216	21
- Others	11,508,163	11,307,967
	<u>11,508,379</u>	<u>11,307,988</u>
Total Deposits by Banks and Other Financial Institutions	<u>323,046,181</u>	<u>300,704,162</u>

27. DEPOSITS OF GOVERNMENT AND GOVERNMENTAL ENTITIES

	2022 Rs. 000	2021 Rs. 000
Government Deposits	160,513	160,511
Government Agencies and Funds	60,898	1,231,790
	<u>221,411</u>	<u>1,392,301</u>

These are the deposits maintained in terms of Section 106(1) of the Monetary Law Act since the Bank is the official depository of the Government and/ or government agencies or institutions.

28. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS & STANDING DEPOSIT FACILITY

	2022 Rs. 000	2021 Rs. 000
Standing Deposit Facility	330,637,059	101,062,880
	<u>330,637,059</u>	<u>101,062,880</u>

Repurchase agreements are undertaken for Open Market Operations (OMO) to regulate liquidity in the money market under Sections 90 and 91 of Monetary Law Act as

part of conducting of the monetary policy. These repurchase agreements were engaged only in Government securities on over-night basis or term basis depending on the market liquidity management policies of the Bank, decided from time to time. There was no outstanding balance of Sri Lanka Government Securities sold under repurchase agreements as at 31 December 2022 (2021 – Nil).

Standing Deposit Facility (SDF) is also undertaken for OMO to regulate liquidity in the money market. This facility is available for those participating institutions which are unable to obtain their liquidity requirements at the daily Repo auctions. This is an uncollateralized facility which is only provided on over-night basis.

29. CURRENCY IN CIRCULATION

The Bank as the sole currency issuing authority in Sri Lanka continued to perform the function of issuing legal tender currency. The amount of currency issued by the Bank and in circulation at respective reporting dates are as follows:

Denomination	2022 Rs. 000	2021 Rs. 000
Coins:		
1 cent	3,631	3,631
2 cent	5,709	5,709
5 cent	23,267	23,267
10 cent	39,236	39,236
25 cent	122,475	121,246
50 cent	185,097	185,147
1 rupee	1,054,291	1,023,087
2 rupee	1,633,948	1,587,838
5 rupee	5,373,467	5,168,455
10 rupee	8,278,530	7,673,980
20 rupee	149,777	40,955
Commemorative coins	604,099	598,953
	<u>17,473,527</u>	<u>16,471,504</u>

Notes:

1 rupee	4,981	4,981
2 rupee	26,694	26,694
5 rupee	37,191	37,191
10 rupee	1,247,314	1,249,128
20 rupee	7,714,028	7,235,137
50 rupee	7,672,840	7,086,604
100 rupee	27,890,398	27,472,139
200 rupee	126,206	126,412
500 rupee	52,838,832	52,284,157
1000 rupee	154,427,683	160,770,610
2000 rupee	2,709,640	2,950,509
5000 rupee	754,397,918	729,384,000
	<u>1,009,093,725</u>	<u>988,627,562</u>
Total Currency in Circulation	<u>1,026,567,252</u>	<u>1,005,099,066</u>

30. OTHER PAYABLES

	2022 Rs. 000	2021 Rs. 000
Provision and Charges	7,910,908	3,791,015
Payable to Commercial Banks	-	431,145
Liability against Abandoned Property Transfers Received (Note 30.1)	15,415,255	11,592,360
Payable to Contributory Banks under Viskam Scheme	-	1,683,468
Balances of Employee Benefit Plans (Note 30.2)	12,361	8,701
Other Payables (Note 30.3)	44,981,823	1,657,193
	<u>68,320,347</u>	<u>19,163,882</u>

30.1 Payable in respect of Abandoned Properties represents the amounts collected from the Licensed Banks under the Banking Act Direction No.05 of 2009 - Identifying, Reporting, Transferring & Maintaining Abandoned Property of Licensed Commercial Banks. In the event of any further claims on Abandoned Properties, Bank is liable to pay deposits so collected with interest. Hence, the total deposit collected with the interest calculated on weighted average Treasury Bill interest rate is recorded as a liability of the Bank.

30.2 Balances of Employee Benefit Plans

The Bank, as a part of normal activities, provides current account facilities for its Employee Benefit Plans. The amounts held in credit of these separately administered current accounts and inter entity accounts of Employee Benefit Plans of the Bank, are as follows:

	2022 Rs. 000	2021 Rs. 000
Balances in CBSL Provident fund, Pension schemes and Widows' / Widowers' & Orphans' Pension Schemes	12,361	8,701
	<u>12,361</u>	<u>8,701</u>

30.3 The Rs. 37.02 bn included in other receivables represents the United States Dollar receivable to CBSL in connection with the USD/LKR Swaps which remained unsettled by domestic banks after their maturity dates and the corresponding rupee payable balance of Rs. 35.67 bn is included in other payable balance.

31. DEFERRED GRANTS

	2022 Rs. 000	2021 Rs. 000
As at 1 January	1,178	789
Additions during the Year	1,288	3,089
Amortization during the Year	(632)	(2,700)
As at 31 December	<u>1,834</u>	<u>1,178</u>

Deferred grant is amortized over the period that matches with the depreciation policy of such assets. This includes the assets received by the Bank without any consideration. The fair value of the assets have been credited to a deferred grant account and taken to other income over the useful life of the relevant asset consistent with the depreciation policy of the related asset.

This includes a grant received by CBSL from Project Management Unit of SAPP as a grant for 70% of the Software development cost in implementation of New Automation System for SAPP Loan Schemes, two research grants received from the Knowledge Partnership Programme of the Bank of Korea amounting to Rs. 1.45Mn (received in 2020 & 2021) which will be utilized to cover the cost of local training programmes of CBSL staff and Rs. 2.32 Mn received from the United Nations Development Programme which has been utilized for awareness programmes on sustainable finance.

32. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS

The Bank operates seven defined benefit plans which cover all eligible employees. Under the Employees' Retirement Pension Scheme (old), employees who joined the Bank prior to 1 January 1998 and complete 10 years of service become eligible to the scheme. The employees who have joined the Bank after 1 January 1998 and complete 10 years of service become eligible for the new pension scheme. These Pension Schemes are non-contributory pension schemes where the cost of benefits is wholly borne by the Bank. The Widows' and Orphans' Pension Scheme for male employees and Widowers' and Orphans' Pension Scheme for female employees are open to employees of the Bank who had joined prior to 1 January 1998 whereas the new Widows' and Orphans and Widowers' and Orphans' Pension Scheme is open for employees of the Bank who joined after 1 January 1998. Eligible Employees under the Widows' and Orphans Pension Scheme (old) and Widowers' and Orphans' Pension Scheme (old) plans who were recruited before 1 August 1994 contribute 5% of the monthly basic salary & employees who were recruited on or after 01 August 1994 contribute 10% of the monthly basic salary whereas the eligible employees under the new Widows' and Orphans and Widowers' and Orphans' Pension Scheme contribute 5.5% of the monthly basic salary.

The Bank also provides gratuity benefits to employees who have completed five years of service in the Bank and

who are not eligible for a monthly pension payment under the Employees' Retirement Pension Schemes. In order to meet this liability, a provision is carried forward in the Statement of Financial Position, equivalent to the liability calculated using the actuarial valuation.

The Bank has a Post-Employment Medical Benefit Scheme which provides reimbursement of certain medical expenses incurred by retired employees on account of themselves, their spouses, their parents and by widows/widowers.

The Bank employed an Independent Actuary M/s K. A. Pandit, Consultant & Actuary (Mumbai) to re-assess the defined benefit obligations and the current service costs attributable to the Employees' Retirement Pension Schemes, Widows' and Orphans' Pension Scheme, Widowers' and Orphans' Pension Scheme, new Widows' and Orphans' and Widowers' and Orphans' Pension scheme, Gratuity Scheme and Medical Benefit Scheme during the year.

Funds of the Employee Retirement Pension Schemes, Widows' and Orphans' Pension Scheme, Widowers' and Orphans' Pension Scheme are managed separately and separate books are maintained. However, Gratuity Scheme and Medical Benefit Scheme are not separated from the books of accounts of the Bank. Further, investments and investment income are recorded separately for these funds in the Bank books and the income earned from the investments are transferred back to these funds and reinvested without being distributed.

The total fair value of plan assets/investments of Rs.43,838.73 Mn (2021 – Rs. 53,334.41Mn) exceeds the total present value of all benefit obligations of Rs. 40,853.23 Mn (2021 – Rs. 66,279.21Mn) at the end of the reporting period resulting in an excess of Rs. 2,985.49 Mn (2021 – Deficit of Rs. 12,944.80 Mn).

As at 31 December 2022

Benefit (Asset)/Liability	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Present Value of Benefit Obligation	28,743,485	742,361	6,594,557	769,222	256,344	316,311	3,430,954	40,853,234
Fair Value of Plan Assets/Investments	(27,133,747)	(4,890,127)	(5,575,619)	(2,151,516)	(1,101,040)	(210,570)	(2,776,110)	(43,838,729)
Net Benefit Liability/ (Asset)	1,609,738	(4,147,766)	1,018,938	(1,382,294)	(844,696)	105,741	654,844	(2,985,495)

The balance shown under Pension and Other Post Employment Benefit Plans in Statement of Financial Position differs from the net liability as per the actuary due to the following reasons:

- The net asset position of the Widowers' and Orphans' Pension Scheme is not reflected in the financial statements due to remote possibility of distributing any residual balance of the fund to the Bank.
- For both gratuity and medical benefit schemes, the financial statements represent the gross liability position and not the net liability as per actuary, since the Bank does not keep relevant assets in a separate fund (internally maintained).

	2022 Rs. 000	2021 Rs. 000
Employee Retirement Pension Scheme	1,609,738	15,142,138
Employee Retirement Pension Scheme-New	(4,147,765)	(3,589,011)
Widows' and Orphans' Pension Scheme	1,018,938	2,649,217
Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	(455,747)	(455,747)
Gratuity Scheme (Gross)	316,311	379,276
Medical Benefit Scheme (Gross)	3,430,954	3,803,864
	1,772,429	17,929,737

Movement in the Benefit Liability/(Asset)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2022	15,142,138	(3,589,011)	2,649,217	(1,147,643)	(455,747)	53,957	291,888	12,944,799
Net Benefit Expense/(Income)	1,753,459	(336,011)	258,156	(146,789)	(175,238)	35,323	1,131,049	2,519,949
Amount recognized in Other Comprehensive Income	(11,675,870)	342,225	(1,777,027)	(87,862)	(213,711)	16,461	(768,093)	(14,163,877)
Contribution Paid	(3,609,989)	(564,969)	(111,408)	-	-	-	-	(4,286,366)
As at 31 December 2022	1,609,738	(4,147,766)	1,018,938	(1,382,294)	(844,696)	105,741	654,844	(2,985,495)
Movement in the Present Value of Projected Benefit Obligations	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2022	47,559,244	2,047,071	10,151,236	1,537,384	801,139	379,275	3,803,864	66,279,213
Interest Cost	5,507,360	237,051	1,175,513	178,029	92,772	43,920	440,487	7,675,132
Current Service Cost	-	79,596	-	-	-	29,075	63,979	172,650
Past Service Cost	-	-	-	-	-	-	1,040,563	1,040,563
Benefit Paid From the Fund	(4,024,579)	(10,118)	(844,658)	(62,097)	(803)	(68,904)	(327,305)	(5,338,464)
Actuarial Gains on Obligations	(20,298,540)	(1,611,239)	(3,887,534)	(884,094)	(636,764)	(67,055)	(1,590,634)	(28,975,860)
As at 31 December 2022	28,743,485	742,361	6,594,557	769,222	256,344	316,311	3,430,954	40,853,234
Movement in Fair Value of Plan Assets/ Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2022	32,417,106	5,636,082	7,502,019	2,685,027	1,256,886	325,318	3,511,976	53,334,414
Interest Income	3,753,901	652,658	868,734	310,926	145,547	37,672	406,687	6,176,125
Contributions by the Employer	3,609,989	564,969	111,408	-	-	-	-	4,286,366
Contributions by the Employees	-	-	48,623	13,892	122,463	-	7,293	192,271
Benefit Paid from the Fund	(4,024,579)	(10,118)	(844,658)	(62,097)	(803)	(68,904)	(327,305)	(5,338,464)
Return on Plan Assets/ Investments excluding Interest Income	(8,622,670)	(1,953,464)	(2,110,507)	(796,232)	(423,053)	(83,516)	(822,541)	(14,811,983)
As at 31 December 2022	27,133,747	4,890,127	5,575,619	2,151,516	1,101,040	210,570	2,776,110	43,838,729
Expenses/(Income) Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2022	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Actuarial (Gains)/Losses on Obligations for the Year								
Due to Change in Financial Assumptions	(21,280,959)	(1,681,421)	(5,338,738)	(821,271)	(690,550)	(149,497)	(1,908,889)	(31,871,325)
Due to Experience	982,419	70,182	1,451,204	(62,823)	53,786	82,442	318,255	2,895,465
Return on Plan Assets/ Investments excluding Interest Income	8,622,670	1,953,464	2,110,507	796,232	423,053	83,516	822,541	14,811,983
Net (Income)/Expense for the Year Recognized in OCI	(11,675,870)	342,225	(1,777,027)	(87,862)	(213,711)	16,461	(768,093)	(14,163,877)

Benefit Expense for the Year Ended 31 December 2022	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Cost on Benefit Obligation	5,507,360	237,051	1,175,513	178,029	92,772	43,920	440,487	7,675,132
Interest Income on Plan Assets/Investments	(3,753,901)	(652,658)	(868,734)	(310,926)	(145,547)	(37,672)	(406,687)	(6,176,125)
Expected Return on Plan Assets	-	-	-	-	-	-	-	-
Net Actuarial (Gain) /Loss recognized during the year	-	-	-	-	-	-	-	-
Transitional Adjustment	-	-	-	-	-	-	-	-
Current Service Cost	-	79,596	-	-	-	29,075	63,979	172,650
Past Service Cost	-	-	-	-	-	-	1,040,563	1,040,563
Contributions by the Employees	-	-	(48,623)	(13,892)	(122,463)	-	(7,293)	(192,271)
Benefit Expense/(Income)	1,753,459	(336,011)	258,156	(146,789)	(175,238)	35,323	1,131,049	2,519,949

Composition of the Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Investment in Government Securities	25,156,360	4,598,490	5,063,782	1,955,169	1,072,593	196,145	2,658,415	40,700,954
Investment in Reverse Repo	112,927	42,808	33,002	2,015	9,225	9,252	43,525	252,754
Investment in Debentures	817,628	222,411	342,261	58,157	17,361	5,173	74,170	1,537,161
Investment in Fixed Deposits	1,043,051	24,187	134,333	134,847	968	-	-	1,337,386
Balances Remaining in Current Accounts	3,781	2,231	2,241	1,328	893	-	-	10,474
Total Plan Assets/Investments as at 31 December 2022	27,133,747	4,890,127	5,575,619	2,151,516	1,101,040	210,570	2,776,110	43,838,729

As at 31 December 2021								
Movement in the Benefit Liability/(Asset)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2021	16,989,329	(2,464,375)	4,660,286	(895,516)	825,451	18,494	2,145,748	21,279,417
Net Benefit Expense /(Income)	1,444,093	(53,181)	364,126	(86,665)	5,855	31,478	262,381	1,968,087
Amount recognized in Other Comprehensive Income	2,157,568	(752,427)	(421,712)	(165,462)	(889,978)	3,986	(1,225,696)	(1,293,721)
Contribution Paid	(5,448,852)	(319,028)	(1,953,483)	-	(397,075)	-	(890,545)	(9,008,983)
As at 31 December 2021	15,142,138	(3,589,011)	2,649,217	(1,147,643)	(455,747)	53,958	291,888	12,944,800

Movement in the Present Value of Projected Benefit Obligations								
	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2021	47,170,831	3,223,066	10,827,211	1,932,117	1,713,506	353,689	5,020,814	70,241,234
Interest Cost	4,009,521	273,961	920,313	164,230	145,648	30,064	426,769	5,970,506
Current Service Cost	-	156,290	-	-	-	29,906	87,410	273,606
Benefit Paid From the Fund	(2,926,130)	(11,321)	(560,527)	(39,986)	-	(21,590)	(277,412)	(3,836,966)
Actuarial Gains on Obligations	(694,978)	(1,594,925)	(1,035,761)	(518,977)	(1,058,015)	(12,793)	(1,453,717)	(6,369,166)
As at 31 December 2021	47,559,244	2,047,071	10,151,236	1,537,384	801,139	379,276	3,803,864	66,279,214

Movement in Fair Value of Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2021	30,181,502	5,687,441	6,166,925	2,827,633	888,055	335,195	2,875,066	48,961,817
Interest Income	2,565,428	483,432	524,189	240,349	75,485	28,492	244,381	4,161,756
Contributions by the Employer	5,448,852	319,028	1,953,483	-	397,075	-	890,545	9,008,983
Contributions by the Employees	-	-	31,998	10,546	64,308	-	7,417	114,269
Benefit Paid from the Fund	(2,926,130)	(11,321)	(560,527)	(39,986)	-	(21,590)	(277,412)	(3,836,966)
Return on Plan Assets/ Investments, Excluding Interest Income	(2,852,546)	(842,498)	(614,049)	(353,515)	(168,037)	(16,779)	(228,021)	(5,075,445)
As at 31 December 2021	32,417,106	5,636,082	7,502,019	2,685,027	1,256,886	325,318	3,511,976	53,334,414
Expenses Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2021	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Actuarial (Gains)/Losses on Obligations for the Year								
Due to Change in Financial Assumptions	(6,924,201)	(1,751,717)	(3,345,121)	(867,007)	(1,078,686)	(88,794)	(740,428)	(14,795,954)
Due to Experience	6,229,223	156,792	2,309,360	348,030	20,671	76,001	(713,289)	8,426,788
Return on Plan Assets/ Investments, excluding Interest Income	2,852,546	842,498	614,049	353,515	168,037	16,779	228,021	5,075,445
Net (Income)/Expense For the Year Recognized in OCI	2,157,568	(752,427)	(421,712)	(165,462)	(889,978)	3,986	(1,225,696)	(1,293,721)
Benefit Expense for the Year Ended 31 December 2021	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Cost on Benefit Obligation	4,009,521	273,961	920,313	164,230	145,648	30,064	426,769	5,970,506
Interest Income on Plan Assets/Investments	(2,565,428)	(483,432)	(524,189)	(240,349)	(75,485)	(28,492)	(244,381)	(4,161,756)
Current Service Cost	-	156,290	-	-	-	29,906	87,410	273,606
Contributions by the Employees	-	-	(31,998)	(10,546)	(64,308)	-	(7,417)	(114,269)
Benefit Expense / (Income)	1,444,093	(53,181)	364,126	(86,665)	5,855	31,478	262,381	1,968,087

Composition of the Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Investment in Government Securities	26,570,667	5,287,728	5,537,069	2,383,033	1,224,677	310,153	2,806,478	44,119,805
Investment in Reverse Repo	1,568,583	75,086	427,511	50,582	13,509	-	224,262	2,359,533
Investment in Debentures	820,495	219,709	342,517	56,934	16,850	5,094	70,832	1,532,431
Investment in Fixed Deposits	3,454,948	52,207	1,193,074	193,479	869	10,071	410,404	5,315,052
Balances Remaining in Current Accounts	2,413	1,352	1,848	999	981	-	-	7,593
Total Plan Assets/Investments as at 31 December 2021	32,417,106	5,636,082	7,502,019	2,685,027	1,256,886	325,318	3,511,976	53,334,414
The principal assumptions used in determining Employee Benefit Obligations for all the plans are shown below:								
					2022	2021		
Discount Rate					19.00%	11.58%		
Expected Rate of Return on Assets					19.00%	11.58%		
Rate of Salary Increases - Gratuity, W & OP, WR & OP, Old Pension Schemes					7.00%	7.00%		
Rate of Salary Increase - Pension New and WR & OP New					6.50%	6.50%		
Future Pension Increases - Old Pension Scheme					6.00%	7.50%		
Future Pension Increases - New Pension Scheme					2.50%	2.00%		
Attrition Rate					2.00%	2.00%		
Medical Cost Inflation Rate					4.50%	4.50%		
Average Remaining years of Service								
CBSL Pension					26 Years	26 Years		
CBSL Pension - New					39 Years	38 Years		
W & OP Pension Scheme					26 Years	26 Years		
WR & OP Pension Scheme					26 Years	26 Years		
W & OP and WR & OP Pension Scheme - New					39 Years	38 Years		
Gratuity Scheme					17 Years	17 Years		
CBSL Medical Benefit Scheme					27 Years	26 Years		
Retirement Age					60 Years	60 Years		
Sensitivity Analysis at 0.5% (As at 31 December 2022)								
		Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Projected benefit obligation on current assumptions		28,743,485	742,361	6,594,557	769,222	256,344	316,311	3,430,954
Effect of "+" change in discount rate		(668,156)	(65,500)	(158,025)	(23,092)	(17,521)	(6,674)	(84,038)
Effect of "-" change in discount rate		702,459	31,989	166,673	24,480	19,426	6,982	88,853
Effect of "+" change in attrition rate		-	-	-	-	-	68,915	-
Effect of "-" change in attrition rate		-	-	-	-	-	(73,479)	-
Effect of "+" change in salary escalation rate		24,664	38,679	955	384	11,353	7,748	-
Effect of "-" change in salary escalation rate		(24,212)	(36,178)	(939)	(376)	(10,648)	(7,438)	-
Effect of "+" change in Medical Cost Inflation		-	-	-	-	-	-	101,086
Effect of "-" change in Medical Cost Inflation		-	-	-	-	-	-	(95,784)
Effect of "+" change in Rate of Pension Escalation		761,600	-	185,807	27,040	-	-	-
Effect of "-" change in Rate of Pension Escalation		(727,576)	-	(176,763)	(25,592)	-	-	-

33. MISCELLANEOUS LIABILITIES AND ACCRUALS

Miscellaneous liabilities and accruals include the lease payables, deferred income on credit guarantees, accounts payable balances, contract retention and deposits taken as refundable tender deposits.

	2022 Rs. 000	2021 Rs. 000
Lease Liability (Note 33.1.4)	60,142	61,144
Provision for Credit Guarantees (Note 33.2)	220,347	1,117,492
Other Liabilities	574,554	2,848,713
	855,043	4,027,349

33.1 Leases

The Bank leases several lands and buildings of which the lease periods range from 2 to 30 years with the option to renew some of those leases after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Information about the leases for which the bank is a lessee is presented below.

33.1.1 Right of Use Assets

Right of Use assets relate to leased land and buildings that are presented within Property, Plant and Equipment (Note 20).

33.1.2 Amounts Recognised in the Statement of Income

	2022 Rs. 000	2021 Rs. 000
Interest on lease liability	6,030	5,482
Amortisation of right-of-use assets	7,161	6,501

33.1.3 Amounts Recognised in the Statement of Cash Flows

	2022 Rs. 000	2021 Rs. 000
Total cash outflow for leases	7,032	5,489

33.1.4 Lease Liability

	2022 Rs. 000	2021 Rs. 000
Balance as at 1 January	61,144	52,038
Additions during the year	-	9,114
Remeasurement during the year	-	-
Interest charges during the year	6,030	5,481
Lease payments during the year	(7,032)	(5,489)
Balance as at 31 December	60,142	61,144

33.1.5 Maturity Analysis of Lease Liability

	2022 Rs. 000	2021 Rs. 000
Non-current	57,642	58,815
Current	2,500	2,329
Balance as at 31 December	60,142	61,144

33.1.6 Maturity Analysis based on Contractual Undiscounted Cash Flows

	2022 Rs. 000	2021 Rs. 000
Less than one year	8,303	8,359
One to five years	23,198	20,836
More than five years	119,492	130,157
Total undiscounted lease liabilities	150,993	159,352

33.2 Provision for Credit Guarantees

	2022 Rs. 000	2021 Rs. 000
Deferred Income on Credit Guarantee Schemes operated by RDD	1,023	105,760
Expected Credit Loss on Credit Guarantees (Note 33.2.1)	219,324	1,011,732
Balance as at 31 December	220,347	1,117,492

33.2.1 Movement in Expected Credit Losses on Credit Guarantees

	2022 Stage 1 Rs. 000	2021 Stage 1 Rs. 000
Balance as at 1 January	1,011,732	-
Reversal during the Year	(792,408)	1,011,732
Balance as at 31 December	219,324	1,011,732

34. EQUITY**Nature of Equity Items****34.1 Capital Funds**

Contributed Capital - The capital account represents the capital of the Bank in accordance with section 6 of the Monetary Law Act (MLA). As per the section 6 of the MLA (Amendment) Act No. 15 of 2014, the capital of the Bank has been increased to Rs. 50.00 Bn. Accordingly, the Bank has increased its capital up to Rs. 50.00 Bn by capitalizing the Bank's reserves with the concurrence of Minister of Finance in September 2014.

34.2 Fixed Assets Revaluation Reserve

This reserve is made up of the revaluation surpluses of Property, Plant and Equipment as per IAS 16 - Property, Plant and Equipment.

34.3 Other Reserves comprise the following;

i) International Revaluation Reserve (IRR) - International Revaluation Reserve is a reserve established in accordance with section 41 of the Monetary Law Act which requires that any unrealised gain or loss arising from the revaluation of net assets and liabilities of CBSL in gold or foreign currency shall not be considered in computing the net profit of the Bank, instead such profit or loss should be transferred to the IRR.

ii) Market Revaluation Reserve (MRR) - Market Revaluation Reserve was set up as per the Monetary Board decision of 30 January 2003, to transfer the price valuation gains from marking to market the foreign assets, in order to meet any adverse effects of volatilities in the international markets leading to adverse movements in market prices of the foreign financial assets. The Monetary Board has decided to build up this reserve to a maximum of 10% of the gross foreign reserves of the Bank.

Further, as per the Monetary Board decision MB/DG (W)/7/1/2016 dated 29 February 2016 on proposed amendments to the Profit Distribution Policy of the Bank, where Monetary Board deems necessary, transfer may be made from the MRR to Retained Earnings, in the case of negative Retained Earnings due to significant unrealized marked to market losses.

Considering the marked to market gains recorded in 2021, an amount of Rs. 49.64 Bn was transferred to MRR from Retained Earnings in 2022 as per the Monetary Board decision BP MB/F/6/3/2022 dated 24 February 2022.

iii) Other Reserves - Other reserves include General Reserve, Building Reserve and Credit Guarantee Reserve. General Reserve includes the amounts set aside from the retained earnings by the Monetary Board.

iv) Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income - Unrealized gains and losses on the fair valuation of securities designated as fair value through other comprehensive income are transferred to this reserve.

v) RTGS Sinking Fund - This fund is built up with the charges collected from the participants for the use of the RTGS system.

vi) Pension Fund Reserve - This reserve is made up by transferring an additional Rs.3.00 Bn from 2007 profits to be used to meet any shortfalls in the pension fund given the vulnerability of the income generating capacity of the Bank to external risks. Another Rs.1.00 Bn have been transferred to this reserve from 2011 profits. During June 2015, Rs.2.00 Bn has been transferred from Pension Fund Reserve to New Pension Liability Account to implement the new pension scheme as per Board Paper No: MB/HR/11/12/2015.

vii) Technical Advancement Reserve - This reserve is built up from 2007 profits specifically to be used for technical advancement requirements, modification or upgrading of the IT systems currently used by the Bank i.e., General Ledger, RTGS, Treasury Management System and Scriptless Securities Settlement system. During March 2018, an additional Rs.2.00 Bn was transferred from 2017 profits to this reserve.

viii) Special Credit Guarantee Scheme Reserve - This reserve was set up in the year 2014 by transferring Rs.2.00 Bn from Medium and Long Term Credit Fund, of which Rs.1.00 Bn is allocated to support restructure of Saubaghya Loan Scheme, Awakening North Loan Scheme (phase II), Resumption of Economic Activities in the East (phase II) and Repair of Damaged Houses in North and East operated by Regional Development Department of the Bank. The balance of Rs.1.00 Bn is allocated to implement a special credit guarantee scheme to support lending to Small and Medium Enterprises by Commercial Banks.

ix) Reserve for Funding purpose of Post Employment Benefit Plans - As per Monetary Board decision MB/F/39/20/2016 dated 16.12.2016, it is proposed to allocate 50 per cent of the benefit expenses of the actuary of a given year (starting from 2016) to a separate reserve, if there are adequate distributable profits with a view to compensate the possible negative impact to the equity attributed to actuarial losses and benefit expenses. An allocation of Rs.1,051.04 Mn was made to this fund in February 2022, from the distributable profits of year 2021.

x) Medium and Long Term Credit Reserve - In accordance with the Monetary Board decisions MB/FD/11/14/2020 dated 15 April 2020 and MB/RD/19/28/2020 dated 11 June 2020, Rs. 15.46 Bn from the General Reserve and the Building Reserve, Rs. 1.96 Bn from the Special Credit Guarantee Scheme Reserve, Rs. 3.00 Bn from the Technical Advancement Reserve and Rs. 4.33 Bn from the Reserve for Funding Purposes of Post Employment Benefit Plans was transferred during 2020 to the Medium and Long Term Credit Reserve to support the refinance lending programs initiated by the Bank to overcome the effects of COVID 19 Pandemic.

Further, based on the RDD net asset incorporation performed on 31st December 2021 in accordance with the Monetary Board decision MB/F/6/4/2022 dated 24 February 2022, the net impact of such absorption for a value of Rs.15.0Bn was subsequently transferred to this reserve from the distributable profit of year 2021.

The movements in the other reserves are as follows:

	Medium and Long Term Credit Reserve	Market Revaluation Reserve	Other Reserves	Special Credit Guarantee Scheme Reserve	RTGS Sinking Fund	Fixed Asset Revaluation Reserve	IRR	Net Fair value Gain/(Loss) on FVOCI Securities	Pension Fund Reserve	Reserve for Funding Purposes of Post Employment Benefit Plans	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1 January 2022	29,577,739	87,037,512	4,001,226	40,000	3,239,926	11,902,670	182,036,032	(6,210,465)	2,000,000	1,503,586	315,128,226
Transfer to RTGS Sinking Fund	-	-	-	-	438,146	-	-	-	-	-	438,146
Transfer of Profits to General Reserve	-	-	27,526,076	-	-	-	-	-	-	-	27,526,076
Transfer of Funds to MLTCF for the RDD operations as per the profit appropriation BP of 2021	15,000,000	-	-	-	-	-	-	-	-	-	15,000,000
Transfer of Net Foreign Exchange Revaluation Gain/ (Loss)	-	-	-	-	-	-	(610,149,293)	-	-	-	(610,149,293)
Net Fair Value Loss on Securities at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	(1,189,382)	-	-	(1,189,382)
Transfer of Funds to Market Revaluation Reserve	-	49,638,590	-	-	-	-	-	-	-	-	49,638,590
Transfer to Reserve for funding purposes of Post-Employment Benefit Plans	-	-	-	-	-	-	-	-	-	1,051,039	1,051,039
Market Valuation Reserve - Government Securities Classified at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	11,225,713	-	-	11,225,713
Market Valuation Reserve - Equity Investments Classified at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	145,915	-	-	145,915
Balance as at 31 December 2022	44,577,739	136,676,102	31,527,302	40,000	3,678,072	11,902,670	(428,113,261)	3,971,781	2,000,000	2,554,624	(191,184,970)

35. PROFIT DISTRIBUTION

In terms of the Monetary Law Act and Monetary Board approved Profit Distribution Policy of CBSL (effective from 2018), the following adjustments are made to the net profit for the year in order to arrive at the distributable profit.

- Fully remove the exchange gains and remove the exchange losses until the accumulated exchange gains are sufficient to absorb the losses. Charge any additional exchange losses (As per the Profit Distribution Policy of CBSL).
- Remove gains from Unrealized Price Revaluations (unrealized "marked to market" gains) but charge losses from Unrealized Price Revaluations (unrealized "marked to market" losses) (As per the Profit Distribution Policy of CBSL)
- Any other transfers to reserves as per Sec.38 of MLA and any other adjustments arising from Sec. 39 of MLA as decided by the Monetary Board.

Further, any other adjustment as required by accounting standards and management decisions are adjusted in arriving at the distributable profit.

Based on the above adjustments, the distributable profit for the year ended 31 December 2022 is as follows. However, the adjustment referred in a) above has not

been performed in arriving at the distributable profit indicated below in order to comply with the section 41 of the MLA. Accordingly, the exchange losses of the reporting year has been fully removed in arriving at the distributable profit with the approval of the Monetary Board.

Item	2022 Rs. 000
Calculation of Distributable Profit	
IFRS Profit/(Loss)	(374,320,973)
Less:	
Transfer of exchange losses to International Revaluation Reserve (IRR) in accordance with the MLA	(610,149,293)
Transfer of interest income on internal Funds to respective Funds	793,692
Distributable Profit as per MLA and Profit Distribution Policy	235,034,628
Distribution of Profit	
Transfer to Surplus	235,034,628

As per Section 39 (b) of the Monetary Law Act any net profits remaining shall be carried to surplus until such time as the equity to domestic assets ratio reach 15 percent. Accordingly, the entire distributable profit of 2022 of Rs. 235.03Bn will be transferred to surplus.

36. INTEREST INCOME FROM FINANCIAL ASSETS

	2022 Rs. 000	2021 Rs. 000
Interest Income from Foreign Currency Financial Assets		
Cash and Short Term Deposits	1,229,509	274,786
Financial Assets	349,787	4,104,262
Total Interest Income from Foreign Currency Financial Assets	1,579,295	4,379,048
Interest Income from Local Currency Financial Assets		
Sri Lanka Government Securities	357,442,399	55,718,603
Securities Purchased under Resale Agreements	117,769,763	8,806,814
Other Loans and Advances	5,661,688	2,770,062
Interest Income from Other Assets	1,802,677	1,317,449
Total Interest Income from Local Currency Financial Assets	482,676,527	68,612,928
Total Interest Income from Financial Assets	484,255,823	72,991,976

Total Interest Income calculated using the effective interest method during 2022 was Rs.357,596.28 Mn (2021 - Rs.58,662.72 Mn).

37. GAIN/(LOSS) FROM UNREALIZED PRICE REVALUATIONS

	2022 Rs. 000	2021 Rs. 000
Foreign Securities	-	(302,953)
Gold	(3,106,177)	(7,475,934)
Forex & Currency SWAPS	(124,179,927)	49,638,590
Total Gain/(Loss) from Unrealized Price Revaluations	(127,286,104)	41,859,703

38. INTEREST EXPENSES ON FINANCIAL LIABILITIES

	2022 Rs. 000	2021 Rs. 000
Interest Expense on Foreign Currency Financial Liabilities		
Asian Clearing Union	13,109,060	78,207
IMF Related Liabilities	14,332,873	2,946,797
Other Foreign Payables	4,851,344	609,524
Total Interest Expense on Foreign Currency Financial Liabilities	32,293,277	3,634,528
Interest Expense on Local Currency Financial Liabilities		
Securities Sold Under Repurchase Agreements	465,598	890,946
Standing Deposit Facility	29,948,163	5,668,475
Abandoned Property	3,072,799	623,593
Miscellaneous Interest Expenses	4,133,034	1,286,883
Total Interest Expense on Local Currency Financial Liabilities	37,619,594	8,469,897
Total Interest Expense on Financial Liabilities	69,912,871	12,104,425

The Bank has a net sterilization gain of Rs. 72,133.23 Mn (2021 - Rs. 3,050.59 Mn) in its activities to inject liquidity to the domestic market. The sterilization cost is comprised of the interest expenses incurred on securities sold under agreement to repurchase, interest expense on bond borrowing, interest expense on Standing Deposit Facility and USD/LKR Derivative loss included in the gain/ (loss) from realized price changes netted off with interest income earned on the securities purchased under agreement to resale (Reverse Repurchase) and interest expenses incurred on Standing Lending Facility included under interest income from Sri Lanka Government Securities.

	2022 Rs. 000	2021 Rs. 000
Interest expenses incurred on securities sold under agreement to repurchase	465,598	890,946
Interest expense on Standing Deposit Facility	29,948,163	5,668,475
Less:		
Interest income earned on the securities purchased under agreement to resale	117,769,763	8,806,814
USD/LKR Derivative Gain	(15,222,772)	803,202
	72,133,230	3,050,595

39. REVERSAL/(CHARGE) OF EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	2022 Rs. 000	2021 Rs. 000
Foreign Currency Financial Assets		
Financial Assets at Amortized Cost		
Cash & Cash Equivalents (Note 8.2)	(759,464)	184,970
IMF Related Assets (Note 11.4)	(5)	(1)
Securities at Fair Value through Other Comprehensive Income (Note 9.2)	(3,749)	2,097,726
Total Expected Credit Loss Reversal/(Charge) on Foreign Currency Financial Assets	(763,218)	2,282,695
Local Currency Financial Assets		
Financial Assets at Amortised Cost		
Loans to Banks (Note 16.2)	(295,001)	123,745
Investments by Internal Funds (Note 17.1 & 17.2)	25	79,291
Credit Guarantee Provision (Note 33.2.1)	792,408	(1,011,732)
Total Expected Credit Loss Charge on Local Currency Financial Assets	497,432	(808,696)
Total Expected Credit Loss Reversal/(Charge) on Financial Assets	(265,786)	1,473,999

40. OTHER INCOME			42. ADMINISTRATION AND OTHER EXPENSES		
	2022 Rs. 000	2021 Rs. 000		2022 Rs. 000	2021 Rs. 000
Dividend Income - Related Party	138,037	153,987	Repairs and Maintenance	1,277,530	879,065
Amortization of Assets received from Grants	28	28	Loss on Disposal of Property, Plant and Equipment	-	669,923
Licensing Fees of Financial Institutions	673,300	614,575	Operating Expenses for Reuters, Bloomberg, SWIFT etc.	285,862	205,041
Rent Income	207,766	282,174	Travelling	48,967	22,008
Charges collected from RTGS Participants	71,809	54,237	Printing	61,428	41,699
Other income from the RDD net asset incorporation (Note 40.2)	597,118	14,705,875	Statutory Audit Fees	12,338	9,225
Miscellaneous Income	766,160	469,494	Remuneration to Members of the Monetary Board/Sub Committees	4,500	3,975
Total Other Income	2,454,218	16,280,370	Advertising Cost	50,765	48,796
			Consultancy, Communication, Advisory and Professional Fees	220,071	210,337
			Interest Expense on Lease Liability	6,030	5,482
			Miscellaneous Expenses	(57,110)	183,571
			Total Administration and Other Expenses	1,910,381	2,279,122
40.1 OTHER EXPENSE			43. TAX		
	2022 Rs. 000	2021 Rs. 000		2022 Rs. 000	2021 Rs. 000
Incentives on Inward Foreign Remittances	10,260,110	-			
	10,260,110	-			
<p>With an objective of encouraging more workers' remittances to the country through formal fund transferring channels, the Central Bank of Sri Lanka decided to grant an incentive for Sri Lankans working abroad by reimbursing the transaction cost incurred on account of inward workers' remittances. Accordingly, the total transaction cost reimbursed to all Licensed Banks by CBSL during the year 2022 is disclosed under other expense.</p>			<p>The Bank is not liable for the income tax as per section 9 (1) of Inland Revenue Act No. 24 of 2017 and subsequent amendments as per Inland Revenue (Amendment) Act No. 10 of 2021 & Inland Revenue (Amendment) Act No. 45 of 2022. During the year 2022, the Bank did not pay any taxes (2021 - Nil).</p>		
40.2 Incorporation of net assets of schemes operated by Regional Development Department			44. RECONCILIATION OF OPERATING PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES		
<p>The Monetary Board of the Central Bank of Sri Lanka approved to incorporate the balances related to the refinance and credit guarantee schemes operated by Regional Development Department (RDD) in the financial statements of the Bank for the year ended 31 December 2021. Accordingly, a net asset value of Rs.14.706Bn was recorded under other income from the RDD net asset incorporation for the year ended 31 December 2021.</p>			<p>Reported Profit from Operating Activities</p>		
<p>The subsequent adjustments occurred in relation to this absorption was recorded under other income from the RDD net assets incorporation during the year 2022</p>			<p>Add/(Less) : Non-Cash Items</p>		
	2022 Rs. 000	2021 Rs. 000		2022 Rs. 000	2021 Rs. 000
Wages and Salaries	6,691,770	7,116,223	Depreciation & Amortization	737,304	526,675
Defined Contribution Plan Costs	11,550,422	1,717,811	Interest Receivable – Local Currency – Investment Portfolio	(475,212,162)	(64,504,574)
Post Employee Defined Benefit Plan Costs	2,091,404	1,891,272	Net Provision for Defined Employee Benefit Plans	7,810,442	2,290,446
Total Personnel Expenses	20,333,596	10,725,306	Gross Unrealised Foreign Exchange Gain	430,181,826	(43,638,970)
			Loss/(Profit) on Sale of Property, Plant and Equipment	548	669,924
			Provisions and Accruals	43,215,464	3,144,366
			Expected Credit Loss Provision on Financial Assets	265,786	(1,473,999)
			Deferred Grants	656	389
			Amortization of PRGF Deposit	(3,953)	(2,372)
			Write off of Construction in Progress	-	(356)
			Amortization Expense of Fixed Income Securities	(9,800)	877,761
			Other Income Net Impact from the RDD Net Asset Incorporation	5,568,805	(14,705,875)
			Add/(Less) : Movements in Other Working Capital Items		
			Decrease in Inventories	140,126	1,373,286
			Decrease in Interest Receivable	(33,191,964)	3,593,983
			Increase in Miscellaneous Liabilities	(6,324,458)	1,539,342
			Increase in Interest Payable	12,431,642	425,395
			Increase in Other Receivables	32,570,689	(2,236,407)
			Add/(Less) : Investing and Financing Activities		
			Net Unrealised Market Value Changes	127,286,104	(45,265,635)
			Net Cash Flows from Operating Activities	(228,853,919)	776,045

45. NET ISSUES/(WITHDRAWALS) OF CIRCULATION CURRENCY ON GOVERNMENT TRANSACTIONS			46. NET ISSUES/(WITHDRAWALS) OF CIRCULATION CURRENCY ON BANK AND FINANCIAL INSTITUTIONS TRANSACTIONS				
	2022 Rs. 000	2021 Rs. 000		2022 Rs. 000	2021 Rs. 000		
Purchase of Sri Lanka Government Securities	1,132,877,429	1,218,291,655	(Increase)/Decrease in Deposits by Banks and Financial Institutions	(22,342,019)	(171,102,641)		
Interest Received – Local Currency – Sri Lanka Government Securities	(367,603,730)	(43,061,965)					
Decrease in Advances to GOSL	85,509,900	(2,933,100)					
(Increase)/Decrease in Balances with Government and Government Entities	1,170,890	68,211					
	<u>851,954,489</u>	<u>1,172,364,801</u>					
47. CONCENTRATIONS OF FUNDING							
The Bank's concentrations of funding as at reporting date were as follows:							
47.1 Balance as at 31 December 2022	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Foreign Banks & Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets							
Cash and Cash Equivalents	-	-	-	643,040	651,044,824	-	651,687,864
Securities at Fair Value through Other Comprehensive Income	-	-	-	-	10,867,425	-	10,867,425
Derivative Financial Instruments	-	-	401,580	-	-	-	401,580
IMF Related Assets	-	-	-	-	281,421,074	-	281,421,074
Other Receivables	-	-	37,022,631	-	-	-	37,022,631
Total Foreign Currency Financial Assets	-	-	37,424,211	643,040	943,333,323	-	981,400,574
Local Currency Financial Assets							
Sri Lanka Government Securities	2,498,995,015	-	-	-	-	-	2,498,995,015
Securities Purchased under Resale Agreements	698,069,219	-	-	-	-	-	698,069,219
Provisional Advances to Government	235,638,700	-	-	-	-	-	235,638,700
Equity Investments in Financial and Other Institutions	-	-	-	-	-	1,817,132	1,817,132
Loans to Banks	-	-	28,257,902	-	-	-	28,257,902
Other Assets	-	-	-	-	-	30,182,560	30,182,560
Total Local Currency Financial Assets	<u>3,432,702,934</u>	-	<u>28,257,902</u>	-	-	<u>31,999,692</u>	<u>3,492,960,528</u>
Total Financial Assets	<u>3,432,702,934</u>	-	<u>65,682,113</u>	<u>643,040</u>	<u>943,333,323</u>	<u>31,999,692</u>	<u>4,474,361,102</u>
Foreign Currency Non - Financial Assets							
Gold	-	-	-	-	-	10,031,610	10,031,610
	-	-	-	-	-	10,031,610	10,031,610
Non - Financial Assets							
Inventories	-	-	-	-	-	4,788,407	4,788,407
Other Receivables and Prepayments	-	-	-	-	-	1,222,568	1,222,568
Property, Plant and Equipment	-	-	-	-	-	19,035,278	19,035,278
Intangible Assets	-	-	-	-	-	908,137	908,137
Total Non - Financial Assets	-	-	-	-	-	<u>25,954,390</u>	<u>25,954,390</u>
Total Assets	<u>3,432,702,934</u>	-	<u>65,682,113</u>	<u>643,040</u>	<u>943,333,323</u>	<u>67,985,692</u>	<u>4,510,347,102</u>

47.2 Balance as at 31 December 2021	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Foreign Banks & Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets							
Cash and Cash Equivalents	-	-	-	51,348,516	461,413,936	-	512,762,452
Securities at Fair Value through Other Comprehensive Income	-	-	-	-	8,818,244	-	8,818,244
Derivative Financial Instruments	-	-	54,022,836	-	-	-	54,022,836
IMF Related Assets	-	-	-	-	188,045,837	-	188,045,837
Other Receivables	-	-	-	-	-	-	-
Total Foreign Currency Financial Assets	-	-	54,022,836	51,348,516	658,278,017	-	763,649,369
Local Currency Financial Assets							
Sri Lanka Government Securities	1,377,820,347	-	-	-	-	-	1,377,820,347
Securities Purchased under Resale Agreements	567,532,312	-	-	-	-	-	567,532,312
Provisional Advances to Government	150,128,800	-	-	-	-	-	150,128,800
Equity Investments in Financial and Other Institutions	-	-	-	-	-	1,671,218	1,671,218
Loans to Banks	-	-	90,572,746	-	-	-	90,572,746
Other Assets	-	-	-	-	-	34,063,770	34,063,770
Total Local Currency Financial Assets	2,095,481,459	-	90,572,746	-	-	35,734,988	2,221,789,193
Total Financial Assets	2,095,481,459	-	144,595,582	51,348,516	658,278,017	35,734,988	2,985,438,562
Foreign Currency Non - Financial Assets							
Gold	-	-	-	-	-	35,151,981	35,151,981
	-	-	-	-	-	35,151,981	35,151,981
Non-Financial Assets							
Inventories	-	-	-	-	-	4,928,533	4,928,533
Other Receivables and Prepayments	-	-	-	-	-	961,456	961,456
Property, Plant and Equipment	-	-	-	-	-	19,235,994	19,235,994
Intangible Assets	-	-	-	-	-	561,632	561,632
Total Non-Financial Assets	-	-	-	-	-	25,687,615	25,687,615
Total Assets	2,095,481,459	-	144,595,582	51,348,516	658,278,017	96,574,584	3,046,278,158
47.3 Balance as at 31 December 2022							
	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Supranational Financial Institutions	Other	Total	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Foreign Currency Financial Liabilities							
Banks and Financial Institutions	-	-	-	-	146,408,028	146,408,028	
Derivative Financial Instruments	-	-	71,697,994	-	-	71,697,994	
Asian Clearing Union	-	-	-	736,258,129	-	736,258,129	
IMF	-	-	-	1,127,925,092	-	1,127,925,092	
Other	1,021,468	-	-	69,173	593,292,810	594,383,451	
Total Foreign Currency Financial Liabilities	1,021,468	-	71,697,994	1,864,252,394	739,700,838	2,676,672,694	
Local Currency Financial Liabilities							
Deposits of Banks and Financial Institutions	-	-	311,537,802	-	11,508,379	323,046,181	
Deposits of Government and Government Entities	221,406	5	-	-	-	221,411	
Securities Sold Under Repurchase Agreements & Standing	-	-	330,637,059	-	-	330,637,059	
Deposit Facility	-	-	-	-	-	-	
Currency in Circulation	-	1,026,567,252	-	-	-	1,026,567,252	
Other Payables	86,808	-	-	-	68,233,539	68,320,347	
Total Local Currency Financial Liabilities	308,214	1,026,567,257	642,174,861	-	79,741,918	1,748,792,250	
Total Financial Liabilities	1,329,682	1,026,567,257	713,872,855	1,864,252,394	819,442,756	4,425,464,944	
Other Liabilities							
Deferred Grants	-	-	-	-	1,834	1,834	
Pension and Other Post - Employment Benefit Plans	-	-	-	-	1,772,429	1,772,429	
Miscellaneous Liabilities and Accruals	-	-	-	-	855,043	855,043	
Total Other Liabilities	-	-	-	-	2,629,306	2,629,306	
Total Liabilities	1,329,682	1,026,567,257	713,872,855	1,864,252,394	822,072,062	4,428,094,250	

47.4 Balance as at 31 December 2021	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Liabilities						
Banks and Financial Institutions	-	-	-	-	13,701	13,701
Derivative Financial Instruments	-	-	1,139,323	-	-	1,139,323
Asian Clearing Union	-	-	-	104,764,616	-	104,764,616
IMF	-	-	-	670,065,243	-	670,065,243
Other	1,501,522	-	-	178,312	355,615,842	357,295,676
Total Foreign Currency Financial Liabilities	1,501,522	-	1,139,323	775,008,171	355,629,543	1,133,278,559
Local Currency Financial Assets						
Deposits of Banks and Financial Institutions	-	-	289,396,174	-	11,307,988	300,704,162
Deposits of Government and Government Entities	1,392,104	197	-	-	-	1,392,301
Securities Sold Under Repurchase Agreements & Standing	-	-	99,426,206	-	1,636,674	101,062,880
Deposit Facility	-	-	-	-	-	-
Currency in Circulation	-	1,005,099,066	-	-	-	1,005,099,066
Other Payables	26,525	-	8,947,739	-	10,189,618	19,163,882
Total Local Currency Financial Liabilities	1,418,629	1,005,099,263	397,770,119	-	23,134,280	1,427,422,291
Total Financial Liabilities	2,920,151	1,005,099,263	398,909,442	775,008,171	378,763,823	2,560,700,850
Other Liabilities						
Deferred Grants	-	-	-	-	1,178	1,178
Pension and Other Post - Employment Benefit Plans	-	-	-	-	17,929,737	17,929,737
Miscellaneous Liabilities and Accruals	-	-	-	-	4,027,349	4,027,349
Total Other Liabilities	-	-	-	-	21,958,264	21,958,264
Total Liabilities	2,920,151	1,005,099,263	398,909,442	775,008,171	400,722,087	2,582,659,114

48. RISK MANAGEMENT

In pursuing its policy objectives, CBSL faces various risks, both financial and non-financial in nature. Since the materialization of any of such risks could have an adverse impact on the achievement of objectives, financial position and the reputation of CBSL, having a properly designed risk management framework in place is vital. Accordingly, CBSL has established an Enterprise-wide Risk Management (ERM) Framework to ensure the risks faced by CBSL are properly managed.

The Risk Governance Framework which was approved by the Monetary Board comprises both a Risk Governance Structure and a Risk Management Structure covering financial and non-financial risks confronted by the Bank. The Risk Governance Structure consists of the Monetary Board (MB) and two Board sub-committees, i.e. the Board Risk Oversight Committee (BROC) and the Monetary Board Advisory Audit Committee (MBAAC). The MB holds the ultimate responsibility for the overall risk management function of the Bank and sets the "Tone at the Top".

The BROC oversees CBSL's overall Risk Management and Compliance Functions via a formal delegation from the MB and is responsible for laying the broad strategy and policies for the Bank's Risk Management and Compliance functions. The BROC also assists the MB to ensure a dedicated focus on risk management and compliance at the Bank.

The Risk Management Structure consists of a Non-Financial Risk Management Committee (NFRMC), Investment

Oversight Committees (IOCs) and all departments. The CBSL follows the "Three Lines of Defence" risk management model where all departments form the first line of defence. In the first line of defence, operational departments are responsible for identifying, analysing, evaluating, treating, monitoring, reviewing and reporting financial and/or operational risks related to their functions, through their respective reporting channels, in line with the risk management structure of the CBSL. Risk Management Department, as a part of the second line of defence, is responsible for facilitating the risk management process related to financial and operational risks, by coordinating relevant activities to direct and guide CBSL in this regard. With regard to operational risks, RMD reports to the BROC, through the NFRMC and with regard to financial risks, RMD reports directly to the BROC, on a periodic basis. Internal Audit Department (IAD), as the third line of defence, is responsible for providing independent objective assurance and recommendations to add value and improving the control environment relating to operations of the CBSL through audits. IAD reports the progress of the conduct of audits to the MB and MBAAC, quarterly and submits information on audit reports issued to the Auditor General on quarterly basis.

In line with the ERM framework, RMD has developed a Risk Management Policy Statement (RMPS) for the CBSL, setting out the policies for the implementation of risk management across CBSL. In this process, CBSL follows accepted standards and guidelines for managing risks, while assigning risk ownership and management among different stakeholders with clear accountability.

RMD is responsible for facilitating the financial risk management of the fund management activities of the International Reserves, and the Internal Investment Funds of CBSL, as well as the Employees' Provident Fund which is managed by CBSL as an agency function of the Government. Accordingly, RMD has formulated Investment Policy Statements (IPS), Strategic Asset Allocation (SAA) and Investment Guidelines (IGs) for all three funds and reviews them regularly to incorporate any required changes. RMD also independently monitors market and credit risks pertaining to these fund management activities to ensure these investments are within the stipulated limits specified by the MB approved SAA, IPS and IGs and reports to the respective Investment Oversight Committees, the BROC and the MB on a periodic basis.

In facilitating the operational risk management, RMD reviews the Operational Risk Taxonomy of the CBSL on need basis, updating it including/excluding risk categories and incorporating any other changes required to suit the prevailing risk environment. To promote a risk culture within the bank, RMD conducts numerous risk awareness sessions for CBSL staff throughout the year at various fora. In addition, a biennial perception survey is conducted among selected staff of CBSL to determine the level of awareness with regard to the existing operational risk management mechanism in place. The survey results are used to design future awareness sessions appropriately, leading to enhancing the risk culture within CBSL and to further improve the operational risk management mechanism currently in use.

Further, RMD works with departments to provide the initial facilitation for the development of their Risk Registers and to refine these Risk Registers using a spreadsheet-based risk register format. The risk profile of CBSL is developed using these Departmental Risk Registers, enhancing the operational risk management process.

RMD continuously administers incidents reported through the Incident Reporting System, enabling the development of a central repository of incidents and tracking progress on the implementation of corrective measures. The information gathered through this system helps in identifying possible risk trends, areas of vulnerabilities and improving related risk treatment measures.

48.1 Credit Risk

(a) Concentrations of Credit Exposure by Geographical Area

The Bank's significant concentrations of credit exposure by geographical area (based on the entity's country of ownership) as at reporting date were as follows:

	2022 Rs. 000	2021 Rs. 000
Sri Lanka	3,530,384,740	2,275,756,176
USA	129,318,087	130,712,211
Japan	158,350	9,457,390
Britain	140,790	1,008,405
Europe	2,232,018	1,582,664
Supranational	284,961,366	190,963,416
Other	527,165,751	375,958,300
Total Financial Assets	4,474,361,102	2,985,438,562

(b) Concentrations of Credit Exposure by Institution

The Bank's significant concentrations of credit exposure by Institution type as at reporting date were as follows:

	2022 Rs. 000	2021 Rs. 000
Governments	3,403,598,633	2,014,470,178
Supranational Financial Institutions	295,828,791	227,180,460
Foreign Banks and Financial Institutions	643,040	15,187,326
Sri Lanka Banks & Financial Institutions	764,200,061	718,635,801
Other	10,090,577	9,964,797
Total Financial Assets	4,474,361,102	2,985,438,562

(c) Credit Exposure by Credit Rating

The following table represents the credit ratings of respective financial assets or issuers, based on the ratings of Standard and Poor's and Fitch Ratings. Under Standard & Poor's ratings and Fitch Ratings, AAA is the highest quality rating possible and indicates the lowest expectations of credit risk. It is assigned only in the case of exceptionally strong capacity for timely payment of financial commitment. AA is very high quality grade, indicating very low expectation of credit risk, and A is an upper medium grade, indicating a low expectation of credit risk; BBB is the lowest investment grade rating, indicating that there is currently a low expectation of credit risk and exhibits adequate protection parameters, ratings lower than AAA can be modified by + or - signs to indicate relative standing within the major categories. Uncured payment defaults or distressed debt exchanges on bonds, loans, or other significant financial obligations are indicated by RD ratings. NR indicates that Standard and Poor's or Fitch Rating have not rated the entity.

Credit Exposure by Credit Rating	Credit Rating	2022 Rs.000	%	2021 Rs.000	%
Cash & Cash Equivalents					
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China					
		651,044,824	14.55%	497,630,980	16.67%
Other Counterparties					
	AAA	-	0.00%	4,009,562	0.13%
	AA-	96,911	0.00%	2,004,771	0.07%
	A+	80,743	0.00%	8,094,146	0.27%
	A-	353,258	0.01%	768,180	0.03%
	BBB	68,247	0.00%	40,255	0.00%
	NR	43,881	0.00%	214,558	0.01%
		651,687,864	14.56%	512,762,452	17.18%
Securities at Fair Value through Other Comprehensive Income					
	AAA	1,090,124	0.03%	2,830,756	0.09%
	AA+	9,777,301	0.23%	5,987,488	0.20%
		10,867,425	0.24%	8,818,244	0.29%
Derivative Financial Instruments					
Locally Rated					
	A	-	0.00%	55,853	0.00%
	AA-	-	0.00%	34,088,798	1.14%
	A+	-	0.00%	19,788,494	0.67%
	A	343,437	0.01%	33,378	0.00%
	A-	58,143	0.00%	-	0.00%
	BBB-	-	0.00%	2	0.00%
	BB+	-	0.00%	56,311	0.00%
		401,580	0.01%	54,022,836	1.81%
IMF Related Assets					
		281,421,074	6.29%	188,045,837	6.30%
		281,421,074	6.29%	188,045,837	6.30%
Other Receivables					
	A	37,022,631	0.83%	-	0.00%
		37,022,631	0.83%	-	0.00%
Total Foreign Currency Financial Assets					
		981,400,574	21.93%	763,649,369	25.58%

	Credit Rating	2022 Rs.000	%	2021 Rs.000	%
Local Currency Financial Assets					
Sri Lanka Government Securities	RD	2,498,995,015	55.85%	-	0.00%
	CCC+	-	0.00%	1,377,820,347	46.15%
Securities Purchased under Resale Agreements	AAA	8,624,339	0.19%	-	0.00%
	AA-	-	0.00%	557,856,718	18.69%
	A	650,453,702	14.54%	5,656,932	0.19%
	A-	15,966,586	0.36%	-	0.00%
	BBB-	3,327,832	0.07%	-	0.00%
	NR	19,696,760	0.45%	4,018,662	0.14%
Provisional Advances to Government	RD	235,638,700	5.27%	-	0.00%
	CCC+	-	0.00%	150,128,800	5.03%
Equity Investments in Financial and Other Institutions	NR	1,817,132	0.04%	1,671,218	0.06%
Loans to Banks	AAA	3,327	0.00%	24,917	0.00%
	AA-	-	0.00%	51,999,491	1.74%
	A+	-	0.00%	16,372,930	0.55%
	A	12,416,991	0.28%	9,977,843	0.33%
	A-	5,473,684	0.12%	-	0.00%
	BBB+	79,516	0.00%	6,201,554	0.21%
	BBB-	1,134,172	0.03%	2,933,926	0.10%
	BB+	9,070,842	0.20%	2,688,669	0.09%
	NR	79,370	0.00%	373,416	0.01%
Other Assets	AAA	-	0.00%	325,579	0.01%
	AA-	188,211	0.00%	5,699,123	0.19%
	A+	-	0.00%	727,308	0.02%
	A	299,219	0.01%	-	0.00%
	A-	149,510	0.00%	-	0.00%
	RD	21,460,386	0.48%	-	0.00%
	CCC+	-	0.00%	19,206,430	0.64%
	NR	8,085,234	0.18%	8,105,330	0.27%
Total Local Currency Financial Assets		3,492,960,528	78.07%	2,221,789,193	74.42%
Total Financial Assets		4,474,361,102	100.00%	2,985,438,562	100.00%

(d) Summary by Major Credit Category

	Credit Rating	2022 Rs.000	%	2021 Rs.000	%
Foreign Currency Financial Assets					
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China		651,044,824	14.55%	497,630,980	16.67%
IMF Related Assets		281,421,074	6.29%	188,045,837	6.30%
	AAA	1,090,124	0.01%	6,840,318	0.22%
	AA+/-	9,874,212	0.22%	7,992,259	0.27%
	A+/-	434,001	0.01%	8,918,179	0.30%
	BBB+/-	68,247	0.00%	40,255	0.00%
	NR	43,881	0.00%	214,558	0.01%
Locally Rated	AA+/-	-	0.00%	34,088,798	1.14%
	A+/-	37,424,211	0.85%	19,821,872	0.67%
	BBB+	-	0.00%	2	0.00%
	BB+	-	0.00%	56,311	0.00%
	NR	-	0.00%	-	0.00%
Total Foreign Currency Financial Assets		981,400,574	21.93%	763,649,369	25.58%
Local Currency Financial Assets					
	AAA	8,627,666	0.19%	350,496	0.01%
	AA+/-	188,211	0.00%	615,555,332	20.62%
	A+/-	684,759,692	15.29%	32,735,013	1.09%
	BBB+/-	4,541,520	0.10%	9,135,480	0.31%
	BB+/-	9,070,842	0.20%	2,688,669	0.09%
	CCC+	2,756,094,101	61.60%	1,547,155,577	51.82%
	NR	29,678,496	0.67%	14,168,626	0.48%
Total Local Currency Financial Assets		3,492,960,528	78.07%	2,221,789,193	74.42%
Total Financial Assets		4,474,361,102	100.00%	2,985,438,562	100.00%

(e) Credit Quality Analysis**Maximum exposure to credit risk by risk rating**

The following tables set out information about the credit quality of financial assets measured at amortised cost and Fair Value through Other Comprehensive Income.

	Credit Rating	Not Subject to ECL Rs.000	Life Time ECL			2022 Total Rs.000
			12 - Month ECL Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	
Foreign Currency Financial Assets						
Cash & Cash Equivalents						
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China						
		-	649,672,094	2,217,173	-	651,889,267
	AAA	-	-	-	-	-
	AA-	-	97,027	-	-	97,027
	A+	-	80,749	-	-	80,749
	A-	-	12,185	341,301	-	353,486
	BBB	-	68,279	-	-	68,279
	NR	-	43,887	-	-	43,887
Gross Carrying Amount		-	649,974,221	2,558,474	-	652,532,695
Loss Allowance		-	(841,440)	(3,391)	-	(844,831)
Carrying Amount		-	649,132,781	2,555,083	-	651,687,864
Securities at Fair Value through Other Comprehensive Income						
	AAA	-	1,090,124	-	-	1,090,124
	AA+	-	9,777,301	-	-	9,777,301
		-	10,867,425	-	-	10,867,425
IMF Related Assets						
	NR	-	281,421,082	-	-	281,421,082
Gross Carrying Amount		-	281,421,082	-	-	281,421,082
Loss Allowance		-	(8)	-	-	(8)
Carrying Amount		-	281,421,074	-	-	281,421,074
Local Currency Financial Assets						
Sri Lanka Government Securities						
	Government Securities (Risk Free Investment)	2,498,995,015	-	-	-	2,498,995,015
		2,498,995,015	-	-	-	2,498,995,015
Securities Purchased under Resale Agreements						
	Other Risk Free Investment	698,069,219	-	-	-	698,069,219
		698,069,219	-	-	-	698,069,219
Provisional Advances to Government						
	Receivable from the Government (Risk Free Investment)	235,638,700	-	-	-	235,638,700
		235,638,700	-	-	-	235,638,700
Loans to Banks						
	AAA	-	-	3,333	-	3,333
	AA+	-	-	-	-	-
	AA	-	-	-	-	-
	AA-	-	-	-	-	-
	A+	-	-	-	-	-
	A	-	5,513,369	6,906,357	-	12,419,726
	A-	-	4,133,725	1,342,976	-	5,476,701
	BBB+	-	-	79,786	-	79,786
	BBB	-	-	-	-	-
	BBB-	-	1,126,323	11,592	-	1,137,915
	BB+	-	-	9,318,648	-	9,318,648
	BB	-	-	-	-	-
	BB-	-	-	-	-	-
	NR	-	79,416	-	-	79,416
	Credit Guarantee Scheme of CBSL	-	-	-	86,307	86,307
Gross Carrying Amount		-	10,852,833	17,662,692	86,307	28,601,832
Loss Allowance		-	(6,057)	(251,566)	(86,307)	(343,930)
Carrying Amount		-	10,846,776	17,411,126	-	28,257,902

	Credit Rating	Not Subject to ECL Rs.000	Life Time ECL			2022
			12 - Month ECL Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000
Other Assets						
	Government Securities (Risk Free Investment)	17,919,801	-	-	-	17,919,801
	Receivable from the Government (Risk Free Investment)	3,540,585	-	-	-	3,540,585
	Other Risk Free Receivable	8,085,234	-	-	-	8,085,234
Locally Rated	AAA	-	-	-	-	-
	AA-	-	188,293	-	-	188,293
	A+	-	-	-	-	-
	A	-	130,285	168,989	-	299,274
	A-	-	9,252	140,526	-	149,778
	BBB+	-	-	-	-	-
	BBB	-	-	-	-	-
	BBB-	-	-	-	-	-
	BB+	-	-	-	-	-
	BB	-	-	-	-	-
	BB-	-	-	-	-	-
	NR	-	-	-	2,226,887	2,226,887
Gross Carrying Amount		29,545,620	327,830	309,515	2,226,887	32,409,852
Loss Allowance		-	(86)	(319)	(2,226,887)	(2,227,292)
Carrying Amount		29,545,620	327,744	309,196	-	30,182,560
Comparative figures as at 31 December 2021 were as follows:						
	Credit Rating	Not Subject to ECL Rs.000	Life Time ECL			2021
			12 - Month ECL Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000
Foreign Currency Financial Assets						
Cash & Cash Equivalents						
	Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riksbank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China	-	487,881,870	9,805,548	-	497,687,418
	AAA	-	4,009,618	-	-	4,009,618
	AA-	-	2,004,789	-	-	2,004,789
	A+	-	8,094,153	-	-	8,094,153
	A	-	-	-	-	-
	A-	-	768,194	-	-	768,194
	BBB+	-	-	-	-	-
	BBB	-	40,261	-	-	40,261
	NR	-	-	243,387	-	243,387
Gross Carrying Amount		-	502,798,885	10,048,935	-	512,847,820
Loss Allowance		-	(52,009)	(33,359)	-	(85,368)
Carrying Amount		-	502,746,876	10,015,576	-	512,762,452
Securities at Fair Value through Other Comprehensive Income						
	AAA	-	2,830,756	-	-	2,830,756
	AA+	-	5,987,488	-	-	5,987,488
	AA	-	-	-	-	-
	AA-	-	-	-	-	-
	A+	-	-	-	-	-
		-	8,818,244	-	-	8,818,244
IMF Related Assets						
	NR	-	188,045,840	-	-	188,045,840
Gross Carrying Amount		-	188,045,840	-	-	188,045,840
Loss Allowance		-	(3)	-	-	(3)
Carrying Amount		-	188,045,837	-	-	188,045,837
Local Currency Financial Assets						
Sri Lanka Government Securities						
	Government Securities (Risk Free Investment)	1,377,820,347	-	-	-	1,377,820,347
		1,377,820,347	-	-	-	1,377,820,347
Securities Purchased under Resale Agreements						
	Other Risk Free Investment	567,532,312	-	-	-	567,532,312
		567,532,312	-	-	-	567,532,312
Provisional Advances to Government						
	Receivable from the Government (Risk Free Investment)	150,128,800	-	-	-	150,128,800
		150,128,800	-	-	-	150,128,800

	Credit Rating	Not Subject to ECL	12 - Month ECL		Life Time ECL		2021
			Rs.000	Stage 1	Stage 2	Stage 3	Total
				Rs.000	Rs.000	Rs.000	Rs.000
Loans to Banks	AAA	-	24,917	-	-	-	24,917
	AA+	-	-	-	-	-	-
	AA-	-	46,591,702	5,408,477	-	-	52,000,179
	A+	-	16,374,633	-	-	-	16,374,633
	A	-	9,979,661	-	-	-	9,979,661
	A-	-	-	-	-	-	-
	BBB+	-	6,205,432	-	-	-	6,205,432
	BBB-	-	2,939,496	-	-	-	2,939,496
	BB+	-	390,018	2,320,747	-	-	2,710,765
	BB	-	-	-	-	-	-
	BB-	-	-	-	-	-	-
	NR	-	373,575	-	-	-	373,575
	Credit Guarantee Scheme of CBSL	-	-	-	13,016	-	13,016
Gross Carrying Amount		-	82,879,434	7,729,224	13,016	-	90,621,674
Loss Allowance		-	(14,435)	(21,477)	(13,016)	-	(48,928)
Carrying Amount		-	82,864,999	7,707,747	-	-	90,572,746
Other Assets							
	Government Securities (Risk Free Investment)	15,118,446	-	-	-	-	15,118,446
	Receivable from the Government (Risk Free Investment)	4,087,983	-	-	-	-	4,087,983
	Other Risk Free Receivable	8,105,330	-	-	-	-	8,105,330
Locally Rated	AAA	-	325,580	-	-	-	325,580
	AAA-	-	5,681,358	17,393	-	-	5,699,251
	AA+	-	-	-	-	-	-
	A+	-	600,404	127,206	-	-	727,610
	A	-	-	-	-	-	-
	A-	-	-	-	-	-	-
	BBB+	-	-	-	-	-	-
	BBB	-	-	-	-	-	-
	BBB-	-	-	-	-	-	-
	BB+	-	-	-	-	-	-
	BB	-	-	-	-	-	-
	BB-	-	-	-	-	-	-
	NR	-	-	-	2,226,887	-	2,226,887
Gross Carrying Amount		27,311,759	6,607,842	144,599	2,226,887	-	36,291,087
Loss Allowance		-	(189)	(241)	(2,226,887)	-	(2,227,317)
Carrying Amount		27,311,759	6,607,653	144,358	-	-	34,063,770

(f) Credit Exposure Movement - ECL Stage wise

The following tables show reconciliations from the opening to closing balance of the allowance for impairment by class of financial instruments.

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash & Cash Equivalents								
Balance as at 1 January	52,009	33,359	-	85,368	90,277	180,061	-	270,338
Transfer to Stage 1	28,828	(28,828)	-	-	1,164	(1,164)	-	-
Transfer to Stage 2	(34)	34	-	-	(52)	52	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	760,638	(1,174)	-	759,464	(39,380)	(145,590)	-	(184,970)
Balance as at 31 December	841,440	3,393	-	844,832	52,009	33,359	-	85,368
Securities at Fair Value through Other Comprehensive Income								
Balance as at 1 January	995	-	-	995	36,546	2,062,175	-	2,098,721
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	3,749	-	-	3,749	(35,551)	(2,062,175)	-	(2,097,726)
Balance as at 31 December	4,744	-	-	4,744	995	-	-	995
IMF Related Assets								
Balance as at 1 January	3	-	-	3	2	-	-	2
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	5	-	-	5	1	-	-	1
Balance as at 31 December	8	-	-	8	3	-	-	3
Loans to Banks								
Balance as at 1 January	14,435	21,477	-	35,912	6,215	148,153	-	154,368
Transfer to Stage 1	-	-	-	-	140,773	(140,773)	-	-
Transfer to Stage 2	(4,804)	4,804	-	-	(37)	37	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(3,574)	225,285	-	221,711	(132,516)	14,060	-	(118,456)
Balance as at 31 December	6,057	251,566	-	257,623	14,435	21,477	-	35,912
Claims paid under Credit Guarantee Scheme								
Balance as at 1 January	-	-	13,016	13,016	-	-	-	-
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	-	-	73,291	73,291	-	-	13,016	13,016
Balance as at 31 December	-	-	86,307	86,307	-	-	13,016	13,016
Other Assets								
Balance as at 1 January	189	241	2,226,887	2,227,317	48	79,524	183,276	262,848
Transfer to Stage 1	-	-	-	-	(1)	1	-	-
Transfer to Stage 2	(1)	1	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(102)	77	-	(25)	142	(79,284)	2,043,611	1,964,469
Balance as at 31 December	86	319	2,226,887	2,227,292	189	241	2,226,887	2,227,317
Credit Guarantees								
Balance as at 1 January	1,011,732	-	-	1,011,732	-	-	-	-
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(792,408)	-	-	(792,408)	1,011,732	-	-	1,011,732
Balance as at 31 December	219,324	-	-	219,324	1,011,732	-	-	1,011,732

(g) Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure

	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2022	2021	
Securities Purchased under Resale Agreements	100	100	Marketable Government Securities
Loans to Banks Saubagya Covid Renaissance Facility	100	100	Marketable Government Securities and Loan Receivables

(h) Amounts arising from ECL

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	2022		
	Impact: Increase/ (Decrease)		
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000
Cash and Cash Equivalents Cash balances have increased with the objective of increasing the liquid assets available to serve government debt obligations and forex market intervention activities with counterparties with declined credit ratings	789,431	(29,967)	-
Securities at Fair Value through Other Comprehensive Income Disposal of a substantial portion of the Fixed Income Security potfolio to pay foreign currency debt obligations of the government	3,749	-	-
Loans to Banks			
- Already Existed balances			
Increased due to the rating downgrades of local banks	(8,378)	230,089	-
Increased due to the payment of credit guarantee claims to banks	-	-	73,291
Internal Funds			
- Already Existed balances			
Increased due to the rating downgrades of domestic banks	47	78	-
- Absorbed balances			
Decreased due to the disposal of RDD investments during 2022	(151)	-	-
Credit Guarantees Decreased due to the reduction in credit gurantee contingent liability	(792,408)	-	-
	<u>(7,710)</u>	<u>200,200</u>	<u>73,291</u>
	2021		
	Impact: Increase/ (Decrease)		
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000
Cash and Cash Equivalents Increase of cash balances with counterparties with improved credit ratings	(38,267)	(146,702)	-
Securities at Fair Value through Other Comprehensive Income Disposal of part of the Fixed Income Security potfolio during the year	(35,551)	(2,062,174)	-
Loans to Banks			
- Already Existed balances			
Decreased due to loan repayments during the year	-	(140,425)	-
Increased due to payment of credit guarantee claims to banks	-	-	13,016
- Absorbed balances			
Increased due to incorporation of RDD loan balances to CBSL financial statements	4,555	13,749	-
Internal Funds			
- Already Existed balances			
Decreased due to reduced exposure with non rated counterparties	-	(79,282)	-
- Absorbed balances			
Increased due to incorporation of RDD investment balances to CBSL financial statements	151	-	-
Credit Guarantees Increased due to the non performing ratios of sub borrowers being factored into expected credit loss assessment	1,011,732	-	-
	<u>942,620</u>	<u>(2,414,834)</u>	<u>13,016</u>

(i) Net carrying amount of credit impaired assets at amortized cost

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired assets at amortized cost.

	2022 Rs. 000	2021 Rs. 000
Credit-impaired assets at amortized cost as at 1 January	-	-
Classified as credit-impaired during the year	73,291	13,016
Incorporation of credit impaired assets of schemes operated by RDD	-	2,043,610
Change in ECL allowance	(73,291)	(2,056,626)
Credit-impaired assets at amortized cost at 31 December	-	-

48.2 Interest Rate Risk**(a) Foreign Currency Interest Rate Sensitivity**

Interest rate risk is the risk of loss arising from the changes in interest rates.

The interest rate sensitivity of the Fixed Income Securities portfolio is measured by the potential gain or loss that could incur due to a change in interest rate by 10 basis points. Sensitivity of the risk exposure of the segmented Fixed Income Securities Portfolio is given below:

Portfolio Segment	Potential Loss (USD Mn)	
	2022	2021
Fair Value through Other Comprehensive Income	0.10	0.16

RMD manages the interest rate risk of the foreign assets portfolio by employing the following strategies:

- i) While the interest rate sensitivity measures the effect of a change in interest rates on the foreign assets portfolio, the Bank uses Modified Duration (MD) as a measurement of interest rate risk which considers interest rates as well as the duration of an investment. The MD measures the change in price of a security for a 1% change in the interest rates (yield). A higher MD indicates a higher risk. Hence, the Bank sets an appropriate MD from time to time considering the developments in the financial markets, portfolio characteristics and the risk appetite of the bond portfolio. The MDs of the foreign assets portfolio are tabulated below:

Investment Segment	Modified Duration	
	2022	2021
Capital Market (Fixed Income Securities)	3.36	3.69

- ii) Since the MD does not account for large changes in prices, another measure used for management of interest rate risk of the foreign reserves portfolio is convexity. Convexity measures the extent of deviation in bond price-yield curve from a straight line representing duration. It allows improving the duration approximation for bond price changes. Convexity is a change in duration for

a change in yield. It measures the predictive error of Modified Duration. In other words, it is the second derivative of a security's price with respect to its yield.

Convexity of the segmented Fixed Income Securities portfolio

Portfolio Segment	Potential Loss (USD Mn)	
	2022	2021
Fair Value through Other Comprehensive Income	0.145	0.180

iii) Value at Risk (VaR)

VaR summarizes in a single number the downside risk of the portfolio, under normal market conditions, from financial market movements. Therefore, VaR is the maximum loss over a target horizon such that there is a low, pre-specified probability that the actual loss will be larger. VaR gives a number, in terms of money, which can be aggregated across risks and positions. VaR is calculated for a 10 day period at 99% confidence interval using Historical and Parametric methods.

Portfolio Segment	Value at Risk (VaR)		
	2022		2021
	Historical	Parametric	
Fair Value through Other Comprehensive Income	0.65	0.63	0.48

iv) Trading & Open Position Limits

Bank assigns specific dealer limits on intra-day and overnight position limits for individual dealers by way of "Dealing Authority".

(b) Local Currency Interest Rate Sensitivity

The Government Securities portfolio is recorded in the Statement of Financial Position of the Bank at Fair Value through Other Comprehensive Income as per the Business Model assessment under IFRS 9. This portfolio is not an investment portfolio, as the Bank does not purchase Government Securities with the intention of earning an interest income. The Bank purchases or sells Government Securities to inject rupee liquidity into the domestic market or to absorb liquidity from the market in the course of carrying out its monetary policy operations in relation to one of its core objectives, maintaining economic and price stability. Hence, the volume of Government Securities in the Bank's portfolio is largely determined by its monetary policy operations. However, the portfolio may include Government Securities purchased under Section 112 of the Monetary Law Act. In addition, the basic interest rates in the rupee market, the Standing Deposit Rate and the Standing Lending Rate are policy rates determined by the Bank in the course of implementing its monetary policy. Moreover, the Bank's actions in injecting rupee liquidity or absorbing liquidity from the market have a significant impact on general rupee market interest rates. Thus, changes in the interest income earned from the Government Securities portfolio, which arise from changes in the volume of the Bank's Government Securities portfolio, as well as changes in interest rates, are primarily a consequence of the Bank's monetary policy actions or monetary financing, rather than due to investment decisions. Therefore, the Bank does not consider interest rate sensitivities arising from local currency assets

(c) Assets and liabilities that will mature or re-price within the following periods							
Foreign Currency Interest Rate Sensitivity Gap:	Weighted Avg. Int. Rate %	2022 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
Interest Sensitive Foreign Currency Financial Assets							
Cash & Cash equivalents	0.0000	651,687,864	651,687,864	-	-	-	-
Securities at Fair Value through Other Comprehensive Income	1.3005	10,867,425	34,125	1,076,988	-	9,756,312	-
IMF Related Assets	2.9160	2,006,502	2,006,502	-	-	-	-
Total Interest Sensitive Foreign Currency Financial Assets		664,561,791	653,728,491	1,076,988	-	9,756,312	-
Non Interest Sensitive Foreign Currency Financial Assets							
IMF Related Assets		279,414,572	29,523	-	-	377,081	279,007,968
Derivative Financial Instruments		401,580	401,580	-	-	-	-
Other Receivables		37,022,631	37,022,631	-	-	-	-
Total non Interest Sensitive Foreign Currency Financial Assets		316,838,783	37,453,734	-	-	377,081	279,007,968
Total Foreign Currency Financial Assets		981,400,574	691,182,225	1,076,988	-	10,133,393	279,007,968
Interest Sensitive Foreign Currency Financial Liabilities							
IMF	3.9160	385,639,212	28,807,533	33,580,393	-	308,932,705	14,318,581
Asian Clearing Union	0.0100	736,258,129	736,258,129	-	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities		1,121,897,341	765,065,662	33,580,393	-	308,932,705	14,318,581
Non Interest Sensitive Foreign Currency Financial Liabilities							
Banks and Financial Institutions		146,408,028	146,408,028	-	-	-	-
Derivative Financial Instruments		71,697,994	5,537,140	5,238,797	11,469,456	40,991,347	8,461,254
IMF		742,285,880	-	-	-	-	742,285,880
Other Foreign Liabilities		594,383,451	73,060,874	521,322,577	-	-	-
Total non Interest Sensitive Foreign Currency Financial Liabilities		1,554,775,353	225,006,042	526,561,374	11,469,456	40,991,347	750,747,134
Total Foreign Currency Financial Liabilities		2,676,672,694	990,071,704	560,141,767	11,469,456	349,924,052	765,065,715
Foreign Currency Interest Rate Sensitivity Gap		(457,335,550)	(111,337,171)	(32,503,405)	-	(299,176,393)	(14,318,581)

Local Currency Interest Rate Sensitivity Gap :	Weighted Avg. Int. Rate %	2022 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
Interest Sensitive Local Currency Financial Assets							
Sri Lanka Government Securities	4.7333	2,498,995,015	2,481,264,384	-	15,768,874	1,961,757	-
Securities Purchased under Resale Agreements	15.5000	698,069,219	698,069,219	-	-	-	-
Loans to Banks	1.0000	28,257,902	26,398,994	196,759	1,561,865	100,284	-
Other Assets - Staff Loans	3.3688	8,053,421	261,770	226,096	461,704	1,469,430	5,634,421
- Others	9.0352	18,556,718	1,763,964	2,738,646	1,696,628	5,502,281	6,855,199
Total Interest Sensitive Local Currency Financial Assets		3,251,932,275	3,207,758,331	3,161,501	19,489,071	9,033,752	12,489,620
Non Interest Sensitive Local Currency Financial Assets							
Provisional Advances to Government		235,638,700	235,638,700	-	-	-	-
Other Assets - Others		3,572,421	3,572,421	-	-	-	-
Investment in Equity Securities - Fair Value through Other Comprehensive Income		1,817,132	-	-	-	-	1,817,132
Total Non Interest Sensitive Local Currency Financial Assets		241,028,253	239,211,121	-	-	-	1,817,132
Total Local Currency Financial Assets		3,492,960,528	3,446,969,452	3,161,501	19,489,071	9,033,752	14,306,752
Interest Sensitive Local Currency Financial Liabilities							
Standing Deposit Facility	14.5000	330,637,059	330,637,059	-	-	-	-
Total Interest Sensitive Local Currency Financial Liabilities		330,637,059	330,637,059	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities							
Deposits of Banks and Financial Institutions		323,046,181	323,046,181	-	-	-	-
Deposits of Government and Governmental Entities		221,411	221,411	-	-	-	-
Currency in Circulation		1,026,567,252	1,026,567,252	-	-	-	-
Other Payables		68,320,347	68,320,347	-	-	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		1,418,155,191	1,418,155,191	-	-	-	-
Total Local Currency Financial Liabilities		1,748,792,250	1,748,792,250	-	-	-	-
Local Currency Interest Rate Sensitivity Gap		2,921,295,216	2,877,121,272	3,161,501	19,489,071	9,033,752	12,489,620

Comparative figures as at 31 December 2021 were as follows:

Foreign Currency Interest Rate Sensitivity Gap:	Weighted Avg. Int. Rate %	2021 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
Interest Sensitive Foreign Currency Financial Assets							
Cash & Cash equivalents	0.3942	512,762,452	512,762,452	-	-	-	-
Securities at Fair Value through Other Comprehensive Income	1.0799	8,818,244	44,216	-	2,798,126	5,975,902	-
IMF Related Assets	0.0770	38,244,608	38,244,608	-	-	-	-
Total Interest Sensitive Foreign Currency Financial Assets		559,825,304	551,051,276	-	2,798,126	5,975,902	-
Non Interest Sensitive Foreign Currency Financial Assets							
IMF Related Assets		149,801,229	549	-	-	216,785	149,583,895
Derivative Financial Instruments		54,022,836	396,731	981,508	1,980,676	33,823,817	16,840,104
Total Non Interest Sensitive Foreign Currency Financial Assets		203,824,065	397,280	981,508	1,980,676	34,040,602	166,423,999
Total Foreign Currency Financial Assets		763,649,369	551,448,556	981,508	4,778,802	40,016,504	166,423,999
Interest Sensitive Foreign Currency Financial Liabilities							
IMF	1.0770	253,476,994	12,582,348	16,744,203	-	200,569,216	23,581,227
Asian Clearing Union	0.0900	104,764,616	104,764,616	-	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities		358,241,610	117,346,964	16,744,203	-	200,569,216	23,581,227
Non Interest Sensitive Foreign Currency Financial Liabilities							
Banks and Financial Institutions		13,701	13,701	-	-	-	-
Derivative Financial Instruments		1,139,323	909,548	229,775	-	-	-
IMF		416,588,249	-	-	-	-	416,588,249
Other Foreign Liabilities		357,295,676	40,161,167	317,134,509	-	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		775,036,949	41,084,416	317,364,284	-	-	416,588,249
Total Foreign Currency Financial Liabilities		1,133,278,559	158,431,380	334,108,487	-	200,569,216	440,169,476
Foreign Currency Interest Rate Sensitivity Gap		201,583,694	433,704,312	(16,744,203)	2,798,126	(194,593,314)	(23,581,227)

Local Currency Interest Rate Sensitivity Gap :	Weighted Avg. Int. Rate %	2021 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
Interest Sensitive Local Currency Financial Assets							
Sri Lanka Government Securities	5.1119	1,377,820,347	1,018,529,204	336,001,028	482,143	22,807,972	-
Securities Purchased under Resale Agreements	7.2022	567,532,312	567,532,312	-	-	-	-
Loans to Banks	1.0007	90,572,746	70,896,466	18,461,922	1,206,709	7,649	-
Other Assets - Staff Loans	3.3012	8,073,335	437,218	263,936	539,529	1,723,015	5,109,637
- Others	9.9582	21,870,406	6,509,990	488,099	3,196,792	5,483,148	6,192,377
Total Interest Sensitive Local Currency Financial Assets		2,065,869,146	1,663,905,190	355,214,985	5,425,173	30,021,784	11,302,014
Non Interest Sensitive Local Currency Financial Assets							
Provisional Advances to Government		150,128,800	150,128,800	-	-	-	-
Other Assets - Others		4,120,029	4,120,029	-	-	-	-
Investment in Equity Securities - Fair Value through Other Comprehensive Income		1,671,218	-	-	-	-	1,671,218
Total Non Interest Sensitive Local Currency Financial Assets		155,920,047	154,248,829	-	-	-	1,671,218
Total Local Currency Financial Assets		2,221,789,193	1,818,154,019	355,214,985	5,425,173	30,021,784	12,973,232
Interest Sensitive Local Currency Financial Liabilities							
Standing Deposit Facility	5.0000	101,062,880	101,062,880	-	-	-	-
Total Interest Sensitive Local Currency Financial Liabilities		101,062,880	101,062,880	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities							
Deposits of Banks and Financial Institutions		300,704,162	300,704,162	-	-	-	-
Deposits of Government and Governmental Entities		1,392,301	1,392,301	-	-	-	-
Currency in Circulation		1,005,099,066	1,005,099,066	-	-	-	-
Other Payables		19,163,882	19,163,882	-	-	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		1,326,359,411	1,326,359,411	-	-	-	-
Total Local Currency Financial Liabilities		1,427,422,291	1,427,422,291	-	-	-	-
Local Currency Interest Rate Sensitivity Gap		1,964,806,266	1,562,842,310	355,214,985	5,425,173	30,021,784	11,302,014

48.3 Foreign Currency Risk

Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserve management function. Volatility of the foreign exchange markets may expose the Bank to exchange risk. The Monetary Board and International Reserves Investment Oversight Committee (IRIOC) have set percentage holdings of different currencies in its foreign Reserves. In

deciding on the currency allocation, public debt repayment requirements are given due consideration. Accordingly, the Bank holds most major currencies such as US Dollars, Sterling Pounds, Japanese Yen, Euro, Australian Dollars, Chinese Yuan and New Zealand Dollars. Compliance with limits established for foreign currency positions are continuously monitored.

Net Exposure to Foreign Currencies

As at 31 December 2022, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2022	Currency									Total All Currencies Rs. 000
	United States Dollars Rs. 000	Euro Rs. 000	Japanese Yen Rs. 000	Sterling Pound Rs. 000	SDR Rs. 000	Australian Dollars Rs. 000	Canadian Dollars Rs. 000	New Zealand Dollars Rs. 000	Other Currencies Rs. 000	
Foreign Currency Financial Assets										
Cash & Cash Equivalents	118,593,473	2,002,372	130,117	373,692	-	62,567	17,653	10,635	531,342,187	652,532,696
Securities at Fair Value through Other Comprehensive Income	10,867,425	-	-	-	-	-	-	-	-	10,867,425
Derivative Financial Instruments	-	-	-	-	-	-	-	-	401,580	401,580
IMF Related Assets	-	-	-	-	281,421,082	-	-	-	-	281,421,082
Other Receivables	63,061,108	-	-	-	-	-	-	-	-	63,061,108
Total Foreign Currency Financial Assets	192,522,006	2,002,372	130,117	373,692	281,421,082	62,567	17,653	10,635	531,743,767	1,008,283,891
Proportion	19.09%	0.20%	0.01%	0.04%	27.91%	0.01%	0.01%	0.00%	52.74%	100%
Foreign Currency Financial Liabilities										
Banks and Financial Institutions	146,407,286	-	-	687	-	55	-	-	-	146,408,028
Derivative Financial Instruments	-	-	-	-	-	-	-	-	71,697,994	71,697,994
Asian Clearing Union	736,258,128	-	-	-	-	-	-	-	-	736,258,128
IMF	-	-	-	-	1,127,925,092	-	-	-	-	1,127,925,092
Other	74,083,264	-	-	-	-	12	-	-	520,300,174	594,383,450
Total Foreign Currency Financial Liabilities	956,748,678	-	-	687	1,127,925,092	67	-	-	591,998,168	2,676,672,692
Proportion	35.74%	0.00%	0.00%	0.00%	42.14%	0.00%	0.00%	0.00%	22.12%	100%
Net Foreign Currency Exposure	(764,226,672)	2,002,372	130,117	373,005	(846,504,010)	62,500	17,653	10,635	(60,254,401)	(1,668,388,801)

Cash and Cash Equivalents include the foreign transactions entered into for buying and selling of various currencies of which the trade dates have been occurred in the current financial year and value dates to be fallen in the next financial year. Those transactions were as follows:

As at 31 December 2022	Sri Lanka Rupees Rs. 000	United States Dollars Rs. 000	Sterling Pound Rs. 000
Purchases	38,782,950	242,870,513	5,467,529
Sales	(186,160,301)	(38,126,550)	-
Forward Contra Account	-	-	-

As at 31 December 2021, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2021	Currency									
	United States Dollars Rs. 000	Euro Rs. 000	Japanese Yen Rs. 000	Sterling Pound Rs. 000	SDR Rs. 000	Australian Dollars Rs. 000	Canadian Dollars Rs. 000	New Zealand Dollars Rs. 000	Other Currencies Rs. 000	Total All Currencies Rs. 000
Foreign Currency Financial Assets										
Cash & Cash Equivalents	138,000,677	568,045	9,461,477	1,996,158	-	650,773	31,353	11,271	362,128,066	512,847,820
Securities at Fair Value through Other Comprehensive Income	8,818,244	-	-	-	-	-	-	-	-	8,818,244
Derivative Financial Instruments	55,853	-	-	-	-	-	-	53,966,983	-	54,022,836
IMF Related Assets	-	-	-	-	188,045,840	-	-	-	-	188,045,840
Other Receivables	-	-	-	-	-	-	-	-	-	-
Total Foreign Currency Financial Assets	146,874,774	568,045	9,461,477	1,996,158	188,045,840	650,773	31,353	11,271	416,095,049	763,734,740
Proportion	19.23%	0.08%	1.24%	0.26%	24.62%	0.09%	0.00%	0.00%	54.48%	100.00%
Foreign Currency Financial Liabilities										
Banks and Financial Institutions	13,641	-	-	-	-	-	-	-	60	13,701
Derivative Financial Instruments	-	-	-	-	-	-	-	-	1,139,323	1,139,323
Asian Clearing Union	104,764,616	-	-	-	-	-	-	-	-	104,764,616
IMF	480,115	-	-	-	669,585,128	-	-	-	-	670,065,243
Other	41,662,689	-	-	-	-	-	-	-	315,632,987	357,295,676
Total Foreign Currency Financial Liabilities	146,921,061	-	-	-	669,585,128	-	-	-	316,772,370	1,133,278,559
Proportion	12.97%	0.00%	0.00%	0.00%	59.08%	0.00%	0.00%	0.00%	27.95%	100.00%
Net Foreign Currency Exposure	(46,287)	568,045	9,461,477	1,996,158	(481,539,288)	650,773	31,353	11,271	99,322,679	(369,543,819)

Cash and Cash Equivalents include the foreign transactions entered into for buying and selling of various currencies of which the trade dates have been occurred in the current financial year and value dates to be fallen in the next financial year. Those transactions were as follows:

As at 31 December 2021	Sri Lanka Rupees Rs. 000	United States Dollars Rs. 000	Japanese Yen Rs. 000
Purchases	145,161,075	50,073,176	-
Sales	(45,145,128)	(147,228,648)	(4,876,735)
Forward Contra Account	2,016,260	-	-

The following significant exchange rates have been applied by the Bank.

Currency	Average Rate		Year-end Spot Rate	
	2022	2021	2022	2021
	Rs	Rs	Rs	Rs
1 USD	328.1818	200.1553	363.1100	200.4338
1 EUR	343.2079	236.2532	388.3461	227.8832
1 JPY	2.4762	1.8137	2.7704	1.7417
1 GBP	400.7632	275.2172	437.4023	271.2270
1 SDR	436.4326	285.0534	483.3276	280.9312
1 AUD	226.3545	149.8331	247.0237	145.5851

Sensitivity Analysis

A reasonably possible strengthening (weakening) of the above currencies against the Sri Lanka Rupee as at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected the profit or loss by the amounts shown below.

	Profit or Loss	
	Strengthening	Weakening
	Rs. 000	Rs. 000
31 December 2022		
USD (5% movement)	(38,211,334)	38,211,334
EUR (5% movement)	100,119	(100,119)
JPY (5% movement)	6,506	(6,506)
GBP (5% movement)	18,650	(18,650)
SDR (5% movement)	(42,325,201)	42,325,201
AUD (5% movement)	3,125	(3,125)

	Profit or Loss	
	Strengthening	Weakening
	Rs. 000	Rs. 000
31 December 2021		
USD (5% movement)	(2,314)	2,314
EUR (5% movement)	28,402	(28,402)
JPY (5% movement)	473,074	(473,074)
GBP (5% movement)	99,808	(99,808)
SDR (5% movement)	(24,076,964)	24,076,964
AUD (5% movement)	32,539	(32,539)

48.4 Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities

As at 31 December 2022, Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities are as follows,

As at 31 December 2022	Less than 6 months	6 Months -1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets						
Cash & Cash Equivalents	651,687,864	-	-	-	-	651,687,864
Securities at Fair Value through Other Comprehensive Income	76,939	1,166,269	122,550	11,138,399	-	12,504,157
IMF Related Assets	2,036,025	-	-	377,081	279,007,968	281,421,074
Other Receivables	37,022,631	-	-	-	-	37,022,631
Total un-discounted Foreign Financial Assets	690,823,459	1,166,269	122,550	11,515,480	279,007,968	982,635,726
Local Currency Financial Assets						
Sri Lanka Government Securities	2,576,853,759	1,110,750	1,648,793	162,211	-	2,579,775,513
Securities Purchased under Resale Agreements	698,069,219	-	-	-	-	698,069,219
Provisional Advances to Government	235,638,700	-	-	-	-	235,638,700
Equity Investments in Financial and Other Institutions	-	-	-	-	1,817,132	1,817,132
Loans to Bank	17,790,731	2,406,273	3,778,538	5,463,674	-	29,439,216
Other Assets	10,080,599	2,433,073	4,303,462	12,088,605	108,728,649	137,634,388
Total un-discounted Local Financial Assets	3,538,433,008	5,950,096	9,730,793	17,714,490	110,545,781	3,682,374,168
Total un-discounted Financial Assets	4,229,256,467	7,116,365	9,853,343	29,229,970	389,553,749	4,665,009,894
Foreign Financial Liabilities						
Banks and Financial Institutions	146,408,028	-	-	-	-	146,408,028
Asian Clearing Union	736,258,129	-	-	-	-	736,258,129
IMF	42,676,142	47,398,218	102,078,683	264,345,549	994,038,353	1,450,536,945
Others	73,060,873	521,322,578	-	-	-	594,383,451
Total un-discounted Foreign Financial Liabilities	998,403,172	568,720,796	102,078,683	264,345,549	994,038,353	2,927,586,553
Local Currency Financial Liabilities						
Deposits of Banks and Financial Institutions	323,046,181	-	-	-	-	323,046,181
Deposits of Government and Governmental Entities	221,411	-	-	-	-	221,411
Securities Sold Under Repurchase Agreements & Standing Deposits Facility	330,637,059	-	-	-	-	330,637,059
Currency in Circulation	1,026,567,252	-	-	-	-	1,026,567,252
Other Payables	68,320,347	-	-	-	-	68,320,347
Total un-discounted Local Financial Liabilities	1,748,792,250	-	-	-	-	1,748,792,250
Total un-discounted Financial Liabilities	2,747,195,422	568,720,796	102,078,683	264,345,549	994,038,353	4,676,378,803
Net un-discounted Financial Assets/ (Liabilities)	1,482,061,045	(561,604,431)	(92,225,340)	(235,115,579)	(604,484,604)	(11,368,909)
Foreign Currency Conversions						
As at 31 December 2022	Less than 6 months	6 Months -1 Year	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Derivative Financial Assets	27,845,531	5,982,333	14,498,792	51,034,302	6,360,968	105,721,926
Derivative Financial Liabilities	31,340,783	10,620,241	25,779,358	89,890,059	10,076,303	167,706,744
All future cash flows related to Foreign Currency Financial Assets & Liabilities are converted to reporting currency using the rate of exchange prevailing at the reporting date.						

As at 31 December 2021, Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities are as follows,

As at 31 December 2021	Less than 6 months Rs. 000	6 Months - 1 Year Rs. 000	1-2 Years Rs. 000	2-5 Years Rs. 000	Over 5 Years Rs. 000	Total Rs. 000
Foreign Currency Financial Assets						
Cash & Cash Equivalents	512,762,452	-	-	-	-	512,762,452
Securities at Fair Value through Other Comprehensive Income	72,720	72,720	2,851,296	6,215,953	-	9,212,689
IMF Related Assets	38,245,157	-	-	216,785	149,583,895	188,045,837
Total un-discounted Foreign Financial Assets	551,080,329	72,720	2,851,296	6,432,738	149,583,895	710,020,978
Local Currency Financial Assets						
Sri Lanka Government Securities	1,039,925,021	356,959,017	2,731,167	24,517,061	-	1,424,132,266
Securities Purchased under Resale Agreements	567,532,312	-	-	-	-	567,532,312
Provisional Advances to Government	150,128,800	-	-	-	-	150,128,800
Equity Investments in Financial and Other Institutions	-	-	-	-	1,671,218	1,671,218
Loans to Banks	79,700,303	4,111,486	4,107,462	3,432,763	-	91,352,014
Other Assets	13,862,510	1,675,011	5,311,071	10,164,003	15,569,723	46,582,318
Total un-discounted Local Financial Assets	1,851,148,946	362,745,514	12,149,700	38,113,827	17,240,941	2,281,398,928
Total un-discounted Financial Assets	2,402,229,275	362,818,234	15,000,996	44,546,565	166,824,836	2,991,419,906
Foreign Financial Liabilities						
Banks and Financial Institutions	13,701	-	-	-	-	13,701
Asian Clearing Union	104,764,616	-	-	-	-	104,764,616
IMF	16,817,583	15,339,852	38,786,708	135,825,841	475,810,517	682,580,501
Others	40,161,167	317,134,509	-	-	-	357,295,676
Total un-discounted Foreign Financial Liabilities	161,757,067	332,474,361	38,786,708	135,825,841	475,810,517	1,144,654,494
Local Currency Financial Liabilities						
Deposits of Banks and Financial Institutions	300,704,162	-	-	-	-	300,704,162
Deposits of Government and Governmental Entities	1,392,301	-	-	-	-	1,392,301
Securities Sold Under Repurchase Agreements & Standing Deposits Facility	101,062,880	-	-	-	-	101,062,880
Currency in Circulation	1,005,099,066	-	-	-	-	1,005,099,066
Other Payables	19,163,882	-	-	-	-	19,163,882
Total un-discounted Local Financial Liabilities	1,427,422,291	-	-	-	-	1,427,422,291
Total un-discounted Financial Liabilities	1,589,179,358	332,474,361	38,786,708	135,825,841	475,810,517	2,572,076,785
Net un-discounted Financial Assets/ (Liabilities)	813,049,917	30,343,873	(23,785,712)	(91,279,276)	(308,985,681)	419,343,121
As at 31 December 2021						
	Less than 6 months Rs. 000	6 Months - 1 Year Rs. 000	1 - 2 Years Rs. 000	2 - 5 Years Rs. 000	Over 5 Years Rs. 000	Total Rs. 000
Derivative Financial Assets	17,388,862	14,913,000	5,154,573	45,842,140	16,748,562	100,047,137
Derivative Financial Liabilities	16,884,671	15,032,535	5,260,986	46,097,369	16,698,942	99,974,503

48.5 Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet commitments associated with financial instruments. Liquidity risk is also the risk that an entity will have to sell a financial asset quickly at much less than its fair value.

a) Liquidity is a key consideration in determining the composition of the Bank's foreign currency assets. This reflects the potential requirement to liquidate foreign reserves for intervention purposes and to settle other commitments such as public debt and IMF Loan repayments when the need arises. The Bank has adopted the following measures aimed at ensuring quick access to funds:

- Liquid asset ratios based on the liquidity characteristics of securities held
- Limits on maximum proportion of reserves that may be held in one currency and with one counterparty

b) In order to reduce the level of liquidity risk arising out of the local currency activities, particularly open market operations, the Bank uses highly liquid marketable instruments such as Treasury Bills and Treasury Bonds as collateral. It manages the daily liquidity position of the banking system by way of infusing into or withdrawal from the system, using instruments such as repo /reverse repo, CBSL securities and USD /LKR Swaps.

c) Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

31 December 2022	Encumbered Pledged as collateral Rs. 000	Unencumbered Available as collateral Rs. 000	Total Rs. 000
Foreign Currency Financial Assets			
Cash and Cash Equivalents	-	651,687,864	651,687,864
Securities at Fair Value through Other Comprehensive Income	1,090,124	9,777,301	10,867,425
Derivative Financial Instruments	-	401,580	401,580
IMF Related Assets	-	281,421,074	281,421,074
Other Receivables	-	37,022,631	37,022,631
Local Currency Financial Assets			
Sri Lanka Government Securities	-	2,498,995,015	2,498,995,015
Securities Purchased under Resale Agreements	-	698,069,219	698,069,219
Provisional Advances to Government	-	235,638,700	235,638,700
Equity Investments in Financial and Other Institutions	-	1,817,132	1,817,132
Loans to Banks	-	28,257,902	28,257,902
Other Assets	-	30,182,645	30,182,645
Total Financial Assets	1,090,124	4,473,271,064	4,474,361,188
31 December 2021			
	Encumbered Pledged as collateral Rs. 000	Unencumbered Available as collateral Rs. 000	Total Rs. 000
Foreign Currency Financial Assets			
Cash and Cash Equivalents	-	512,762,452	512,762,452
Securities at Fair Value through Other Comprehensive Income	2,830,756	5,987,488	8,818,244
Derivative Financial Instruments	-	54,022,836	54,022,836
IMF Related Assets	-	188,045,837	188,045,837
Local Currency Financial Assets			
Sri Lanka Government Securities	-	1,377,820,347	1,377,820,347
Securities Purchased under Resale Agreements	-	567,532,312	567,532,312
Provisional Advances to Government	-	150,128,800	150,128,800
Equity Investments in Financial and Other Institutions	-	1,671,218	1,671,218
Loans to Banks	-	90,572,746	90,572,746
Other Assets	-	34,063,770	34,063,770
Total Financial Assets	2,830,756	2,982,607,806	2,985,438,562

49. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**49.1 Classification of Financial Assets and Financial Liabilities**

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of Financial Instruments

31 December 2022	FVTPL Rs. 000	FVOCI - Debt Instruments Rs. 000	FVOCI - Equity Instruments Rs. 000	Amortized Cost Rs. 000	Total Rs. 000
Foreign Currency Financial Assets					
Cash & Cash Equivalents	-	-	-	651,687,864	651,687,864
Securities at Fair Value through Other Comprehensive Income	-	10,867,425	-	-	10,867,425
Derivative Financial Instruments	401,580	-	-	-	401,580
IMF Related Assets	280,406,015	-	-	1,015,059	281,421,074
Other Receivables	-	-	-	37,022,631	37,022,631
Total Foreign Currency Financial Assets	280,807,595	10,867,425	-	689,725,554	981,400,574
Local Currency Financial Assets					
Sri Lanka Government Securities	-	2,498,995,015	-	-	2,498,995,015
Securities Purchased under Resale Agreements	-	-	-	698,069,219	698,069,219
Provisional Advances to Government	-	-	-	235,638,700	235,638,700
Equity Investments in Financial and Other Institutions	-	-	1,817,132	-	1,817,132
Loans to Banks	-	-	-	28,257,902	28,257,902
Other Assets	-	-	-	30,182,560	30,182,560
Total Local Currency Financial Assets	-	2,498,995,015	1,817,132	992,148,381	3,492,960,528
Foreign Currency Financial Liabilities					
Banks and Financial Institutions	-	-	-	146,408,028	146,408,028
Derivative Financial Instruments	71,697,994	-	-	-	71,697,994
Asian Clearing Union	-	-	-	736,258,129	736,258,129
IMF	-	-	-	1,127,925,092	1,127,925,092
Other	-	-	-	594,383,451	594,383,451
Total Foreign Currency Financial Liabilities	71,697,994	-	-	2,604,974,700	2,676,672,694
Local Currency Financial Liabilities					
Deposits of Banks and Financial Institutions	-	-	-	323,046,181	323,046,181
Deposits of Government and Governmental Entities	-	-	-	221,411	221,411
Securities Sold under Repurchase Agreements & Standing Deposit Facility	-	-	-	330,637,059	330,637,059
Currency in Circulation	-	-	-	1,026,567,252	1,026,567,252
Other Payables	-	-	-	68,320,347	68,320,347
Total Local Currency Financial Liabilities	-	-	-	1,748,792,250	1,748,792,250

31 December 2021	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets					
Cash & Cash Equivalents	-	-	-	512,762,452	512,762,452
Securities at Fair Value through Other Comprehensive Income	-	8,818,244	-	-	8,818,244
Derivative Financial Instruments	54,022,836	-	-	-	54,022,836
IMF Related Assets	187,404,111	-	-	641,726	188,045,837
Total Foreign Currency Financial Assets	216,626,384	8,818,244	-	538,204,741	763,649,369
Local Currency Financial Assets					
Sri Lanka Government Securities	-	1,377,820,347	-	-	1,377,820,347
Securities Purchased under Resale Agreements	-	-	-	567,532,312	567,532,312
Provisional Advances to Government	-	-	-	150,128,800	150,128,800
Equity Investments in Financial and Other Institutions	-	-	1,671,218	-	1,671,218
Loans to Banks	-	-	-	90,572,746	90,572,746
Other Assets	-	-	-	34,063,770	34,063,770
Total Local Currency Financial Assets	-	1,377,820,347	1,671,218	842,297,628	2,221,789,193
Foreign Currency Financial Liabilities					
Banks and Financial Institutions	-	-	-	13,701	13,701
Derivative Financial Instruments	1,139,323	-	-	-	1,139,323
Asian Clearing Union	-	-	-	104,764,616	104,764,616
IMF	-	-	-	670,065,243	670,065,243
Others	-	-	-	357,295,676	357,295,676
Total Foreign Currency Financial Liabilities	1,139,323	-	-	1,132,139,236	1,133,278,559
Local Currency Financial Liabilities					
Deposits of Banks and Financial Institutions	-	-	-	300,704,162	300,704,162
Deposits of Government and Governmental Entities	-	-	-	1,392,301	1,392,301
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	-	-	-	101,062,880	101,062,880
Currency in Circulation	-	-	-	1,005,099,066	1,005,099,066
Other Payables	-	-	-	19,163,882	19,163,882
Total Local Currency Financial Liabilities	-	-	-	1,427,422,291	1,427,422,291

50. FAIR VALUE DISCLOSURES

50.1 Fair Value of Assets and Liabilities

'Fair Value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy Note 5.2. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees

of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows an analysis of assets and liabilities recorded at fair value hierarchy:

31 December 2022	Level 1 Rs. 000	Level 2 Rs. 000	Level 3 Rs. 000	Total Rs. 000
Financial Assets				
Securities at Fair Value through Other Comprehensive Income	10,867,425	-	-	10,867,425
Derivative Financial Instruments	-	401,580	-	401,580
IMF Related Assets	280,406,015	-	-	280,406,015
	<u>291,273,440</u>	<u>401,580</u>	<u>-</u>	<u>291,675,020</u>
Foreign Currency Non-Financial Assets				
Gold	10,031,610	-	-	10,031,610
	<u>10,031,610</u>	<u>-</u>	<u>-</u>	<u>10,031,610</u>
Local Currency Financial Assets				
Sri Lanka Government Securities	2,498,995,015	-	-	2,498,995,015
Equity Investments in Financial and Other Institutions	-	-	1,817,132	1,817,132
	<u>2,498,995,015</u>	<u>-</u>	<u>1,817,132</u>	<u>2,500,812,147</u>
Other Non-Financial Assets				
Land	-	-	10,855,725	10,855,725
Building	-	-	7,099,239	7,099,239
	<u>-</u>	<u>-</u>	<u>17,954,964</u>	<u>17,954,964</u>
Financial Liabilities				
Derivative Financial Instruments	-	71,697,994	-	71,697,994
	<u>-</u>	<u>71,697,994</u>	<u>-</u>	<u>71,697,994</u>
31 December 2021	Level 1 Rs. 000	Level 2 Rs. 000	Level 3 Rs. 000	Total Rs. 000
Financial Assets				
Securities at Fair Value through Other Comprehensive Income	8,818,244	-	-	8,818,244
Derivative Financial Instruments	-	54,022,836	-	54,022,836
IMF Related Assets	187,404,111	-	-	187,404,111
	<u>196,222,355</u>	<u>54,022,836</u>	<u>-</u>	<u>250,245,191</u>
Foreign Currency Non-Financial Assets				
Gold	35,151,981	-	-	35,151,981
	<u>35,151,981</u>	<u>-</u>	<u>-</u>	<u>35,151,981</u>
Local Currency Financial Assets				
Sri Lanka Government Securities	1,377,820,347	-	-	1,377,820,347
Equity Investments in Financial and Other Institutions	-	-	1,671,218	1,671,218
	<u>1,377,820,347</u>	<u>-</u>	<u>1,671,218</u>	<u>1,379,491,565</u>
Other Non-Financial Assets				
Land	-	-	10,855,725	10,855,725
Building	-	-	7,099,239	7,099,239
	<u>-</u>	<u>-</u>	<u>17,954,964</u>	<u>17,954,964</u>
Financial Liabilities				
Derivative Financial Instruments	-	1,139,323	-	1,139,323
	<u>-</u>	<u>1,139,323</u>	<u>-</u>	<u>1,139,323</u>

Equity Investments in Financial and Other Institutions

Fair value of the equity investments were calculated using the Net Assets per Share valuation technique.

Significant unobservable input used

Net Asset Value per Share (NAVPS)

Sensitivity Analysis

A 10% increase in the NAVPS would increase the fair value by 10%.

	2022 Rs. 000	2021 Rs. 000
Balance as at 1 January	1,671,218	1,615,356
Additions during the Year	-	-
Fair Value Gain Recognised in the Other Comprehensive Income	145,915	55,862
Balance as at 31 December	1,817,133	1,671,218

Land & Buildings

Valuation Method

Land is valued using market approach with direct comparison method, whereby assets are compared to recent sales with no added or nominal added improvement value, making adjustments for points of difference to derive the fair value.

Depreciated Current Replacement Cost (DRC) method is used in valuing all the buildings except Central Point and White Aways considering that the assets controlled by the public sector entities that provide service to the community are not traded on an open liquid market.

Income approach is used to value the other buildings which values the property based on estimated future income, profits or cash flow that are converted (discounted) to a single current amount.

Under the Market Approach, estimated fair value would get increased/(decreased) if;

- Price per perch would get higher/(lower)
- Price per square foot would get higher/(lower)
- Depreciation rate for building would get lower/(higher)

Under Income Approach, estimated fair value would get increased/(decreased) if;

- Gross annual rentals would get higher/(lower)
- Years purchase would get higher/(lower)

Derivatives

Derivative valuation models use forward prices (calculated by extrapolating the forward points available in the market) and discount rates calculated based on zero coupon yield curves of the respective currencies as of the valuation date. If the instrument that is valued contains a margin, adjustments are made to the forward prices and/or the interest rates to represent the impact of the margin rate.

Gold

	2022 Rs. 000	2021 Rs. 000
Balance as at 1 January	35,151,981	76,220,055
Purchases/ (Sales) during the year	(26,108,952)	(38,743,707)
Foreign Exchange gains/ (losses)	4,094,758	5,151,566
Change in price of gold	(3,106,177)	(7,475,934)
Balance as at 31 December	10,031,610	35,151,981

50.2 Repurchase and Resale Agreements / Standing Deposit Facility

The reported value of repurchase and resale agreements is considered to approximate their fair value due to short term nature of the agreements. The carrying value of the provided Standing Deposit Facility as at 31 December 2022 was Rs. 330,637.06 Mn (2021 - Rs. 101,062.88 Mn) and the carrying value of Sri Lanka Government Securities purchased under resale agreements as at 31

December 2022 was Rs. 698,069.22 Mn (2021 – Rs. 567,532.31 Mn). There was no outstanding balance of Sri Lanka Government Securities sold under repurchase agreements as at 31 December 2022 (2021 – Nil).

50.3 Currency in Circulation

The fair value of Currency in Circulation is considered to be its face value as reported in the Financial Statements.

50.4 Deposits

The carrying value of deposits are considered to approximate their fair value as they are payable on demand.

50.5 Financial Instruments not measured at Fair Value

The following table sets out the financial instruments which are not measured at fair value.

	Carrying Amount		Fair Value	
	2022 Rs. 000	2021 Rs. 000	2022 Rs. 000	2021 Rs. 000
Foreign Currency Financial Assets				
Cash and Cash Equivalents	651,687,864	512,762,452	651,687,864	512,762,452
IMF Related Assets	1,641,520	25,442,289	1,632,712	25,446,757
Other Receivables	37,022,631	-	37,022,631	-
Local Currency Financial Assets				
Securities Purchased under Resale Agreements	698,069,219	567,532,312	698,069,219	567,532,312
Provisional Advances to Government	235,638,700	150,128,800	235,638,700	150,128,800
Loans to Banks	28,257,902	90,572,746	26,399,963	88,468,648
Other Assets	30,182,560	34,063,770	25,686,027	33,614,096
Foreign Currency Financial Liabilities				
Banks and Financial Institutions	146,408,028	13,701	146,408,028	13,701
Asian Clearing Union	736,258,128	104,764,616	736,258,128	104,764,616
IMF	1,127,925,092	670,065,243	1,127,925,092	670,065,243
Others	594,383,451	357,295,676	594,383,451	357,295,676
Local Currency Financial Liabilities				
Deposits of Banks and Financial Institutions	323,046,181	300,704,162	323,046,181	300,704,162
Deposits of Government and Governmental Entities	221,411	1,392,301	221,411	1,392,301
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	330,637,059	101,062,880	330,637,059	101,062,880
Currency in Circulation	1,026,567,252	1,005,099,066	1,026,567,252	1,005,099,066
Other Payables	68,320,347	19,163,882	68,320,347	19,163,882

The fair values of the balances associated with the IMF deposits, loans granted to banks and internal fund investments differ from their carrying amounts.

The fair values of Cash and Cash Equivalents and Other Receivables presented under Foreign Currency Financial Assets, Securities Purchased under Resale Agreements and Provisional Advances to Government presented under Local Currency Financial Assets, Banks and Financial Institutions, Asian Clearing Union, IMF and Others presented under Foreign Currency Financial Liabilities and Deposits of Banks and Financial Institutions, Deposit of Government and Governmental Entities, Securities Sold under Repurchase Agreements, Currency in Circulation and Other Payables presented under Local Currency Financial Liabilities does not differ from their carrying values.

51. COMPARATIVE INFORMATION

Following comparative figures have been reclassified to conform with current year presentation.

51.1 Reclassification of Interest Income & Interest Expense on Derivatives to Gain from Realized Price Changes

Changes to Statement of Income

	2021		
	As reported previously Rs. 000	Adjustment Rs. 000	Reclassified Balance Rs. 000
Interest Income	11,815,701	(7,436,653)	4,379,048
Interest Expense	(5,609,176)	1,974,648	(3,634,528)
Gain from Realized Price Changes	14,855,788	(5,462,005)	20,317,793

Changes to Note 36 on Interest Income from Financial Assets

	2021		
	As reported previously Rs. 000	Adjustment Rs. 000	Reclassified Balance Rs. 000
Total Interest Income from Foreign Currency Financial Assets	11,815,701	(7,436,653)	4,379,048
Derivatives	7,436,653	(7,436,653)	-
Total Interest Income from Financial Assets	80,428,629	(7,436,653)	72,991,976

Changes to Note 38 on Interest Expenses on Financial Liabilities

	2021		
	As reported previously Rs. 000	Adjustment Rs. 000	Reclassified Balance Rs. 000
Total Interest Expense on Foreign Currency Financial Liabilities	(5,609,176)	1,974,648	(3,634,528)
Derivatives	1,974,648	(1,974,648)	-
Total Interest Expense on Financial Liabilities	14,079,073	(1,974,648)	12,104,425

Derivative gains of Rs. 7,436.65Mn disclosed under Interest Income & Derivative losses of Rs. 1,974.65Mn disclosed under Interest expenses in 2021 have now been disclosed under Gains from realized price changes for better presentation.

51.2 Reclassification of Interest Income from Internal Funds Investments from Interest Income on Other Loans and advances to Interest Income from Other Assets

Changes to Note 36 on Interest Income from Financial Assets

	2021		
	As reported previously Rs. 000	Adjustment Rs. 000	Reclassified Balance Rs. 000
Other Loans and Advances	2,770,062	1,317,449	1,452,613
Other Assets	1,317,449	1,317,449	2,634,898

Interest Income from Internal Funds Investment of Rs. 1,317.45 Mn disclosed under Other Loans and advances in Interest Income from Financial Assets note in 2021 has now been disclosed under Interest income from Other assets in the same note for better presentation.

51.3 Reclassification of Miscellaneous Income from Licensing Fees (Annual & New Products) from Other Income to Licensing fees of Financial Institutions

Changes to Note 40 on Other Income

	2021		
	As reported previously Rs. 000	Adjustment Rs. 000	Reclassified Balance Rs. 000
Miscellaneous Income	469,494	5,525	463,969
Licensing fees of Financial Institutions	614,575	5,525	620,100

Licensing Fees of Rs. 5.52 Mn received from the Licensed Service Providers of Payment Cards & Mobile Payment Systems disclosed under miscellaneous income in Other income note in 2021 has now been disclosed under Licensing fees of Financial Institutions for better presentation.

52. RELATED PARTIES

52.1 Transactions with State and State Controlled Entities

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Sri Lanka (State as the ultimate owner of the CBSL), various government departments, and State controlled entities. Particulars of transactions, and arrangements entered into by the Bank with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually, significant as per IAS 24 -Amended Related Party Disclosures are as follows:

Nature of the Transaction	2022 Rs. 000	2021 Rs. 000
Transactions:		
Outright sales of Government Securities	242,099	980,906
CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales	143,913,767,948	68,218,243,292
Interest income/expenses on CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales	56,770,262	8,378,432
Funds received on behalf of Government	210,540,495	365,111,003
Funds disbursed on behalf of Government	211,034,101	362,223,823
Cost of Printing currency notes, for the year ended 31 December (Note 52.1.3)	1,856,465	1,086,655
Payments for Goods, Services and Taxes, during the year ended 31 December (Note 52.1.4)	5,147,957	1,129,790
Gross Foreign Exchange Transactions during the period (Note 52.1.6)		
Sales	872,421,407	225,597,381
Purchases	695,124,187	61,515,180
USD/LKR Derivatives	595,270,456	651,697,925
Funds Received in respect of Abandoned Property, during the year	365,405	914,309
Rent Income	207,763	282,173
Dividend Income	115,786	115,786
Other Transactions (Note 52.1.9)	794,842	1,088,948
Balances:		
Sri Lanka Government Securities held by CBSL (Note 52.1.7)	2,498,995,015	1,377,820,347
Provisional Advances to Government (Note 14)	235,638,700	150,128,800
Loans given under Covid - 19 Renaissance Refinance Scheme	1,821,749	11,817,950
Government Securities held for specific purposes	17,930,602	15,938,729
RTGS Balances with Banks and Financial Institutions (Note 26)	240,719,873	221,738,927
Nostro Balance with BOC London	43,888	243,388
Receivable from Treasury and other Ministries	3,540,670	4,087,983
Payable to Treasury and other Ministries (Note 25)	1,021,468	1,484,824
Current Account Balances with Government and Government Entities as at 31 December	(297)	(1,107,407)
Abandoned Property Balances	5,998,940	5,998,940
Other Balances (Note 52.1.9)	13,321,704	292,917

52.1.1 Empowered by the sections 28-33 of the MLA, the Bank Supervision Department of the Bank carries out regulatory and supervisory functions of the banks licensed by the Monetary Board of CBSL. As at 31 December 2021, 04 Licensed Commercial Banks and 01 Licensed Specialised Bank which had been funded by the Government or has a significant influence which are classified as related parties of the Central Bank of Sri Lanka.

The Department of Supervision of Non-Bank Financial Institutions of the Bank carries out its regulatory and supervisory functions in respect of Non-Bank Financial Institutions. Accordingly, related entities of state controlled or Government funded Non-bank Financial Institutions are under the supervision of this department.

52.1.2 As per Section 113 of the MLA, the Monetary Board and the Bank are vested with the function of public debt management. Accordingly, as the agent of the Government, Public Debt Department (PDD) of the Bank issues securities to the domestic market to meet the budgetary requirements and services both foreign and domestic debt. The PDD deals with public debt management and debt market development. It manages the Government debt to ensure that financing needs of the Government and its payment obligations are met.

52.1.3 The Bank has the sole right and authority to issue currency in Sri Lanka as per section 49 of the MLA. Accordingly, the Currency Department of the Bank

functions as the sole issuing authority of the legal tender in Sri Lanka. Printing of the currency notes is carried out by De La Rue Lanka Currency and Security Print (Pvt) Ltd., of which 40% shareholding is owned by the Government.

52.1.4 In carrying out the normal operations, the Bank enters into transactions to obtain various goods and services with Government entities or entities in which Government has significant influence or control.

52.1.5 The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets and liabilities on behalf of Government, trusts, retirement benefit plans and other institutions, as explained in Note 56.

52.1.6 In accordance with the provisions of the MLA, International Operations Department of the Bank monitors the developments in the domestic foreign exchange market and oversight net foreign exchange open positions of licensed commercial banks and National Savings Bank. In monitoring the domestic foreign exchange market developments, the Bank is on both sides of the market to moderate the excessive volatility in the exchange rate of Sri Lankan rupee. However, considering the adverse developments in the domestic foreign exchange market due to acute foreign exchange liquidity shortage during 2022 and the critically low level of foreign reserves, the Bank had to adopt extraordinary measures in terms of foreign exchange interventions such as purchasing foreign exchange based on the mandatory foreign exchange sales

requirement imposed on licensed commercial banks and National Savings Bank and selling foreign exchange to the market aiming at financing the importation of essential commodities such as fuel, gas, coal, pharmaceuticals, and food items to maintain economic activities in the country at least at a bare minimum level. The amounts of purchases and sales of foreign exchange represent results of such activities.

52.1.7 The Domestic Operations Department of the Bank performs its direct functions of implementing the Bank's monetary policy mainly through open market operations as per sections 90-92 of the MLANo 58 of 1949 (amended) and enforcing Statutory Reserve Requirement as per sections 93-98 of MLA and functions as the banker to both commercial banks where Government has shareholdings and certain other financial institutions and Governmental entities. The aggregate balances arising from this function as at 31 December 2022 is given in Notes 12. Interest earned on the Government securities is given in Note 36.

52.1.8 The Bank also has custodial arrangements with one State-controlled bank, for which no charges were levied.

52.1.9 Other Balances and transactions include the transactions carried out with the Government, Government departments and state controlled entities that are not individually significant.

52.2 Transactions with Key Management Personnel

Key Management Personnel of the Bank are the members of the Monetary Board that includes Governor, Deputy Governors and Assistant Governors. Particulars of transactions with Key Management Personnel were as follows:

52.3 Compensations to the Key Management Personnel

	2022 Rs. 000	2021 Rs. 000
Short Term Employee Benefits	261,043	180,218

In addition to above compensation, the Bank also provides non cash benefits to Key Management Personnel in terms of the employment contracts with them.

52.4 Other Transactions with Key Management Personnel

	2022 Rs. 000	2021 Rs. 000
Outstanding Loans to Key Management Personnel	329,345	98,648
Loans granted during the year	203,018	6,699
Loans re-paid during the year	187,331	10,038

All the loans are adequately secured and carry interest ranging from 2% - 7% per annum depending on the loan category and are repayable monthly.

52.5 Transactions with Post-Employment Benefit Plans

	2022 Rs. 000	2021 Rs. 000
Contributions paid and payable	106,371	73,517

The Bank contributed various amounts to Pension and Other Post Retirement Plans as disclosed in Note 32 and paid Rs. 986.99 Mn (2021 – Rs. 717.59Mn) to Employees Provident Fund. In the normal course of business, the Bank provides banking and financial services to its post employment plans. Amounts of balances with such plans are given in Note 30.2.

53. CONTINGENT LIABILITIES

53.1 Financial Guarantee Contracts

The Bank acting as an agent of the Government or its agencies and institutions, provides guarantees to various parties on the strength of counter guarantees issued to Bank by the General Treasury. There were no such outstanding guarantees as at 31 December 2022.

53.2 Credit Guarantees

The Regional Development Department (RDD) of the Bank performs the functions of providing refinance out of loan proceeds from external lines of credit to participating financial institutions for financing small and medium enterprises, issuing credit guarantees on loans to such enterprises, collecting guarantee premia, administering credit guarantee funds and undertaking post credit inspection and follow up action to ensure proper utilization of loan funds with a view of preventing defaults. During the year, RDD continued to provide refinance facilities under which the Bank provided guarantees against losses arising to a participating credit institution, which grants credit under this arrangement. This is not a guarantee on default by recipient of loans but against loss, which means that participating credit institutions should submit claims only in respect of amounts in loss after having pursued recovery action. The amount of contingent liabilities arising out of this arrangement are given below.

Local commercial banks - in respect of credit guarantees:

	Outstanding Guarantee Amount	
	2022 Rs. 000	2021 Rs. 000
Related Parties	1,989,471	21,742,330
Others	88,808	526,405
Total Credit Guarantees	2,078,279	22,268,735

The expected credit loss on credit guarantee is recognized for the year ended 31 December 2022 is recorded in Note 39.

53.3 Fiduciary Activities

The Bank carries out fiduciary activities under the provisions of the MLA. Acting in such capacity results in holding or placing of funds on behalf of various parties. However, the Bank does not expect any liability to arise on account of such activities.

53.4 Legal Claims

There were number of legal proceedings outstanding against the Bank as at 31 December 2022 and no provision has been made as the Bank is of the opinion that it is unlikely that any significant loss will arise.

54. COMMITMENTS

- a) Due to the shortage of foreign currency in the commercial banks in year 2022, as per the Section 106 (1) read with Section 108 (2) of MLA, CBSL has issued letters of commitments to supply foreign currency in exchange of Sri Lankan rupees to commercial banks on the basis of available liquid international reserves maintained at the CBSL to support the importation of essential items. The total outstanding of the commitments as at 31 December 2022 amounted to USD 174.50 Mn. The utilization of this commitment subsequent to the reporting date amounted to USD 40.00 Mn in exchange of LKR at the prevailed market rates.
- b) As at 31 December 2022, the Bank has capital commitments amounting to Rs. 657.37 Mn, in respect of the acquisition of Property, Plant and Equipment and production of currency.
- c) As at 31 December 2022, outstanding forward exchange transactions are as follows:

Forward exchange contracts	2022 '000	2021 '000
Forward Exchange Sales		
USD	559,112	734,550
GBP	12,500	-
JPY	-	2,800,000
Forward Exchange Purchases		
USD	4,750	225,145

55. TRANSFERS OF FINANCIAL ASSETS

In the ordinary course of business, the Bank enters into transactions that result in the transfer of financial assets, primarily both foreign and local currency denominated debt securities. In accordance with the accounting policy set out in Note 5.3.3, the transferred financial assets continue to be recognised in their entirety or to the extent of the Bank's continuing involvement or are derecognised in their entirety.

The Bank transfers financial assets that are not derecognised in their entirety or for which the Bank has continuing involvement primarily through the following transactions:

- Securities Sold under Agreements to Repurchase
- Securities Lending
- Securities Pledged

55.1 Transferred Financial Assets that are not Derecognised in their Entirety

a. Securities Sold under Agreements to Repurchase

Securities sold under agreements to repurchase transactions are performed as part of the Monetary Policy operations of the Bank and continues to be recognised in their entirety under "Sri Lanka Government Securities" in the Statement of Financial Position because it retains substantially all of the risks and rewards of ownership. The cash consideration to be paid and the interest accrued there on are recognized under Securities sold under repurchase agreements in the local financial liabilities of the Statement of Financial Position.

b. Securities Lending

Securities lending describes the established market practice by which, for a fee, securities are transferred temporarily from one party (the lender, i.e. CBSL), to another (the borrower); the borrower is obliged to return them either on demand or at the end of any agreed term. Currently a selected Clearing House (CH) functions as the custodian for the supranational bonds and bonds issued by different issuers. CBSL has signed an agreement which enable CH to lend at their wish depending on the demand for those bonds. Since the lending does not involve CBSL and CH lends them directly to the borrowers, the process is called auto bond lending. At the end of each month, custodian will send fee income for auto bond lending, if any for the bonds which they lent under auto bond lending programme. The Bank continues to recognize the securities in their entirety in the Statement of Financial Position because it retains substantially all of the risks and rewards of ownership. These securities are presented in the Statement of Financial Position as "Securities at Fair value through other Comprehensive Income".

c. Securities Pledged

In order to facilitate the securities settlement process, securities amounting to AUD 35.0 Mn were pledged by the Central Bank of Sri Lanka (CBSL) to Euroclear for a credit facility of USD 30.0 Mn until January 2017. At present, pledged securities held with Euroclear Bank amount to USD 3.0 Mn. The pledged securities are held in a separate account at Euroclear Bank.

	2022 Financial Assets at FVOCI Rs. 000	2021 Financial Assets at FVOCI Rs. 000
Assets		
Securities Lending	-	-
Securities Pledged with Euroclear	1,090,124	2,830,756
Securities Pledged with Federal Reserve Bank	-	-
Carrying Amount of Assets	1,090,124	2,830,756

56. TRUST AND CUSTODIAL ACTIVITIES

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets and liabilities on behalf of the GOSL, trusts, retirement benefit plans and other institutions. The significant trust activities performed by the Bank are as follows:

- 56.1** The Bank handles disbursements and repayments of various foreign loans and grants under foreign funded development projects and credit schemes on behalf of the GOSL. It also collects counterparty funds under various foreign loans and grants on behalf of the GOSL and invests such funds in treasury bills on requests made by donor agencies.
- 56.2** The Bank is the custodian of the Employees Provident Fund (EPF). In terms of the statute, the functions of the Monetary Board consist of receiving contributions, surcharges, income from investments, maintaining proper accounts of registered members of EPF, investing surplus funds and payment of benefits to the members.
- 56.3** The Bank administered the Deposit Insurance Scheme, which was a voluntary deposit insurance scheme opened to banking institutions licensed by the CBSL and cooperative societies registered under the Cooperative Societies Law No. 5 of 1972, which carry on banking business, and with effect from 1 October 2010 funds of this scheme have been transferred to the Sri Lanka Deposit Insurance Scheme, which was formed as per Gazette No: 1673/11 dated 28 September 2010.
- 56.4** As per the Gazette No:1673/11 dated 28 September 2010 (as amended), CBSL has established a Mandatory Deposit Insurance Scheme named Sri Lanka Deposit Insurance Scheme and Deposit Insurance Fund with effect from 1 October 2010 as an act of national interest to protect the funds of depositors.

With effect from 22 November 2013, this scheme was renamed as "Sri Lanka Deposit Insurance and Liquidity Support Scheme" and the Deposit Insurance Fund was renamed as "Sri Lanka Deposit Insurance and Liquidity Support Fund (SLDILSF)".

Further, as per the Gazette No: 2239/52, new Regulations were issued as Sri Lanka Deposit Insurance and Liquidity Support Scheme No. 02 of 2021 dated 06 August 2021 (the Regulations) by repealing and replacing the initial Regulations No. 01 of 2010 dated 28 September 2010, as amended.

All Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs) and Licensed Finance Companies (LFCs) shall be the members of this Scheme. Accordingly, 67 institutions are members of this Scheme as at 31 December 2022. In terms of Regulation No. 5.1 of the Regulations, deposits to be insured include demand, time, savings deposit

liabilities of the member institutions and value of the shares of shareholders who were initially deposit holders, whose deposits were converted into equity under the directions of the Monetary Board in 2010 and 2011 as part of the business restructuring plans implemented prior to 1 January 2012 and exclude all debt instruments and deposit liabilities as stipulated in Regulation No. 5.2 of the Regulations.

The deposit insurance fund was established with the transfer of Rs. 350.20 Mn of the investments of Voluntary Deposit Insurance Scheme and Rs. 1,168.31 Mn of investments made of collections of abandoned property of LCBs. As at 31 December 2022, the fund size of SLDILSF is Rs. 86,424.05 Mn (unaudited, provisional) before considering the loss on re-measuring of financial instruments at fair value through other comprehensive income of Rs. 25,756.36 Mn. Accordingly, total equity balance of SLDILSF as of 31 December 2022 is Rs.60,667.69 Mn (unaudited, provisional). Currently, the amount of compensation payable per-depositor per-institution is limited to Rs. 1,100,000 or its equivalent in the case of foreign currency deposits. The payment of compensation shall not be a liability of the Monetary Board and shall be limited to funds available or raised in the SLDILSF including any borrowings permitted and contributions received. The Monetary Board shall not be responsible for any liability that exceeds the total amount lying to the credit of the SLDILSF.

The Deposit Insurance Unit (DIU) is currently established in the Resolution and Enforcement Department and is responsible for operation and management of the Scheme under the instructions and supervision of the Director of Resolution and Enforcement in terms of Directions/Regulations and policies as approved by the Monetary Board from time to time. DIU shall maintain books and accounts distinctly separate from the Financial Statements of CBSL. The Auditor General shall be the Auditor of this Scheme.

- 56.5** The Bank carries out regulatory and supervisory functions in respect of LFCs and attends to related matters under the authority delegated to it by the Monetary Board. While carrying out such functions, with respect to failed LFCs, various actions are taken including the vesting of assets of persons responsible for the unviable and insolvent condition of such companies, with the Monetary Board as a form of security.
- 56.6** On behalf of the Monetary Board of the Bank, RDD acts as the exclusive agent of the GOSL with regard to the projects funded by GOSL and foreign donors.

(i) Concluded Projects				
Name of the Project/ Loan Scheme	Total Allocation of the Fund (Mn.)		Objective/s	Refinance Granted to PFls (Rs. Mn.)
	USD	Other		
Tea Development Project	USD	24.50	Increase income generating activities of Tea Small Holders and improve the contribution to the natural environment.	2,550.90
Second Perennial Crop Development Project	SDR	11.56	Commercialization of perennial crops sector, increase production, nursery development, post harvest handling, processing and marketing.	1,453.11
Plantation Sector Reform Project	USD	40.00	Support policy and institutional reforms in the plantation sub-sectors to increase the productivity and profitability while maintaining competitive advantage of the Plantation Industry.	5,200.00
Small Business Revival Programme	LKR	2,656.00	Resumption of Tsunami affected SMEs.	2,663.40
Small Business Revival Programme - Revolving Fund	LKR	150.00	Resumption of SMEs affected by Tsunami using recovery of Small Businesses.	122.72
Skill Development Project	LKR	94.31	Improve the quality and reliance of Skill Development obtained by the Training Programmes to high quality workforce and address skill mismatching.	94.59
Urban Environment Infrastructure Development Project	USD	4.00	Improve Environmental facilities, health and sanitary conditions of the people living in the urban and semi-urban areas.	369.15
Housing Guarantee Low Income Housing Shelter Project	USD	25.00	Assist Low Income community to build houses/ renovate/ expand the existing.	1,362.00
Urban Development Low Income Housing Project	SDR	15.10	Support Low Income community to improve life style through building up of house.	1,915.76
North Western Province -Water Resource Development Project	USD	1.80	Improve Economic, Social and Nutritional well-being of the people in the North Western Province.	102.76
Matale Regional Economic Advancement Project	SDR	2.00	Permanent rising and sustaining of Income of Small Entrepreneurs.	249.06
Mid Country Perennial Crop Development Project	SDR	11.56	Increase the production capacity of Perennial Crops in the Mid Country area.	642.00
Agriculture Rehabilitation Project	SDR	17.05	Rehabilitate persons and property, affected by the civil disturbances in the Northern and Eastern Provinces including five bordering Districts.	843.00
Small Holder Tea Development Project	USD	12.60	Develop Small Holder Tea Sector and rehabilitate tea facilities.	645.93
Poverty Alleviation Micro-finance Project	YEN	1,368.00	Setting up of an effective credit delivery mechanism for channelling formal credit to income generating activities.	1,402.45
Small Farmers Landless Credit Project	USD	17.40	Establish cost effective and sustainable micro credit delivery system to generate employment while improving saving habits among the Low Income Community.	345.69
Kegalle Integrated Rural Development Project	SDR	1.50	Uplift the living standard of people by promoting income generating activities.	148.00
Southern Province Rural Development Project	SDR	27.90	Improve the quality of life and enhance the income generating activities of the people in the Southern Province.	564.00
EIB Contract B	EUR	10.00	Rehabilitate Small and Medium Size projects including Tourism and their service sectors directly affected by the Tsunami.	1,553.27
Second Perennial Crops Development Project - Revolving Fund	LKR	1,200.00	Develop the activities of Perennial Crops sector.	1,199.82
Matale Regional Economic Advancement Project - Revolving Fund	LKR	77.00	Expand the Income Level of Rural and Farm Families and provide funds for Medium scale Entrepreneurs to create Non-Farm Enterprises and expand existing projects in the Matale District.	77.00
Sabaragamuwa Province Integrated Rural Development Project - Revolving Fund	LKR	100.00	Enhance and create existing/ new income generating activities in the Sabaragamuwa Province.	100.00
Construction Sector Development Project	EUR	9.00	Strengthening the Financial and Technical capacities of private local Businesses to effectively participate in construction and Public works relating to post Tsunami reconstruction.	1,399.73
Sabaragamuwa Province Integrated Rural Development Project - Phase II	LKR	70.00	Further enhance and start new Income generating activities in the Sabaragamuwa Province.	70.00
Poverty Alleviation Micro-finance Project II (Probodini)	YEN	2381.00	Enhance the Living Standard of Households whose monthly income is less than Rs. 15,000.	3,213.20
Self Employment Promotion Initiative	LKR	250.00	Provide Financial Assistance to trained Youth who have completed the recognized Vocational Training to establish self employment income generating activities.	232.39
Dry Zone Livelihood Support & Partnership Programme	LKR	252.95	Provide opportunity to earn more income through Agriculture related activities in Anuradhapura, Moneragala, Kurunegala and Badulla Districts.	252.95
National Agribusiness Development Programme	USD	32.90	Assist Smallholder producers and the Landless Community, especially considering the Youth to increase the income level through the market/ value chain development and provide Finance and Training requirements for those people.	113.13
Small Plantation Entrepreneurship Development Project	SDR	2.60	Enhance the Living Standard of the Low Income Communities in Moneragala, Kandy, Kegalle and Nuwara-Eliya Districts.	487.66
National Agribusiness Development Programme (NADeP) - Microfinance	LKR	1,049.84	Improve Income Level and Social Conditions of Low Income Community	1,049.84
Value Chain Development Capital Agriculture Loan Scheme under the "Out Grower Farmers Loan Scheme" of the National Agribusiness Development Programme (NADeP)	LKR	135.69	Increase the Production, Productivity, Quality and Value addition of Agriculture Produces.	135.69

Value Chain Development Seasonal Agriculture Loan Scheme under the "Out Grower Farmers Loan Scheme" of the National Agribusiness Development Programme (NADeP)	LKR	302.04	Further enhance the Production, Productivity, Quality and Value addition of Agriculture Produces.	302.04
NADeP - "Tharuna Diriya" Youth Empowerment and Employment Programme	LKR	288.48	Reach Village Level Poor Youth to enhance the Skill Levels and Capacity building covering Small Business and other forms of Self-employment Projects.	288.48
Dry Zone Livelihood Support & Partnership Programme- Revolving Fund	LKR	252.90	Enhance Income generating activities in Anuradhapura, Moneragala, Kurunegala and Badulla Districts.	252.89
Small Farmers and Landless Credit Project -Revolving Fund	LKR	345.69	Promote the intensification of Agricultural Production by Small Farmers and establish of small scale Non-Farming Rural Enterprises.	1,564.75
Poverty Alleviation Micro-finance Project II (Probodini) - Revolving Fund	LKR	2,764.84	Improve Income Level of Low Income Community and enhance inclusive formal financial services and expand Income generating Activities of such People.	7,016.86
Smallholder Agribusiness Partnership Programme (SAPP) 4P Capital	USD	30.29	Contribute to Poverty Reduction of Smallholders & Increase Competitiveness & Increase the Income Level & Quality of diet of 57,500 Smallholders through commercially oriented Production & Marketing Systems, using a Process of forming & building capacity of Producer Groups, Organizations & strengthening the network under the partnerships with the Private Sector.	125.85
Smallholder Agribusiness Partnership Programme (SAPP) 4P Seasonal				854.05
Smallholder Agribusiness Partnership Programme (SAPP) Youth				14.45
Smallholder Agribusiness Partnership Programme (SAPP) Income Generation				106.42

(ii) Ongoing Projects

Name of the Project/ Loan Scheme	Total Allocation of the Fund (Mn.)	Objective/s	Refinance Granted to PFls (Rs. Mn.)
Tea Development Project - Revolving Fund	LKR 1,100.00	Develop the Tea Sector in the Industries.	964.87
Swashakthi Loan Scheme	LKR 4,000.00	Support new & existing Entrepreneurs while expanding the Employment Opportunities.	4,448.50
"Athwela" - Resumption of Economic Activities affected by Disasters (READ)	LKR 2,000.00	Support to resume any eligible economic activity affected by any disaster as informed by the GOSL.	1,687.52
Poverty Alleviation Micro-finance Project RF (Probodini)	LKR 1,031.00	Assist to set up an effective Credit Delivery Mechanism for income generating activities conducted by the Low Income Group/ Community who are unable to access the formal financial sector facilities.	5,518.79
Smallholder Agribusiness Partnership Programme (SAPP) 4P Agribusiness	USD 30.29	Increase the Production, Productivity, Quality and Value addition of agriculture produce.	458.29
Smallholder Agribusiness Partnership Programme (SAPP) 4P Youth			405.09
Smallholder Agribusiness Partnership Programme (SAPP) RF Youth			490.21
Smallholder Agribusiness Partnership Programme (SAPP) RF Agri Business			173.85
Smallholder Agribusiness Partnership Programme (SAPP) RF Income Generation			121.32
Smallholder Agribusiness Partnership Programme (SAPP) 4P FI Bulk Loan			237.69
Smallholder Agribusiness Partnership Programme (SAPP) RF FI Bulk Loan			59.36
Smallholder Agribusiness Partnership Programme (SAPP) RF Promoter Bulk Loan			31.16
Self Employment Promotion Initiative Phase II (SEPI II)			LKR 950.00	Support starting of a New Business or expanding the existing Business of Youth who have completed Certificate or Diploma in National Vocational Qualification (NVQ)	493.13
Supply Chain Re – Energizing Loan Scheme (SCREL)	LKR 500.00	To re energize the Tea supply chain by supporting existing tea manufactures to revamp their businesses.	213.75

57. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events that had occurred subsequent to the reporting date that required adjustments to or disclosure in the financial statements except for the following.

- Receipt of funds amounting to SDR 254.00 Mn by the GOSL from IMF under the extended fund facility (EFF) on 22 March 2023.
- CBSL and Ministry of Finance, Economic Stabilization and National Policies, held a virtual investor presentation on 30 March 2023 and indicated a possible Domestic Debt Optimization (DDO) while suggesting that the authorities are exploring options on DDO.

2. BANK SUPERVISION

As per the provisions of the Monetary Law Act (MLA) No. 58 of 1949 and the Banking Act No. 30 of 1988, the Bank Supervision Department (BSD) is conferred with specific powers and duties to conduct continuous supervision and carry out periodical statutory examinations of Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) in Sri Lanka (hereinafter referred to as licensed banks) and to issue Directions/guidelines to licensed banks. The main objectives of BSD are ensuring the safety and soundness of the banking sector and safeguarding the interests of depositors and other stakeholders of licensed banks in Sri Lanka.

In order to accomplish the aforementioned objectives, BSD carries out functions pertaining to regulation and supervision of licensed banks, such as issuing licences to conduct banking business, formulating and issuing prudential regulations, continuous supervision and performing periodic statutory examinations of licensed banks, assessing and approving the fitness and propriety of Directors, Chief Executive Officers (CEOs) and Key Management Personnel (KMP) of licensed banks, granting regulatory approvals, initiating regulatory actions as prescribed by the Monetary Board, and engaging in awareness and capacity building of the banking sector.

The Sri Lankan banking sector comprised of 24 LCBs and 6 LSBs by end 2022. In addition, 4 Representative Offices (ROs) of foreign banks were in operation. A list of licensed banks and ROs is provided in Annex I.

A summary of the main functions and activities performed by BSD during 2022 is as follows:

2.1 Issuance of Prudential Regulations

BSD introduced proactive prudential regulations to ensure stability and resilience of the banking sector amidst the recovery from post COVID-19 shocks and the challenging economic environment, while continuing to extend concessions to affected borrowers of licensed banks.

Some of the key regulatory measures introduced during 2022 are summarised below. Details of the regulations are provided in Part III of this Report.

- (a) Regulatory requirements amidst prevailing extraordinary macroeconomic conditions
- (b) Sustainable finance activities of licensed banks
- (c) Guidelines on establishment of post COVID-19 revival units in licensed banks
- (d) Concessions to affected borrowers amidst the prevailing extraordinary macroeconomic circumstances

- (e) Regulatory requirements on liquidity ratios
- (f) Restrictions on discretionary payments of licensed banks
- (g) Addendum to Customer Charter - accessibility to banking services for customers with special needs
- (h) Margin requirements against imports
- (i) Banking (Off-shore Banking Business Scheme) Order on designated foreign currencies
- (j) Mandatory recording of the unique identification numbers of depositors of licensed banks
- (k) Maximum interest rates on lending and deposit products of licensed banks
- (l) Forward sales and purchases of foreign exchange by licensed commercial banks
- (m) Annual licence fee of licensed banks

Further, BSD commenced reviewing key prudential regulations such as the Banking Act Directions on Maximum Amount of Accommodation.

2.2 Drafting the New Banking Act

BSD continued the process of drafting a new Banking Act to further strengthen the legal and regulatory framework of licensed banks. The proposed new Banking Act includes provisions for a differentiated regulatory framework to facilitate proportionality, strengthening corporate governance, consolidated supervision, imposing monetary penalties/fines, ring-fencing of banks to mitigate contagion risk, and strengthening provisions for mergers, acquisitions, and consolidation. The Central Bank plans to enact the new Banking Act by end 2023.

2.3 Approvals granted by the Monetary Board and the Director of Bank Supervision

(a) Branches and Other Banking Outlets of Licensed Banks

By end 2022, 220 requests were processed and 178 approvals were granted, while 31 requests were deferred/declined on prudential grounds (Table II-1). Accordingly, by December 2022, there were 3,630 bank branches, 3,794 Student Savings Units and 6,678 Self Service Machines (SSMs) in operation.

During 2022, the Monetary Board also granted concurrence to the issuance of licences by the Hon. Minister of Finance in terms of the Colombo Port City Economic Commission Act No. 11 of 2021 to carry on off-shore banking businesses in the Colombo Port City to 4 licensed banks.

Table II-1
Approvals relating to Branches and Other Banking Outlets

Types of Approvals	No. of Approvals	
	Processed	Granted
Opening and Installation	114	85
Branches	29	23
Self Service Machines (SSMs)	51	48
Student Saving Units (SSUs)	4	3
Other Banking Outlets	3	2
Agents of Licensed Banks	27	9
Relocation	72	62
Branches	63	54
SSMs	5	4
Other	4	4
Closures and cancellation of approvals granted for branches and other service outlets	8	7
Discontinuation and cancellation of approvals granted for ATMs and Other Automated Machines	12	12
Discontinuation and cancellation of approvals granted for Agents of licensed banks	14	12
Total	220	178

(b) Other Regulatory Approvals

During 2022, a total of 283 other regulatory approvals were granted (Table II-2).

Table II-2
Other Regulatory Approvals Granted

Type of Approval	No. of Approvals
Assessing fitness and propriety for the appointment of new/continuing directors, CEOs & KMP and persons engaged in foreign exchange business	185
Outsourcing arrangements	19
Disposal of property below market value	20
Inclusion of debentures in Tier 2 capital	3
Exceeding maximum amount of accommodation	1
Abandoned property reimbursements	1
Requests for expatriate staff visa recommendations/renewals	17
Other Approvals	37
Total	283

(c) Regulatory Actions

During 2022 on 25 instances, licensed banks were required to initiate corrective measures regarding non-compliances with the Banking Act and Directions issued thereunder.

2.4 Conduct of Continuous Supervision

(a) Continuous supervision is an ongoing monitoring mechanism on the affairs of individual banks, which serves as an early warning system to ascertain the operational efficiency and long-term sustainability of the licensed banks and enables the implementation of corrective actions, where necessary, to ensure safety of depositors' funds. Continuous

supervision was intensified to make the banking sector safe and sound amidst strong challenges stemming from macroeconomic related concerns. Continuous supervision is conducted based on periodic financial and prudential information submitted weekly/monthly/quarterly/annually by each bank largely through the web-based FinNet system.

- (b) Considering the liquidity and capital stresses resulting from the extraordinary circumstances that prevailed in 2022, special board papers were submitted to the Monetary Board. In addition, meetings were held with the members of the Monetary Board and representatives of the Board of Directors and KMP of licensed banks in order to discuss the current challenges faced by the banks on liquidity and capital and strategies adopted by the banks to overcome such constraints.
- (c) Further, during 2022, approximately 29 requests made under the Right to Information Act No. 12 of 2016 were handled by BSD while attending to approximately 177 customer complaints.
- (d) BSD continued to monitor the progress of addressing supervisory concerns identified during statutory examinations of banks within specified time targets on a quarterly basis.

2.5 Conduct of Periodic Examinations

- (a) During 2022, BSD conducted 22 Statutory Examinations of licensed banks on full scope basis, including Statutory Examinations of all 4 Domestic Systemically Important Banks (D-SIBs). Out of the 4 Statutory Examinations conducted on D-SIBs, 2 Statutory Examinations were focused on consolidated risk based supervision extending to group entities of such D-SIBs.
- (b) BSD submitted 22 Examination reports to the Monetary Board during 2022. This comprised 12 and 10 Examination reports of Statutory Examinations conducted in 2021 and 2022, respectively, which included 2 Interim Examination reports of 2 D-SIBs.
- (c) BSD conducted 17 Spot Examinations on several licensed banks, inter-alia, to verify matters relating to conversion and utilisation of export proceeds, workers' remittances, foreign currency transactions, data verifications on the Central Bank Fin-Net returns and customer complaints.
- (d) During 2022, BSD conducted joint supervision with Financial Intelligence Unit (FIU), Payments and Settlement Department (PSD), and Foreign Remittances Facilitation Department (FRFD) of the Central Bank. Accordingly, out of 22 Statutory Examinations conducted in 2022, 16, 1 and 2 Examinations were carried out with FIU, PSD and FRFD, respectively, focusing on different risk factors and compliance levels of the banking operations of licensed banks.

2.6 Crisis Preparedness Measures

BSD implemented measures to strengthen crisis preparedness of the Central Bank by establishing a framework for providing emergency loans and advances to licensed banks in collaboration with relevant departments. Further, BSD assisted in strengthening the regulatory framework on resolution and deposit insurance and in the establishment of the Crisis Management Committee.

2.7 Awareness, Capacity Building and Meetings Conducted during 2022

During 2022, BSD continued to provide resource persons for capacity building programmes of the banking sector and certain others and provided training and development opportunities for its staff in the areas of banking and finance, regulatory compliance, risk management, sustainable finance, etc. Further, officers of BSD continued to serve as committee members in various committees of the Central Bank during 2022.

BSD conducted 10 monthly meetings and 4 special meetings with Chief Executive Officers of licensed banks in 2022, to discuss matters relating to the developments of the economy, the banking sector, and the regulatory and supervisory frameworks amidst prevailing extraordinary economic conditions. In addition, 2 meetings were held with bank Chairpersons to apprise them on the banking sector performance, developments in the economy, and the expectations of the regulator during the current economic crisis.

During 2022, BSD coordinated/participated in several meetings with Missions of the World Bank, Asian Development Bank (ADB), and the International Monetary Fund (IMF) with respect to implementing Financial Sector Stabilisation measures.

Annex II - 1

List of Licensed Banks as 31.12.2022

Licensed Commercial Banks

1. Amana Bank PLC
2. Bank of Ceylon
3. Bank of China Ltd
4. Cargills Bank Ltd
5. Citibank, N.A.
6. Commercial Bank of Ceylon PLC
7. Deutsche Bank AG
8. DFCC Bank PLC
9. Habib Bank Ltd
10. Hatton National Bank PLC
11. Indian Bank
12. Indian Overseas Bank
13. MCB Bank Ltd
14. National Development Bank PLC
15. Nations Trust Bank PLC
16. Pan Asia Banking Corporation PLC
17. People's Bank
18. Public Bank Berhad

19. Sampath Bank PLC
20. Seylan Bank PLC
21. Standard Chartered Bank
22. State Bank of India
23. The Hongkong & Shanghai Banking Corporation Ltd
24. Union Bank of Colombo PLC

Licensed Specialised Banks

1. Housing Development Finance Corporation Bank of Sri Lanka
2. National Savings Bank
3. Pradeshiya Sanwardhana Bank
4. Sanasa Development Bank PLC
5. Sri Lanka Savings Bank Ltd
6. State Mortgage & Investment Bank

Representative Offices of Foreign Banks

1. Doha Bank QPSC
2. JP Morgan Chase Bank NA
3. MUFG Bank Ltd.
4. ICICI Bank Ltd.

3. CENTRE FOR BANKING STUDIES

Centre for Banking Studies (CBS) of Central Bank, has been leading capacity development initiatives for the financial sector professionals in Sri Lanka for more than four decades. In addition to these capacity building activities, CBS hosts various discussions on time relevant topics with economic interest, to create awareness among stakeholders. In 2022, CBS concentrated primarily on addressing the fast changing training needs of the financial sector fueled by developments in technology and assisted its stakeholders in achieving their professional goals by providing them with cutting edge skills and in depth knowledge needed to elevate the banking and finance sector to greater heights. Even though there were disruptions caused by the continuation of the COVID-19 pandemic, economic crisis, and social unrest, CBS continued to maintain its momentum throughout the year.

In order to address novel and emerging subject areas with high demand and to further enhance existing programmes to meet current needs, CBS introduced a number of new training interventions in 2022. These training interventions, which were offered not only to the Sri Lankan financial industry, but also to interested parties across the region, covered a diverse range of subject areas including banking and finance, risk management and compliance, treasury operations, accounting and financial management, law and regulations, research and data analysis, economics, human resources and general management, rural sector development and microfinance, information technology, and soft skills.

CBS conducted a total of 140 programmes which consisted of 65 prescheduled programmes (along with the newly introduced 10 programmes), 19 special programmes (tailor made based on requests by various institutions and developed considering the market demand), 4 certificate courses, and 4 international programmes during the year 2022. Establishing another milestone, CBS introduced a regional knowledge sharing

initiative in 2022 with the aim of establishing the footprint of CBS as a leading capacity building partner in the Asian region. This programme was focused on “Fintech Developments and Central Bank Digital Currency” and was attended by number of foreign participants from the Asian region. Further, CBS launched the quarterly Expert Panel Discussions (EPD) series in March 2022 with the objective of creating a platform to discuss current economic topics with the participation of experts representing different facets of such developments. Through these discussions, CBS expects policymakers to understand different perspectives on issues while a greater level of awareness is raised among the business community and the public, enabling a smooth policy implementation process. In addition to that, CBS successfully conducted an Annual High-Level Seminar on “Confronting the Current Foreign Exchange Crisis in Sri Lanka: Lessons from Global Experience” targeting senior level officials of both state and private sectors.

Furthermore, CBS continued to play the role of an active partner in capacity building efforts for the implementation of sustainable finance in Sri Lanka with the collaboration of International Finance Corporation (IFC). Apart from that, international institutes including the South East Asian Central Banks (SEACEN) Research and Training Centre and Deutsche Bundesbank collaborated with CBS to further enrich the programme line up of CBS by delivering programmes on “FinTech Regulation and Supervision”, “Recovery and Resolution on Credit Institutions”, and “Monetary Policy Implementation”. Further, CBS launched a new Certificate Course on “Macroeconomics for Journalists” designed specifically for media personnel with the intention of enhancing their knowledge on economic concepts and the financial system.

Honoring the social obligation of increasing financial and economic literacy of the nation, CBS hosted a number of knowledge sharing forums, including 20 public events covering various subject areas. Further, serving the educational fraternity of the country, 8 programmes were conducted for undergraduates and school students. Among these, there were 2 newly initiated programmes on financial literacy targeting middle school children.

Furthermore, in the year 2022, CBS continued to coordinate 2 television serials, namely “Thakshilawa” and “Ariwootroo” of which 20 episodes were aired in Sinhala and Tamil, targeting Advanced Level economics students. CBS also conducted a series of regional level programmes in collaboration with Regional Offices and the Regional Development Department of the Central Bank. Throughout the year 10,447 participants attended CBS programmes both in person and online.

Improving the efficiency and smoothness of CBS operations, an Institutional Management System (IMS) was introduced in parallel to the newly launched CBS interactive website in 2022.

CBS launched its course catalogue for the year 2023 at the end of 2022, expressing its continuous commitment to enrich financial professionals with the required knowledge and skills in order to pave the way for stable and resilient financial system.

4. COMMUNICATIONS

In 2022, amid many uncertainties, the Central Bank engaged in a tiered communication strategy to systematically reach out to its various target audiences, including the general public, through a range of communication channels, to share information, to provide greater clarity on policy decisions and their impact on the economy, and to influence expectations. The Communications Department (CMD) assisted the other departments to meet such internal and external communication requirements on a timely basis.

4.1 Internal Communications

CMD supported the Monetary Policy endeavors of the Central Bank through appropriate information management; in particular, its analysis of Market Sentiments and Policy Rate predictions as reported by the media at the beginning of the Monetary Policy Review Cycles and Monetary Policy Reach Report within a week after each press conference, to assess the effectiveness of the reach of the core messages of Monetary Policy Review (MPR) while identifying the reactions by the media to the Monetary Policy Decisions of the Central Bank. CMD was also instrumental in providing live coverage for its press conferences and other important events to the desktops of the staff to ensure they were well informed about the happenings at the Central Bank. An online Knowledge Sharing Platform was introduced in 2022 to break silos in the work environment and to share information pertaining to the policies and processes of respective departments among the staff, whereby 8 timely topics were discussed through the MS Teams platform. To ensure that all staff is well versed on developments in the local economy as well as the global financial markets, CMD shared all relevant online news among the staff via email, supplemented by the Library and Information Center (LIC) of CMD, which identifies all relevant newspaper articles, which are uploaded to the intranet platform. All critical news items are also brought to the attention of the Senior Management. Considering the increasing price of newsprint, LIC embarked on an electronic newspaper drive, to reduce costs. LIC also disseminated information by way of e-books, specific chapters of books, scholarly articles, etc. among the staff on a regular basis. In addition to that, LIC relaunched the book review competition for staff in October 2022, in celebration of National Reading Month, and 2 winners were selected. Similarly, the official internal newsletter “Kauluwa” containing news and articles featuring the creative skills of the Central Bank staff was digitally published and uploaded to the Mansala, on a quarterly basis.

4.2 External Communications

As in previous years, CMD continued to send SMS alerts on Policy Interest Rates and Exchange Rates (Telegraphic Transfer Rates) in collaboration with ERD & IOD respectively. Furthermore, CMD issued Middle Rate of USD/ LKR Spot Exchange Rate and Variation Margin in all three languages

to senior officials of all licensed commercial banks with the assistance of IOD. In addition, CMD collaborated with the Statistics Department (STD) to disseminate key economic indicators on daily, weekly and monthly bases during 2022.

CMD issued 1,860 press releases in all 3 languages highlighting the key decisions of the Monetary Board in relation to MPR, financial institutions, and financial markets. As envisaged in the beginning of the year, CMD organised 8 Press Conferences on the MPR which were live streamed via social media channels of the Central Bank to ensure that the messages were relayed to a larger audience. CMD also arranged 4 virtual awareness sessions at the Regional Offices of Nuwara Eliya, Trincomalee, Matale and Matara, in collaboration with the ERD, Regional Development Department (RDD) and Centre for Banking Studies (CBS), to explain the rationales for certain decisions of the Central Bank, in simple Sinhala and Tamil.

CMD also facilitated several additional press conferences on Foreign Remittances, the Current Economic Situation, and one press conference at the request of International Monetary Fund (IMF). Meanwhile, 12 Gazette notifications and 141 press notices, including advertisements, were also issued by CMD as per the requirements of other departments during 2022.

In order to inculcate good habits and enhance their knowledge of economics and financial literacy levels at a younger age, CMD organised a regional level awareness workshop for school children in Kekirawa and Rajanganaya in collaboration with the Regional Office in Anuradhapura. To coincide with this event, to propagate a financially literate society, art and essay competitions were arranged on the theme of "the need to save on a regular basis". A book donation drive was also organised with the assistance of Library and Information Centre (LIC) of the Central Bank for which employees contributed by donating books. This was in addition to the 52 awareness programmes on the Central Bank's objectives and functions and other selected topics related to the economy, banking, and finance organised by CMD at the Central Bank Head Office premises, that are arranged upon request, with a guided tour of the currency museum for school children and undergraduates. In addition, CMD organised programmes targeting Members of Parliament to update their knowledge on "The Current Economic Situation in Sri Lanka and the Way Forward" and another programme organised by CMD targeting officials of Divisional Secretariats of Balapitiya and Ambalangoda, to enhance their awareness of "Unauthorised / Illegal Financial Activities including Pyramid Schemes".

Further, CMD coordinated with six departments of the Central Bank and the National Institute of Education (NIE) as the lead department / secretary of the appointed committee to propose suggestions to the syllabus of the newly introduced subject "Entrepreneurship and Financial Literacy", particularly topics related to Central Bank functions in order to increase the financial literacy levels of school children.

With the support of relevant departments of the bank, CMD continued maintenance of the updated official website of Central Bank in all 3 languages in compliance with the National Language Policy throughout the year. In response to frequent public inquiries pertaining to the functions performed by the bank, all e-mails received via the Central Bank general mail were reviewed and sent to the relevant departments for direct response. CMD also responded to certain inquiries where information was available.

The Tamil Translations Unit, established at CMD to meet Tamil translation requirements of press releases, newspaper advertisements, Directions, and other publications including the Annual Report, engaged in 1,161 translations comprising 5,022 pages during the year.

Furthermore, two radio discussions and three TV programmes were arranged by CMD in collaboration with other departments to improve the financial literacy levels of the general public and provide useful information on related areas such as foreign remittances and Employee Provident Fund services.

LIC catered to requests from university undergraduates and other researchers who needed information for their research activities and facilitated access to the library for 36 university interns for their discussions, lectures, and studies.

As in the previous year, the CMD continued to publish these periodicals online: "Satahana", "News Survey" and "Vaippaham", providing a platform for authors at the Central Bank to contribute to the development of knowledge in their respective fields.

The photography coverage of all the major events conducted by the Central Bank was handled by the Photographic Unit of CMD. Overall, 160 events were covered, 64 of which comprised videographic coverage. CMD also engaged in a host of other related activities such as photo and video editing work and liaised closely with the Central Bank Awareness Team to develop new video content capturing moments from press conferences, highlighting the features of loans facilitated by the Regional Development Department (RDD), the benefits of the EPF Online Service, the dire consequences of exposure to scams, etc.

5. CURRENCY

The Central Bank has the sole right and authority to issue currency in Sri Lanka which includes both currency notes and coins as stipulated in the Monetary Law Act (MLA) No. 58 of 1949. The Currency Department (CRD) of the Central Bank handles functions relating to this statutory responsibility vested with Monetary Board. Despite the challenges of COVID-19, during 2022, CRD continuously engaged in building and maintaining public confidence in the currency by preserving its value and integrity and making available adequate stocks to meet the demand for currency, which is essential for smooth functioning of the economy.

5.1 Currency in Circulation

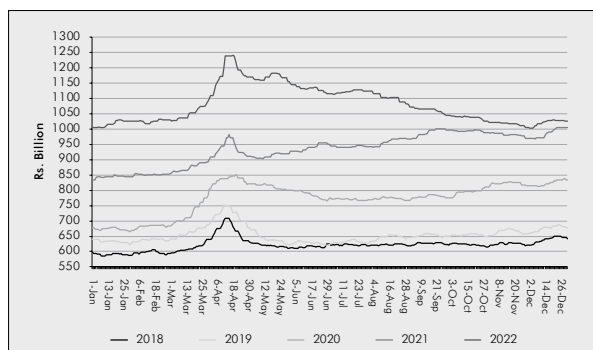
Unprecedented demand for currency in the first half of 2022 which increased to Rs. 1,240 billion in April, gradually decreased in the second half of 2022. The value of total currency in circulation increased by 2.1 per cent and reported at Rs. 1,026.0 billion as at 31 December 2022, over the previous year, as shown in Table II -3 and Chart II-1.

Table II-3
Currency in Circulation (as at 31 December 2022)

Item	Value (Rs. bn)					Change (%)				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Notes	627.1	663.1	819.3	988.6	1,009.1	7.1	5.7	23.6	20.7	2.1
Coins(a)	13.2	14.2	14.9	15.9	16.9	9.0	7.6	4.9	6.7	6.1
Total	640.3	677.4	834.2	1,004.5	1,026.0	7.2	5.8	23.1	20.4	2.1

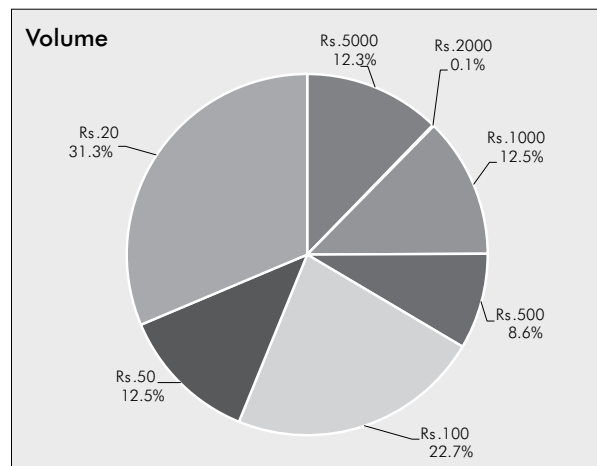
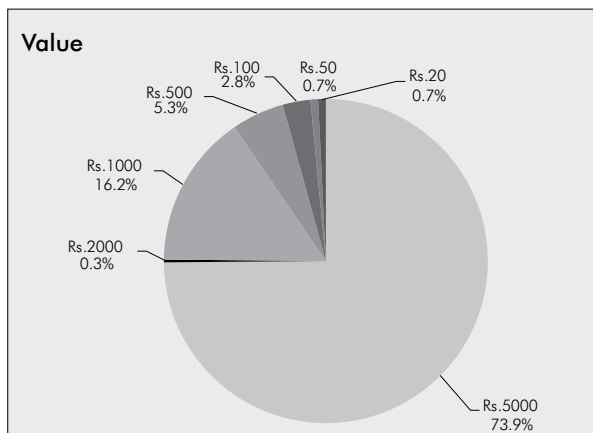
(a) Commemorative coins are excluded.

Chart II-1
Currency in Circulation 2018-2022



The value of currency notes in circulation increased by 2.1 per cent to Rs.1,009.1 billion in 2022. Among the currency notes, the denominations of Rs.5000 and Rs.1000 together accounted for a significantly high amount of 90.1 per cent of the total value of currency notes in circulation as at 31 December 2022 as given in Chart II-2. Additionally, the volume of denomination of Rs.20 and Rs.100 together accounted for approximately 54 per cent.

Chart II-2
Value and Volume of Currency Notes in Circulation (Rs.) as at end 2022



5.2 Currency Management

Issuance of good quality currency notes and coins into circulation, acceptance of currency deposits from Licensed Commercial Banks (LCBs), and withdrawal of unserviceable (unfit) currency notes and coins from circulation are the key functions of currency management. Following are the activities carried out during the year 2022 to ensure the effectiveness of currency management:

(a) Currency Printing and Minting

CRD placed an order for 495 million pieces of new currency notes for the year 2022 to ensure good quality notes in circulation and sufficient stocks to meet the public demand. There were no orders placed for circulation coins during the year as CRD had adequate coin stock to cater the public demand.

(b) Issuance of Currency

During 2022, CRD continued the facilitation of direct exchange of serviceable (fit) currency notes among LCBs which was initiated in 2020 due to the pandemic situation. This resulted in a reduction of currency notes issued by the Central Bank in 2022. Currency notes and coins issued by CRD for circulation in the country during the year 2022 amounted to Rs.384.5 billion and Rs.1.0 billion, respectively.

Table II-4
Issuance of Currency Notes and Coins

Item	Value (Rs. bn)				
	2018	2019	2020	2021	2022
Fit Notes	467.0	526.5	467.1	172.7	167.6
New Notes	328.4	248.7	229.5	217.3	216.9
Coins (a)	1.1	1.0	0.7	0.9	1.0
Total	796.5	776.2	697.3	390.9	385.5

(a) Commemorative coins are excluded from coin issuances

(c) Acceptance of Currency Deposits

As a part of currency operations, CRD accepts currency deposits from LCBs, primarily for the maintenance of the statutory reserve requirement imposed by the

Central Bank as a monetary policy tool. During 2022, CRD accepted both serviceable and unserviceable currency notes from LCBs, as given in Table II-5. Despite the increase in currency note deposits in 2022 in comparison to 2021, currency note deposits in 2022 remained low on average due to the facilitation of direct exchange of serviceable currency notes among LCBs.

Table II-5
Deposit of Currency Notes

Item	Value (Rs. bn)				
	2018	2019	2020	2021	2022
Fit Notes	524.1	606.9	445.0	144.6	272.5
Unfit Notes	229.6	132.1	95.4	76.1	91.6
Total	753.7	739.0	540.4	220.7	364.1

Note : The value of coins deposited by LCBs with the Central Bank is not significant.

(d) Destruction of Unfit Currency Notes

With the objective of ensuring good quality currency notes in circulation in the country, CRD destructed 238.5 million pieces of unserviceable currency notes valued at Rs.207.3 billion (Table II-6) in 2022.

Table II-6
Destruction of Unfit Currency Notes

Notes	2018	2019	2020	2021	2022
Pieces (mn)	343.8	235.0	127.3	108.2	238.5
Value (Rs. bn)	252.2	139.8	62.2	44.3	207.3

5.3 Other Activities

(a) Operating Currency Counters

During the year 2022, CRD catered to the public through currency counters by exchanging damaged currency notes to the value of Rs.102 million. The special exchange counter for public established at the Bank of Ceylon, Pettah Branch issued currency notes and coins to the value of Rs.1,812.7 million and Rs.59.8 million, respectively.

(b) Operating Economic History Museum

Economic History Museum (EHM) was not operated at its fullest potential due to the pandemic situation in first half of 2022. However, EHM rendered its services to 4,415 individuals on numismatics, by sales of commemorative notes, coins and other collector items and conducting knowledge sharing presentations. Further, EHM started a process of preservation of obsolete artifacts in 2022.

(c) Preserving Public Confidence in Currency

CRD closely cooperated with the Counterfeit Currency Bureau of the Criminal Investigation Department (CID) of the Police and law enforcement authorities pertaining

to counterfeiting attempts. Counterfeit notes detected in 2022 amounted to 1,987 pieces. The ratio of counterfeit currency notes in circulation, which is measured by notes per million, was 1.4 in 2022.

CRD facilitated the issue of 98 certificates in terms of Section 59 of the MLA with the signature of the Governor, as conclusive evidence for the imitation of currency notes, to facilitate proceedings in courts and attended 6 court cases to provide evidence on currency counterfeiting.

(d) Issuance of Commemorative Coins

The Central Bank officially launched 2 circulation standard commemorative coins in the denomination of Rs.20 to mark the 150th Anniversary of Faculty of Medicine, University of Colombo and the 150th Anniversary of Census of Population and Housing (CPH) in Sri Lanka.

6. DOMESTIC OPERATIONS

6.1 Functions of DOD

The Domestic Operations Department (DOD) is entrusted with responsibilities relevant to both price and economic stability and financial system stability objectives of the Central Bank. Accordingly, the major functions of DOD include implementing monetary policy by way of conducting Open Market Operations (OMOs) with Participating Institutions (PIs), regulating statutory reserves of Licensed Commercial Banks (LCBs), performing actions related to the banker and the official depository of the Government, government agencies and other institutions, providing Intraday Liquidity Facility (ILF) to Dealer Direct Participants, and regulating and supervising of the Authorised Money Brokers (AMBs).

6.2 Implementation of Monetary Policy

6.2.1 Open Market Operations (OMOs)

DOD conducts OMOs in order to maintain the Average Weighted Call Money Rate (AWCMR), which is the operating target of the current Flexible Inflation Targeting framework, at desired levels with less volatility in line with the prevailing monetary policy stance. AWCMR, which recorded an upward adjustment in 2022 remained stagnant at the upper bound of the Standing Rate Corridor (SRC). Call money market activities remained low since April 2022 due to increased uncertainty in the markets, particularly on account of the speculation on fiscal sector developments.

(a) Estimating Money Market Liquidity

DOD estimates domestic money market liquidity on a daily basis based on a number of factors. This estimation is used to address liquidity needs of the market participants through appropriate market operations in consistence with the monetary policy stance of the Central Bank. In this regard, the impact of monetary operations initiated by the Central Bank as well as the

liquidity effects of autonomous factors, such as changes in currency in circulation, foreign exchange related transactions of the Central Bank, changes in the reserve position of LCBs, and transactions of the Government with Central Bank are taken into consideration. During 2022, DOD performed liquidity estimation in a challenging environment. The money market liquidity deficit stood at Rs. 335.75 billion at the beginning of the year and remained at negative levels throughout the year. However, the liquidity deficit recorded a gradual decline since the second quarter of 2022 and recorded a deficit of Rs. 231.25 billion by end December 2022.

(b) Recommendations to the Market Operations Committee (MOC)

MOC is entrusted with the task of translating overall monetary policy considerations adopted by the Monetary Board into daily monetary operations. DOD provides inputs on money market developments and liquidity estimations on domestic money market to the MOC in the process of implementing the monetary policy stance adopted by the Monetary Board. Accordingly, upon reviewing the effects on rupee market liquidity due to developments in the domestic money market and the foreign exchange markets on a daily basis, DOD proposes actions for the consideration of the MOC in managing money market liquidity and short term interest rates. MOC considers the estimated liquidity conditions, desired level of the operating target, liquidity distribution among money market participants, and need for devising appropriate market signals, among others, and thereby decides on appropriate actions to be implemented. During 2022, DOD conducted monetary operations to address asymmetric liquidity distribution in the domestic money market and to reduce liquidity stress among certain Pls.

(c) Conducting Auctions

In 2022, DOD conducted auctions under OMOs to absorb and inject liquidity from and to the money market on a need basis in support of overall liquidity management operations. The following auctions were conducted in 2022, which were instrumental in minimising undue pressures in the domestic money market (Table II-7):

(i) Repurchase (Repo) Auctions

During early 2022, overnight and short term repo auctions were conducted to absorb excess liquidity from the domestic money market. Accordingly, overnight repo auctions were conducted to absorb liquidity on an overnight basis, while short term repo auctions were conducted to absorb liquidity for a period up to one week on the basis of same day settlement.

(ii) Reverse Repurchase (Reverse Repo) Auctions

Long term reverse repo auctions were also conducted in 2022 to inject liquidity to the domestic money market to reduce the liquidity stress among certain banks. Such long term reverse repo auctions were conducted by DOD, with the settlement on the next business day, in order to inject liquidity to address persistent liquidity needs of the market.

(iii) Outright Transactions

During 2022, outright sales of Treasury bill auctions were conducted by DOD to absorb liquidity injected through the primary purchase of Treasury bills by the Central Bank on a permanent basis from the money market. Further, attempts were made to conduct outright purchase of Treasury bill auctions towards end 2022 to inject permanent liquidity to the market though such auctions were not successful. Treasury bond outright auctions were not conducted during the year 2022.

Table II-7
Monetary Operations through Auctions in 2022

Type of Auction	No. of Auctions	(Rs. bn)	
		Total Amount offered	Total Amount Accepted
Repo Auctions			
Overnight	25	1,880.00	1,533.25
Short-term (up to 7 days)	08	100.00	22.00
Long-term (8 days to 90 days)	nil	nil	nil
Reverse Repo Auctions			
Overnight	nil	nil	nil
Short-term (up to 7 days)	03	235.00	235.00
Long-term (8 days to 90 days)	25	1,235.00	954.50
Outright Auctions			
Outright Sales of Treasury bills	11	150.00	23.53
Outright Purchases of Treasury bills	01	20.00	0.00
Outright Sales of Treasury bonds	nil	nil	nil
Outright Purchases of Treasury bonds	nil	nil	nil
Liquidity Support Facility*			
Overnight	nil	nil	nil
Short-term (up to 7 days)	nil	nil	nil
Long-term (8 days to 90 days)	nil	nil	nil

*A Reverse Repo auction available for Standalone Primary Dealers under OMOs.

(d) Provision of Standing Facilities

Standing facilities are provided to Pls that are unable to fulfill their short term liquidity requirements through the money market and the daily OMO auctions. The Standing Deposit Facility (SDF) is used to accept excess liquidity of Pls, while the Standing Lending Facility (SLF) is available to provide liquidity to Pls when they are unable to fulfill their short term liquidity requirements. During 2022, standing facilities were provided to Pls

at the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). Accordingly, the total amount accepted under SDF was Rs. 54,528.34 billion and the total amount granted under SLF was Rs. 163,058.05 billion (Table II-8).

Table II-8
Provision of Standing Facilities in 2022

Standing Facility	(Rs. bn)			
	Daily Minimum	Daily Maximum	Daily Average	Total Volume
Standing Deposit Facility	51.37	378.67	227.20	54,528.34
Standing Lending Facility	424.16	850.60	679.41	163,058.05

6.2.2 Administering and Monitoring the Statutory Reserve Ratio (SRR)

The SRR determines the required reserves that each LCB should maintain, in proportion to the total average rupee deposit liabilities of the respective bank in the settlement account with the Central Bank, in terms of the provisions under Section 93 of the Monetary Law Act (MLA), No. 58 of 1949. DOD is responsible for monitoring the compliance of LCBs. During 2022, DOD continued to administer and monitor the compliance of LCBs with the SRR, which remained unchanged at 4 per cent throughout the year.

6.2.3 Administering the Bank Rate

The Bank rate, which is termed as the Lender of Last Resort (LOLR) rate, is used to provide emergency loans to banking institutions under the provisions of Sections 86 and 87 of the MLA. Since 16 April 2020, this rate was linked to the SLFR with +300 basis points and allowed to adjust automatically. However, with effect from the close of business on 03 November 2022, the Bank rate was linked to the Average Weighted New Deposits Rate (AWNDR) with a margin of +700 basis points so that it was adjusted based on market conditions. Further, taking into account the trends in the domestic money market, the margin of the Bank rate was reduced to +300 basis points with effect from the close of business on 02 January 2023. During 2022, no request was received by the Central Bank for soliciting emergency loans by the banking institutions, while the Central Bank has further strengthened the Emergency Loans and Advances (ELA) framework.

6.3 Functions Relating to Commercial Banks, Primary Dealers and the Government

6.3.1 Accounts of Financial Institutions

By offering settlement accounts to eligible participants of the Real Time Gross Settlements (RTGS) system, the Central Bank performs a vital role in the functioning of the economy through facilitating safe and efficient payments and settlements. This is performed through facilitating large value payments and supporting to the operations of the inter-bank money market.

The General Ledger (GL) accounts are maintained by DOD to facilitate the clearance of payments and settlements and for the settlement of payments of scripless security transactions among the RTGS participants. Further, LCBs use the same accounts for the purpose of maintaining their reserves as per the SRR. As at end 2022, DOD maintained GL accounts for 24 LCBs, National Savings Bank, and 8 Standalone Primary Dealers (SPDs).

6.3.2 Maintaining Government Accounts

In performing the functions relating to the role of the Central Bank as the banker to the Government, DOD continued to provide banking facilities to government departments, agencies and institutions and certain foreign entities on behalf of the Government. Accordingly, DOD maintained 48 such accounts during 2022. Around 90 per cent of the transaction volume of such accounts was related to the Deputy Secretary to the Treasury (DST) Account, the Public Debt Department's Current Account, the Inland Revenue Commissioner's VAT Refund Account, and the President's Fund Account.

In terms of the Section 89 of the MLA, the Central Bank provides provisional advances to the Government, not exceeding 10 per cent of the estimated revenue of the Government for the financial year in which they are made. Such advances are used by the Government as a revolving credit facility and shall be repayable within a period not exceeding six months. At the beginning of 2022, the maximum available amount to be utilised under provisional advances was increased by Rs. 73.01 billion to Rs. 225.05 billion based on the government revenue estimate for the year 2022. However, with the revised interim government budget approved by the Parliament by end 2022, the maximum utilisable amount under provisional advances was increased by Rs. 12.32 billion. Accordingly, as at end of 2022, the provisional advances stood at Rs. 237.37 billion, compared to Rs. 152.04 billion reported as at end of 2021. Based on the approved government budget for the year 2023, the provisional advances to the Government increased by Rs. 107.58 billion to Rs. 344.95 billion at the beginning of 2023.

6.4 Provision of Intra-Day Liquidity Facility (ILF)

DOD ensures the smooth and efficient functioning of the RTGS system by providing ILF to the Dealer Direct Participants. This facility is provided free of charge against the collateral of Treasury bills and Treasury bonds, which are valued at their current market prices with a sufficient haircut to absorb any variations in market prices during the day. The total value and the average daily value of ILF drawn during the year amounted to Rs. 157,166.18 billion and Rs. 657.60 billion, respectively. This indicates a significant increase in ILF utilisation during 2022 compared to the previous year, which amounted to a total of Rs. 50,777.45 billion with a daily average of Rs. 215.16 billion.

6.5 Regulating and Supervising Authorised Money Brokers

Money brokers perform an intermediary role in the money, foreign exchange, and government securities markets. The Money Broking Regulations, No. 1 of 2018 issued (by repealing the Money Broking Regulations issued in 2013 and 2016) under the provisions of Section 10 (c) of the MLA, empowers the Director of DOD to examine the operations of Authorised Money Brokers (AMBs) operating in Sri Lanka to ensure their professional conduct in the process of efficient price discovery in the domestic money market. Accordingly, nine (9) companies were issued with a “Certificate of Authorisation” under the above regulations, and designated as “Authorised Money Brokers”, by end December 2022. During the year, DOD conducted annual on-site examinations for all AMBs.

List of Authorised Money Brokers as at 31 December 2022

1. BMR Money Brokers (Pvt) Ltd
2. Central Forex & Money Brokers Ltd
3. First Alliance Money Brokers (Pvt) Ltd
4. George Steuart Investments (Pvt) Ltd
5. MVS Money Brokers Ltd
6. Pigott Chapman & Company (Pvt) Ltd
7. SMB Money Brokers (Pvt) Ltd
8. Taprobane Investments (Pvt) Ltd
9. Vishwin Money & Exchange Brokers Ltd

7. ECONOMIC RESEARCH

As per Section 25 of the Monetary Law Act (MLA), No. 58 of 1949, the Economic Research Department (ERD) is vested with the responsibility of compiling data and conducting economic research for the guidance of the Monetary Board and the Governor in formulating, implementing, and executing policies and measures and for the information of the public in the subjects of money and banking and other economic subjects of general interest. ERD effectively discharged its responsibilities amidst an unprecedentedly challenging domestic and international environment in 2022. In discharging its responsibilities, ERD continued to provide comprehensive analyses of macroeconomic developments and made timely policy recommendations to the management and the Monetary Board in order to facilitate policy decisions towards achieving its core objective of economic and price stability. The research agenda of the department was focused on a multitude of macroeconomic challenges faced by the Sri Lankan economy throughout the year, extending to monetary policy, growth and inflation dynamics, fiscal sector, and external sector, among others. As the primary source of statistics on monetary aggregates and balance of payments, ERD continued its crucial role in disseminating statistics and other macroeconomic information to all stakeholders, including the general public, through printed and electronic media, in addition to numerous in-person engagements during the year. Contributing to its already established tradition of conducting policy-oriented

research and knowledge-sharing activities, the department strengthened its own capabilities during the year, while promoting the conduct of research within the Central Bank. In fulfilling its objective of sharing knowledge, the department conducted several awareness programmes to educate its stakeholders, including the general public, which provided an opportunity to explain the functioning of the economy and ongoing challenges in balancing policy tradeoffs. As the focal point of contact in maintaining international relations of the Central Bank in the capacity of the monetary authority of the country, ERD played a critical role in establishing and maintaining close cooperation with foreign counterparts, international agencies, and other stakeholders. Especially, ERD played the anchor role in facilitating negotiations with the International Monetary Fund (IMF) on the Extended Fund Facility (EFF) on matters relating to the Central Bank, prepared technical inputs for the meetings with the IMF, while responding to their technical level queries on numerous occasions. ERD provided inputs to facilitate the ongoing debt restructuring efforts of the Government, thereby closely coordinating with financial and legal advisors appointed for carrying out the debt restructuring process. Further, ERD coordinated several Missions from the IMF on EFF and technical assistance in multiple areas during 2022.

7.1 Maintaining Economic and Price Stability

ERD continued to compile, monitor, and analyse trends and developments in the monetary, external, real, and fiscal sectors of the economy as well as global economic trends, while producing projections and forecasts to facilitate proactive and data driven monetary policy decision making by the Monetary Board. As the Secretariat to the Monetary Policy Committee (MPC), ERD facilitated eight scheduled MPC meetings. Enabling the MPC to make informed policy recommendations to the Monetary Board on the appropriate monetary policy stance of the Central Bank, comprehensive reports were presented on developments in the economy, monetary conditions, external sector issues, and model based macroeconomic projections, such as inflation and growth forecasts. Further, ERD provided analyses and reports to the Senior Management of the Central Bank on various economic issues, highlighting appropriate policy measures required to ensure macroeconomic stability. Meanwhile, the Stakeholder Engagement Committee (SEC) was established in July 2022 by replacing the Monetary Policy Consultative Committee (MPCC) and the Financial System Stability Consultative Committee (FSSCC) of the Central Bank, which were in operation previously. The Committee consists of a cross section of stakeholders, including eminent professionals, academics, and private sector personnel. SEC generally meets on a quarterly basis and the meetings are facilitated by ERD along with secretarial assistance. ERD continued to improve inhouse modelling and forecasting capacity with technical assistance received from the IMF, as a part of continuous efforts in extending the analytical capacity that contributes to monetary policy decision making and communication. As

monetary policy communication plays a major role in the flexible inflation targeting framework, ERD initiated several measures to improve external communication and enhance awareness among the general public and other stakeholders with a view to anchoring inflation expectations in line with the envisaged inflation path over the medium term. ERD published eight press releases on Monetary Policy Review, informing the public of the monetary policy stance of the Monetary Board. ERD facilitated the Monetary Policy Review press conferences organised by the Communications Department (CMD) that were livestreamed via various online and social media platforms enabling a wide outreach of real time monetary policy communication. Contributing to the outreach efforts of the Central bank, ERD provided resource personnel to facilitate webinars coordinated by the Regional Offices of the Central Bank following monetary policy announcements. ERD also contributed to knowledge sharing sessions conducted by CMD to enhance the technical understanding of the Central Bank staff on selected areas related to the functions of the Central Bank. Meanwhile, measures were also taken by ERD to further improve the compilation and dissemination of monetary and interest rate statistics during the year. Accordingly, ERD streamlined the monetary and interest rate data collection process following the changes to financial reporting standards, while commencing the collection of more granular, high frequency data on interest rates statistics.

7.2 Maintaining External Sector Stability

With the aim of ensuring external sector stability of the economy, ERD continued to provide appropriate and timely policy advice and recommendations on the external sector to MPC and the Monetary Board by collecting, compiling, and analysing statistics related to international trade, external finance, exchange rates, and Gross Official Reserves (GOR), on a regular basis. Amidst the challenging and vulnerable economic conditions, ERD evaluated the pressures on the exchange rate regularly and continued to make presentations and submissions to the Senior Management and the Monetary Board on external sector developments and issues along with required policy measures to address external sector vulnerabilities. As per Section 114 of the MLA, ERD continued to assess the monetary implications of proposed foreign loans, as requested by the Government, prior to its expected borrowings. ERD continued the publication of external sector related statistics, such as the Balance of Payments (BOP) and the International Investment Position (IIP) published in line with the BPM6 format on a quarterly basis and the International Reserve Data Template (RDT) published on a monthly basis, while making timely submissions related to Quarterly External Debt Statistics (QEDS) to the World Bank and direct investment data for the Coordinated Direct Investment Survey (CDIS) on an annual basis. Further, ERD continued to conduct several surveys during the year to ensure the accuracy and timeliness of external sector data, which include monthly surveys on inward workers' remittances, the Annual International Investment

Survey (AIIS) to collect data on foreign assets and liabilities of the private sector, and surveys related to trade in services covering the resident and non-resident airlines, shipping lines, telecommunication, construction, and insurance sectors. During the year, ERD implemented the International Transactions Reporting System (ITRS), a project to collect and compile granular level information about cross border foreign currency transactions that take place through the banking sector. Further, ERD facilitated engagements with foreign counterparts, particularly the correspondence with regard to the foreign debt restructuring process and reaching a staff level agreement in September 2022 for the IMF-EFF arrangement.

7.3 Proactive Policy Advice

ERD continued its crucial role in providing policy advice to the Monetary Board, Government, and other stakeholders on monetary policy, exchange rate policy, international trade, and fiscal sector related issues, among others, during 2022. Accordingly, ERD prepared and submitted confidential reports and delivered presentations to the Hon. Minister of Finance, Hon. Members of the Parliament, several Parliamentary Committees etc., in addition to the submissions made to the Senior Management and the Monetary Board. In accomplishing the department's statutory role, ERD submitted several confidential reports to the Hon. Minister of Finance under Sections 64 and 68 of the MLA, highlighting the current status and outlook of the monetary and external sectors, while recommending proactive measures in order to ensure economic and price stability and external sector stability. In line with Section 116(1) of the MLA, a confidential report known as the September 15th Report, which underlines the effect of the current fiscal policy on the ability of the Central Bank to achieve its objectives, was submitted to the Hon. Minister of Finance, along with a set of policy proposals to be included in the National Budget for 2023.

While attending Monetary Board meetings on a regular basis for the purpose of providing necessary policy inputs, the Director of Economic Research (DER) continued to serve as a member of several internal committees, including the MPC, Market Operations Committee (MOC), Financial System Stability Committee (FSSC), Domestic Debt Management Committee (DDMC), Tender Boards for the issuance of government securities, Training Committee, and Library Advisory Committee during 2022. Further, DER continued to serve as an observer in the Internal Investment Oversight Committee (IIOC) and International Reserve Investment Oversight Committee (IRIOC). In addition, DER also contributed to other regular and special forums and other internal committee meetings and meetings of Chairpersons and Chief Executive Officers of financial institutions, treasurers of licensed banks etc., by providing inputs on macroeconomic developments and subjects of topical interest. Moreover, DER and senior members of ERD represented numerous committees and boards of several external institutions, including the Committee on Fixing Benchmark Price for sale of Mineral Sands by the

Lanka Mineral Sands Limited, Committee to revise tariff rates on rooftop solar/ground mounted solar, Technical Committee to assist the Steering Committee on Implementation of the Road Map for Sustainable Finance in Sri Lanka, Committee on updating the standard tariff of electricity generated from renewable energy sources of 10MW or less, Committee on the Rehabilitation of the Kurunchathivu saltern project, Advisory Committee on Trade Promotion and Information of Export Development Board, Government Finance Statistics (GFS) coordination committee, Committee on Pricing Formula for LP Gas, Committee on introducing a pricing formula for petroleum products, Committee on Maintaining Cost of Living, Evaluation Committee to fix the economic value of carbonate rocks and minerals hosted by Geological Survey and Mines Bureau, Food Policy Committee, and Committee to formulate suitable methodology to adjust price variations in contracts in the construction field including highways. DER and senior members of ERD also facilitated the President appointed Committee on Economic Stabilisation, Recovery and Promotion of Growth, in numerous ways. Further, ERD officers represented the Central Bank in several programs during the year, including Marine Spatial Planning and the 30*30 campaign: Benefits for Sri Lanka, GGGI (Global Green Growth Institution) Sustainable Financing Programme in Sri Lanka, implementing the ESCAP macroeconomic model for sustainable development and Task Forces to Strengthen Foreign Exchange Inflows. In addition, ERD officers participated in meetings with various institutions, including the Department of Census and Statistics (DCS), Public Utilities Commission of Sri Lanka (PUCSL), Ceylon Electricity Board (CEB), and CHEC Port City Colombo (Pvt) Ltd. Meanwhile, ERD officers participated in the steering committee on Green Financing Taxonomy and were involved in organising the launch of the Green Financing Taxonomy. Officers of ERD continuously carried out analyses on topical interests, including the impact assessment on the X-Press Pearl incident, performance under the national fuel pass QR system, the need for urgent revision of domestic petroleum prices for demand management, reviving the agriculture sector for food security and economic recovery and industry sector issues and prospects. Contributing to the Government's efforts to revive the negotiations of free trade agreements, DER and officials of ERD participated in committees and subcommittees formed for such negotiations, such as the Investment subcommittee in the China-Sri Lanka Free Trade Agreement negotiations hosted by the Board of Investments of Sri Lanka.

7.4 Statutory Publications and Dissemination of Data and Information

As per the statutory requirements under the MLA, ERD prepared the *Annual Report* of the Central Bank for 2021, in all three languages with the assistance of other departments of the Central Bank. This annual flagship publication of the Central Bank was presented to the Hon. Minister of Finance and was made available to the public by the end of April 2022. In addition, *Recent Economic Developments - Highlights*

of 2022 and Prospects for 2023 was also published in October 2022 with the assistance from other departments providing a mid year assessment of the macroeconomic conditions that prevailed and the outlook for 2023. Further, ERD published the monthly *Statistical Bulletin* and the macroeconomic chart pack, while continuing to disseminate economic and financial information through daily, weekly, and monthly indicators and bulletins published in the media and the online data library available on the Central Bank website. Moreover, with the aim of enhancing the awareness of the general public, media statements and press statements on emerging matters were released in addition to the regular monetary policy review and external sector developments. ERD disseminated statistics covering all sectors of the economy in compliance with the Special Data Dissemination Standard (SDDS). DER appeared in several discussions in the electronic media on topical economic issues, while representing the Central Bank in external engagements. ERD also prepared talking points and presentations for the Governor for the speeches delivered at various fora, while sharing information with Hon. Ministers on various topics.

7.5 Engaging in Policy Research and Knowledge Sharing

ERD continued to inculcate a culture of research within the department and the Central Bank in order to stimulate research and analysis to facilitate the policy making of the Central Bank. The Research Advisory Committee (RAC), an internal committee formulated with the aim of fostering the research culture in the ERD, continued to provide guidance in research related tasks and knowledge sharing activities. Accordingly, RAC members served as the resource personnel to several training courses on research methodology, including 'Research in Economics' and 'Applied Econometrics - Practical Approach Using EViews Software', in collaboration with the Centre for Banking Studies (CBS), while actively contributing to research activities guiding researchers to enhance the research skills of officers of the Central Bank. For the third consecutive year, ERD organised a joint annual international research workshop in collaboration with the Asian Development Bank Institute (ADB) and Asia Pacific Applied Economic Association (APAEA) focusing on Emerging Issues for Macroeconomic Stability in September 2022. At this workshop, ERD staff presented three research papers prepared jointly with researchers from APAEA. In August 2022, ERD researchers presented a country paper at the SAARCFINANCE Virtual Seminar on the Dynamics of Inflation and its Control in South Asia. Further, ERD spearheaded the training of postgraduate aspirants of the Central Bank in the fields of macroeconomics, microeconomics, and mathematics for economics. The Central Bank's official research publication, *Staff Studies*, was published in 2022 under the guidance of the RAC, while members of RAC continued to evaluate research proposals and research papers of the postgraduate aspirants of the Central Bank and provided supervisory services to some postgraduate students in the university system. Moreover, RAC members reviewed articles written to be published in the

three periodicals of the Central Bank, namely, *News Survey*, *Satahana* and *Vaippaham*.

Meanwhile, ERD contributed to improving the economics knowledge among interested parties within and outside the Central Bank in collaboration with CMD, CBS, and the Regional Offices of the Central Bank, for the benefit of students in schools and universities, and officers of public and private sector institutions. Also, under the internship programme of the Central Bank, ERD mentored 45 university students by helping them develop research skills and educating them on the role of the ERD and the Central Bank in general, in the economic policy formulation of the country. A key public lecture, 'The State of the Sri Lankan Economy, Challenges and Outlook as Reflected in the Annual Report 2021' was conducted in all three languages by senior officers of ERD. Further, several virtual and in-person educational and awareness sessions were conducted on the areas of monetary policy, objectives and functions of the Central Bank, recent economic developments, and the current economic crisis. In addition, the television educational lecture series organised by CBS, *Thakshilawa* and *Arivootru*, conducted in Sinhala and Tamil languages, respectively, received the service of ERD officers during 2022.

7.6 International Relations

ERD further strengthened economic and financial relations with international organisations and multilateral bodies on behalf of the Government and the Central Bank during 2022. ERD facilitated several IMF missions, including Article IV and Article VIII consultations and technical assistance, while coordinating the virtual meetings with the IMF during the year. Further, ERD continued its active engagement with the regional central banks through the South East Asian Central Banks (SEACEN) Centre by coordinating the annual SEACEN Executive Committee meeting and Board of Governors (BOG) meetings and SAARCFINANCE meetings by coordinating activities with other coordinators of South Asian central banks. ERD hosted a visit by the former acting Governor of the Reserve Bank of New Zealand in collaboration with the High Commission of New Zealand in Colombo, where matters on Central Banking and related law were discussed and a public lecture was delivered. Moreover, ERD worked closely with three international sovereign rating agencies, namely, Fitch Ratings, S&P Ratings, and Moody's Ratings during the year, while providing inputs for inquiries made by the international sovereign rating agencies. ERD provided requested information for the 5th United Nations Conference on the Least Developed Countries, highlighting the areas of poverty eradication, technology and innovations, structural transformation, regional integration, climate changes and building resilience against future shocks, among others. Further, ERD assisted in providing economic updates to the

77th Session of the United Nations General Assembly - 2022, international investors and ambassadors, while maintaining continuous dialogue with the external stakeholders of the economy.

8. EMPLOYEES' PROVIDENT FUND

The Employees' Provident Fund Department (EPF Department) facilitates the Monetary Board to exercise its powers, perform its duties and discharge its functions as per the provisions of the Employees' Provident Fund Act (EPF Act), No.15 of 1958, which established the Employees' Provident Fund (EPF/Fund). In terms of the provisions of the EPF Act, the general administration of the Fund is vested with the Commissioner of Labour, while all the powers, duties and responsibilities of the fund management are vested with the Monetary Board of the Central Bank as the custodian of the Fund.

The EPF Department, on behalf of the Monetary Board of the Central Bank, is responsible for receiving all sums paid under the EPF Act as contributions, surcharges and fees and the income from the investment of moneys, having custody of the moneys of the Fund, maintaining separate accounts in respect of each member of the Fund, paying the persons certified by the Commissioner of Labour the benefits to which those persons are entitled under the Act, investing moneys of the Fund which are not immediately required for the purposes stipulated in the Act, maintaining books of accounts relating to the Fund, preparation of financial statements of the Fund and transmitting a copy to the Minister in charge of Labour, and submission of the same to the Auditor General.

During 2022, the EPF Department continued to engage in the above activities as per the provisions of the EPF Act, while maintaining close collaboration with the Commissioner of Labour. A summary of activities carried out by the EPF Department during the year under review is given below.

(a) Receiving Contributions and Payment of Benefits to those Entitled

In 2022, total member contributions increased by 17.4 per cent to Rs. 194.6 billion from Rs. 165.7 billion recorded in 2021, while the total refunds made to the members and their legal heirs also increased to Rs. 163.0 billion which was a 37.9 per cent increase compared to Rs. 118.2 billion in 2021. Accordingly, the net contribution (after deducting the amount of refunds from contributions) in 2022 decreased to Rs. 31.6 billion compared to Rs. 47.5 billion recorded in 2021 (Table II-9).

(b) Maintaining the General Accounts of the Fund and the Member Accounts

The total value of the Fund increased by 9.3 per cent to Rs. 3,459.9 billion as at end 2022 compared to

Rs. 3,166.1 billion as at end 2021, due to the income generated from investments and net contributions received. Total liability to the members (member balances) stood at Rs. 3,380.6 billion as at end 2022, recording a 10.2 per cent increase from Rs.3,066.9 billion recorded as at end 2021 (Table II-9).

Table II-9
Selected Key Information of the Fund

Item	2021	2022(a)	Change (%)
Total value of the Fund (Rs.bn)	3,166.1	3,459.9	9.3
Total liability to members (Rs.bn)	3,066.9	3,380.6	10.2
Total number of member accounts (mn)	20.3	20.4	0.5
Contributing member accounts (mn)	2.5	2.4	(4.0)
Non-contributing member accounts (mn)	17.8	18.0	1.1
Total contributions (Rs.bn)	165.7	194.6	17.4
Total refunds (Rs. bn)	118.2	163.0	37.9
Net contribution (Rs.bn)	47.5	31.6	(33.6)
Number of refunds	179,681	254,630	41.7

(a) Provisional

Source: EPF Department, Central Bank of Sri Lanka

(c) Investment Activities of the Fund

The decision-making function of the EPF fund management activities were carried out by the EPF Investment Committee (EIC), which meets on a daily basis to assess the cashflow position, market conditions, evaluate investment opportunities, and to take decisions on investments. The EPF Investment Oversight Committee (EIOC) oversees the investment activities and provides strategic and policy guidance in line with the Monetary Board approved Investment Policy and Guidelines. Further, transactions relating to investments of the Fund are informed to the senior management of the Central Bank on a daily and weekly basis while the Monetary Board is apprised of investments of the Fund and the portfolio position on a monthly basis, thereby strengthening the stringent monitoring process of investment activities.

During 2022, the investment activities of the Fund were carried out within an environment of heightened macroeconomic uncertainty with the Government announcing a standstill on external debt servicing of bilateral and commercial loans from 12th April 2022. The economy witnessed a sharp contraction, historically high inflation, sharp increase in interest rates, headwinds in the external sector, scarcity of essential items and social and political unrest. In line with the guidelines on Strategic Assets Allocation (SAA) of the Fund, the EPF Department invested a major portion of its funds in government securities. In view of substantial volatility observed in financial markets, EPF placed greater emphasis on investing in long term government securities. Moreover, in order to capitalise on increasing short term interest rates in the backdrop

of inflationary pressures which prevailed during second and third quarters, the EPF Department increased its investments in short term Treasury bills in 2022. In the backdrop of heightened volatility in the equity market, EPF took a more cautious approach to investment opportunities in the equity market. Investment opportunities in corporate debentures were limited due to adverse macroeconomic conditions, while the EPF Department was also conscious of the need to invest in corporates with better credit ratings to mitigate credit risk of the corporate debt portfolio of the Fund.

Accordingly, as at end 2022, the investment portfolio of Rs.3,466.5 billion consisted of 96.9 per cent in government securities, 2.3 per cent in equity, 0.7 per cent in corporate debentures, and the remaining 0.1 per cent in reverse repurchase agreements.

(d) Payment of Interest on Member Balances

EPF intends to pay a rate of interest to its members consistent with the past years.

(e) Provision of Member Services

(i) Issuing of Statements of Member Accounts

Statements of member accounts are distributed on a semiannual basis to active members through their employers registered with the Fund. Accordingly, the member account statements of the first half and second half of 2021 were distributed during 2022 (Table II-10).

Table II-10
Issue of Member Account Statements

Period	No. of Employers	No. of Statements (Active Members)
2021 1st half	64,257	2,001,329
2021 2nd half	70,257	2,498,231

Source : EPF Department, Central Bank of Sri Lanka

(ii) Issuing of Certificates of Guarantee to facilitate obtaining Housing Loans by members

Under the housing loan guarantee scheme, during 2022, the EPF Department issued 9,443 certificates of guarantee, amounting to Rs. 6,127 million, against balances of EPF members, to the participating lending institutions, facilitating the respective members to obtain housing loans (Table II-11). Further, during 2022, nearly Rs. 3,669 million was deducted from the relevant member accounts and remitted to the participating lending institutions to settle the overdue loans of respective members for 2021.

Table II-11
Housing Loan Guarantee Facility

Year	Issued Certificates (No.)	Value of Certificates (Rs. mn)	Amount Remitted to Lending Institutions for overdue Loans (Rs. mn)
2018	10,036	4,974	2,759
2019	10,022	5,097	3,164
2020	8,537	4,497	3,321
2021	9,068	5,423	3,573
2022	9,443	6,127	3,669

Source: EPF Department, Central Bank of Sri Lanka

(iii) Pre-Retirement Refund Scheme

The Pre-retirement refund scheme was introduced in terms of the provisions in EPF (Amendment) Act, No. 02 of 2012 and the subsequent procedures passed by the Parliament. Accordingly, members who have contributed to the Fund for more than 10 years and having an account balance of more than Rs. 300,000 are entitled to withdraw up to 30 per cent of the member balance in their accounts, subject to a maximum of Rs. 2 million, for the purposes of construction of a house or medical treatment, with effect from 2015. The said scheme is in high demand among the members of EPF. During 2022, Rs. 16.4 billion was released to 27,278 members under this scheme. Accordingly, under the said scheme, a total of Rs. 123.5 billion had been refunded to 224,335 members by the end of 2022.

(iv) E-Collection of EPF Contributions

The EPF Department introduced a mechanism to expand the existing e-collection method via its official website. It enables the employers to submit e>Returns through the EPF website and make payments online, by linking with a participating Licensed Commercial Bank via the 'LankaPay Online Payment Platform (LPOPP)' or by a cheque or as a direct debit. By end 2022, Bank of Ceylon, People's Bank, Commercial Bank of Ceylon PLC, Sampath Bank PLC, and Nations Trust Bank joined with the EPF Department to provide the respective facility. One of the key features of the above system is that it enables to update the member accounts within a day, upon a successful payment. Furthermore, this system enables employers to verify the accuracy of member details in the EPF database.

By end 2022, e-Return submission increased to 12,815 employers, covering approximately 90 percent of the active member accounts and approximately 91 percent of the total monthly EPF contributions. During the year, further awareness was created among employers on benefits of e>Returns while emphasising the importance of taking actions to rectify the issues with regard to discrepancies in

the member details in relation to e>Returns. This will ensure that contributions are credited to the relevant member accounts in a timely manner.

(v) Re-registration of EPF Members

Considering the importance of maintaining a unique member identification system, the EPF Department continued the re-registration process of its active members under their National Identity Card (NIC) numbers and full names mentioned in their NICs. The verification of accuracy of NIC details at the above re-registration process is facilitated through the access provided to the database at the Department of Registration of Persons (DRP) under the Memorandum of Understanding with DRP. Further, several initiatives were taken by the EPF Department in 2022 with the intention of expediting the process of re-registration.

During the year, 26,959 active members were re-registered and the total number of active members re-registered by end 2022 was 1,682,978.

(vi) Other Member Services

The Public Relations and Inquiries Counter of the EPF Department faced a challenging year in 2022 with the sociopolitical unrest. However, the EPF Department provided its services to 129,454 members/employers who visited the Department and attended to 63,365 and 14,114 member inquiries through telephone calls and emails, respectively, during the year. Further, the Department responded to 1,630 letters from members, employers, and other stakeholders.

In 2022, Record Amendment Division (RAD) of the EPF Department attended to approximately 89,210 EPF record amendments related to EPF member accounts. Accordingly, 83,537 Name / NIC amendments comprising 12,944 requests for name / NIC amendments received through regional offices and 5,673 account amendments were attended to by the EPF Department in 2022.

(f) Process Improvement and Capacity Development

The Process Improvement and Capacity Development Division (PICDD) continued its coordination with the Consultant appointed for facilitating the design and implementation of an integrated information technology solution for Accounting, Investment, Member Liability Management, and a consolidated database for the EPF Department. Accordingly, the study on the existing business practices and processes related to EPF activities was completed successfully during the year.

Following the above study, the Consultant completed the Business Process Review (BPR) of EPF Department. Further, the Gap Analysis report was also completed

emphasising industrial best practices and benchmarking to regional provident funds. Based on the BPR and Gap Analysis, the drafting of Functional Design of the processes of the EPF Department is in progress.

9. FACILITIES MANAGEMENT

The Facilities Management Department (FMD) facilitated delivery of logistics and other support services related to buildings and equipment etc. to the staff and stakeholders of the Central Bank with necessary state-of-the-art arrangements amidst many challenges due to adverse social and economic conditions that prevailed in the country during the period under review. Although, certain import restrictions in place owing to the current situation of the country were detrimental to such refurbishment initiatives to Central Bank properties, FMD adopted every possible measure to ensure a safe, efficient, and effective working environment for the users.

FMD continued the replacement of obsolete equipment, fixtures, fittings, and accessories in the Central Bank Head Office building to create a more conducive environment for external and internal users. Upgrading of the two decades old audio visual system at the John Exter International Conference Hall (JEICH) was completed during the period under review. FMD replaced some of the electromechanical systems which were identified as obsolete during the building health test under the retrofit project of the Central Bank and continued the replacement of rest of the identified systems during the period. Provision of additional spaces with required facilities considering the requests made by the departments of the Central Bank were completed expeditiously ensuring their smooth functioning.

In par with the energy conservation measures initiated by FMD, the traditional lamp fittings with higher energy consumption were replaced with LED lamps. In addition, thermal insulation pertaining to the chill water system at the Extension Building was replaced due to the deteriorated condition of the several decades old existing insulation materials. Further, as a measure of preserving the structural soundness and preventing water seepage of the Central Bank Head Office building, FMD initiated a procurement process pertaining to the water proofing of its rooftop.

Further, Private Automatic Branch Exchanges (PABX) were installed at the Regional Office Matale and Whiteaways Building located at Sir Baron Jayathilake Mawatha, Colombo 1, due to the importance of a modern communication system for effective delivery of intended services.

The urgent requirement of relocating the Employees Provident Fund Department (EPFD) as a result of transferring of the ownership of the Lloyd's Building located at Sir Baron Jayathilake Mawatha, Colombo 1, to the Secretary to the Cabinet of Ministers was facilitated, enabling EPFD to move to the ground floor of the Whiteaways Building which was previously occupied by the Credit Information Bureau. Further,

necessary infrastructure arrangements are being made to the 2nd floor of the same building to complete the relocation of EPFD as early as possible.

FMD arranged special transport services by renting buses from the Sri Lanka Transport Board, facilitating employees of the Central Bank to report for work and return home during the transport disruptions that prevailed in the country. This was one of the major initiatives of FMD during the year under review which significantly contributed to the continuity of the operations of the Central Bank without any hindrance.

Further, FMD continued to facilitate the outsourcing of the services of drivers with vehicles to the Central Bank's Regional Offices during the period. In addition, the existing vehicle fleet of FMD was further strengthened with required maintenance, servicing, and repairs. Moreover, FMD continued providing transport facilities for the staff of the Central Bank amidst the severe difficulties in obtaining fuel for its vehicles during the period in which fuel availability was limited in the market.

In view of enhancing the appearance and the life span of the security fence in front of the Central Bank Head Office necessary repairs and application of paint with special coating were carried out.

FMD continued its maintenance of the critical services of the buildings and necessary support services in transport and telecommunication as part of its key responsibilities.

10. FINANCE

The Finance Department (FD) is responsible for the financial reporting function of the Central Bank in accordance with International Accounting Standards /International Financial Reporting Standards and the relevant provisions of the Monetary Law Act (MLA) No. 58 of 1949. Since 2002, the International Financial Reporting Framework has been adopted in the preparation of financial statements of the Central Bank. Functions of FD include preparation of the financial statements of the Central Bank, preparation and monitoring of the annual budget of the Central Bank, effecting payments for internal and external parties of the Central Bank, disbursement of donor funds and repayment of foreign loans of the Government, maintaining systems for internal reporting of financial transactions, managing the investment portfolios of 16 internal funds, maintaining the Fixed Assets Register for the Central Bank, maintaining the database of staff loans, and representing all Tender Boards and Technical Evaluation Committees for procurement of goods and services for the Central Bank.

10.1 Preparation of the Financial Statements

(a) **Monthly Balance Sheet:** As per the requirements of the MLA, the monthly Balance Sheets for December 2021 and January–November 2022 were prepared in order to be published in the Government Gazette.

- (b) **Quarterly Reports:** The financial performance and financial position were reported to the Monetary Board every quarter.
- (c) **Annual Financial Statements:** Accounting systems and procedures for the preparation of accounts were updated to comply with relevant accounting standards and requirements as at end December 2022. Audited Financial Statements of the Central Bank for the year ending 31 December 2022 are presented in Part II of the Annual Report.

10.2 Preparation of the Annual Budget

The annual income and expenditure budget and capital budget of the Central Bank for the year 2023 were prepared according to the action plans formulated in line with the strategic plan of each department of the Central Bank using the "On-line Budget System". The approval of the Monetary Board for the budget 2023 of the Central Bank was obtained in December 2022 and the budget was made available to the departments on the first working day of 2023. Meanwhile, quarterly budgetary performance statements for the year 2022 were submitted to the Monetary Board in the interest of effective monitoring of budgetary control.

10.3 Effecting Payments for Internal and External Parties

- (a) All internal payments for employee remunerations, staff loans, operational expenses, etc., were executed in 2022 within the time targets.
- (b) All external payments to local and foreign suppliers were made as per the procedures laid down in the standing orders of the Central Bank. During the year 2022, a total of 6,876 payments were effected, out of which 6,746 were to local suppliers and 130 to foreign suppliers.
- (c) Nearly 2,631 disbursements amounting to Rs 665.41 billion to the General Treasury and relevant projects and 280 installments amounting to Rs 751.02 billion on repayment of foreign loans were made during the year 2022. In addition, 3 banking arrangement agreements were signed in 2022 with 2 foreign banks with respect to foreign loans.

10.4 Management of Internal Funds

- (a) The Centralised Investment Unit of FD managed 16 internal funds consisting of 8 superannuation funds of the Central Bank staff and pensioners and 4 other funds administered by FD, Deposit Insurance and Liquidity Support Fund administered by Resolution and Enforcement Department and 3 funds administered by the Staff Services Management Department. All funds were invested under a common Investment Policy by FD and the relevant owner departments were the administrators of the respective funds. The fund management process is governed by the Monetary Board approved Investment Policy Statement/

Guidelines (IPS/IPG) and Strategic Asset Allocation Guidelines. This includes an independently operating front office and back office and the investment activities were overseen by the Internal Investment Oversight Committee (IIOC) chaired by a Deputy Governor, which met 12 times during the year 2022, to advise on and monitor the investments of funds. Performance of these investments were reported quarterly to the Monetary Board for information purposes.

- (b) The funds were invested mainly in government securities, fixed deposits, high rated corporate debentures, and short term reverse repos. The audited financial statements of the 6 superannuation funds for 2021 were submitted to the Monetary Board as per the rules of respective funds. As at end of 2022, the total fund base had increased to Rs. 173.98 billion.

Table II-12
Portfolio Position (Rs. bn.)

Department	Portfolio value as at 31 Dec 2022 (invested values)	Portfolio value as at 31 Dec 2021 (invested values)
Finance	84.52	75.27
Resolution and Enforcement	89.39	70.98
Regional Development	-	5.38
Staff Services Management	0.07	0.06
Total	173.98	151.69

10.5 Maintaining Fixed Assets Register - GL Division

FD maintains all records of the fixed assets of the Central Bank in the Fixed Assets Register in the fixed asset module of the General Ledger (GL) System. All changes such as new purchases, change of locations, depreciation, and disposals were recorded in this register during the year 2022. The register was updated during the year 2022 with 554 items procured and 232 disposals.

10.6 Maintaining the database of staff loans

During 2022, FD continuously updated the loan database of the Central Bank staff with the assistance of the Information Technology Department to facilitate the loan recovery recording process and to supply information to employees and to the Management. A total of 1,631 loans amounting to Rs 2.20 billion were granted to the employees during 2022.

10.7 Other Operations - Procurement Process

According to the Rules of the Central Bank, FD is represented in all Technical Evaluation Committees and Tender Boards for procurement of goods and services and the Boards of Survey of the Central Bank for disposal of fixed assets. During the year 2022, officers of FD were represented in 81 Tender Boards and 56 Technical Evaluation Committees related to procurements.

11. FINANCIAL CONSUMER RELATIONS

The Financial Consumer Relations Department (FCRD) was established in August 2020 with a view to strengthen the financial consumer protection framework within the financial entities regulated by the Central Bank to promote the rights and interests of financial consumers and ensure fairness and transparency of financial products and services offered to financial consumers.

In 2022, FCRD functioned as the single point of contact for financial consumers of the entities regulated by the Central Bank to send their complaints and grievances on delivery of services or business conduct of such entities. During the year the department handled a total of 5,149 complaints and grievances, averaging to around 430 complaints per month. The main categories of the complaints/ grievances received were on requests for concessions on the financing facilities obtained from such entities, charging of high-interest rates, matters related to moratoria, non-provision of information/ documents by financial institutions on consumer requests, and charging of high fees and commissions. Around 75 per cent of complaints received by the department during 2022 were completed/ resolved within two months from the date of receipt of such complaints, even after allowing a reasonable period of time for the respective financial institutions to submit their responses to the complaints made.

As a part of its activities, FCRD oversees the Contact Centre operations of the Central Bank. During 2022, the Contact Centre answered more than 60,000 telephone inquiries and verbal complaints received by the Central Bank. Furthermore, as part of its campaign for creating consumer awareness, FCRD published a web poster on the Central Bank website explaining financial consumers about the avenues available and steps to be taken by them when seeking assistance from FCRD/ the Central Bank. In addition, the department also conducted several seminars and programs on financial consumer protection at the national and regional levels to reach a wider audience. FCRD, with the assistance of the International Finance Corporation, through a professional advertising firm, is developing a media campaign focusing on financial consumer awareness, to be launched in early 2023.

Furthermore, with a view of institutionalising consumer protection in the delivery of services/ conduct of businesses by financial institutions, a comprehensive set of new regulations was developed, enabling the introduction of an integrated financial consumer protection framework for entities regulated by the Central Bank. These regulations will define specific regulatory powers for supervisors to facilitate market conduct supervision while providing clarity to both service providers and recipients on the areas to be considered in delivering or obtaining financial services aimed at minimising the need for financial consumers to make subsequent complaints. The draft of the Regulations has been made available to the industry and public for stakeholder consultation and the final regulations will be issued in mid-2023.

12. FINANCIAL INTELLIGENCE UNIT

The Financial Intelligence Unit of Sri Lanka (FIU) was established in March 2006 with the objective of facilitating prevention of Money Laundering (ML) and countering Terrorist Financing (TF). Accordingly, FIU is responsible for facilitating and coordinating the establishment of an effective Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework in the country, primarily based on three main pieces of legislation, namely, the Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 (CSTFA), Prevention of Money Laundering Act No. 5 of 2006 (PMLA), and Financial Transactions Reporting Act No. 6 of 2006 (FTRA).

12.1 Receiving, Analysing, and Disseminating Financial Intelligence

As per Section 15 of the FTRA, FIU performed its key role of receiving, analysing, and disseminating information on suspicious financial transactions relating to Money Laundering/ Terrorist Financing (ML/TF) and other unlawful activities during 2022. Further, Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Licensed Finance Companies (LFCs), insurance companies, stock brokers, and money or value transfer service providers continued to report cash transactions and Electronic Funds Transfers (EFTs) above Rs. 1 million, or its equivalent in foreign currencies, both domestic and international to FIU. During 2022, Reporting Institutions (RIs) reported 7.6 million (provisional) cash transactions and 10.8 million (provisional) EFTs (inwards and outwards) to FIU through the 'LankaFin' reporting system as well as the newly introduced 'goAML' reporting system. With effect from 01st January 2023, FIU discontinued the 'LankaFin' system for LCBs and LSBs for all types of reporting.

Furthermore, RIs submitted 1,481 Suspicious Transactions Reports (STRs) to FIU as per Section 7 of the FTRA. After analysing the STRs received, 419 STRs were disseminated to Law Enforcement Authorities (LEAs) and Regulatory Authorities (RAs) for further investigations. FIU kept 605 STRs under surveillance and 453 STRs for further studies and analysis. The remaining STRs were categorised as no further action required.

12.2 Legal Framework and Institutional Framework

During the year 2022, FIU took various actions to bring legislative amendments to the legal framework on AML/CFT with the objective of improving the effectiveness of the AML/CFT regime of the country in compliance with international AML/CFT standards. These amendments are expected to be finalised during 2023.

By virtue of the powers vested in terms of Section 15 (2) of the FTRA, during the year 2022, FIU took measures to suspend transactions of 136 accounts belonging to 38 individuals and 5 entities pertaining to 14 incidents/cases, based on the suspicions of ML/TF. Accordingly, a balance of

Rs. 96 million was suspended during the year. In addition, around 1,000 accounts relating to 78 cases, which were suspended in the previous years, were extended in two month intervals during the year as LEAs requested further time to conduct investigations. In order to strengthen the AML/CFT compliance of RIs, FIU issued 4 Circulars during 2022, which can be referenced in Part III of this Report.

Further, FIU took continuous measures to enhance compliance of FIs and Designated Non-Finance Businesses and Professions (DNFBPs) by effective monitoring and enforcement, onsite and offsite surveillance, and conducting compliance review meetings. Accordingly, in 2022, FIU conducted 22 joint risk based examinations, 3 risk based onsite examinations, and 22 spot examinations of FIs. In addition, 17 risk based onsite examinations were conducted on DNFBPs. Apart from the above examinations, 5 thematic reviews were also conducted on FIs and DNFBPs.

Based on the onsite examinations conducted in 2022, financial penalties amounting to Rs. 11.75 million were imposed on 6 Licensed Banks on violations of the FTRA and CDD Rules. Also, 8 show cause letters and 9 warning letters were issued during the year to FIs on instances of non-compliance with the provisions of the FTRA and the CDD Rules and Regulations issued there under. Moreover, FIU took measures to inform identified deficiencies to 17 DNFBP institutions during 2022. The AML/CFT supervision of DNFBPs was further strengthened by implementing continuous measures to enhance the number of DNFBP institutions for AML/CFT compliance.

12.3 Strengthening the Domestic Coordination and International Cooperation on AML/CFT Related Matters

The FTRA empowers FIU to enter into Memoranda of Understanding (MOUs) to exchange information with any institution or agency domestically or in a foreign state. During 2022, FIU initiated signing MOUs with the Financial Intelligence Unit of the Kingdom of Lesotho, the Unidade de Informação Financeira de Timor-Leste (FIU of Timor-Leste) and the Financial Intelligence Authority of Uganda.

The Annual Plenary of the Asia Pacific Group on Money Laundering (APG), the regional monitoring body of the Financial Action Task Force was held as a hybrid plenary in July 2022, and the officers of FIU participated in the plenary meetings virtually. Further, the officers of FIU participated in several virtual Mutual Evaluation Committee (MEC) meetings held during the year, mainly to discuss the members' Mutual Evaluation Reports and Follow-Up Reports (FURs). The 7th FUR of Sri Lanka was endorsed at the virtual MEC held in July 2022, where Sri Lanka did not request for upgrades to any recommendation. Accordingly, by the end of 2022, out of 40 Financial Action Task Force (FATF) recommendations, Sri Lanka's compliance status stood as 7 Compliant, 25 Largely Compliant, 7 Partially Compliant and 1 Non-Compliant. During the Plenary,

FIU Sri Lanka was elected as the South Asia Sub-Regional representative of the APG Governance Committee for a one year period.

FIU obtains assistance from members of the Egmont Group, i.e., the Association of global FIUs consisting of 166 members, through the Egmont Secure Web to carry out investigations and to collaborate with member countries to gather intelligence on their investigations. During 2022, FIU responded to 27 requests from counterpart FIUs and made 35 requests to counterpart FIUs to share information related to ongoing investigations. The Egmont Plenary for 2022 was held as an in-person meeting. However, the officials of FIU were unable to participate in the plenary meetings due to external circumstances.

12.4 National Risk Assessment (NRA) on Money Laundering and Terrorist Financing

FIU continued the conduct of National Risk Assessment (NRA) on ML/TF with technical assistance from the World Bank, in compliance with Recommendation 1 of the FATF Recommendations. The outcome of the NRA is expected to be published in the first half of 2023 and the next National AML/CFT Policy will be formulated in line with the NRA outcome.

12.5 Conducting Awareness Programs for Stakeholders

Continuing the efforts to enhance the awareness on AML/CFT, FIU organised and provided resource assistance for altogether 24 awareness/training programs during the year 2022, accommodating nearly 2,250 participants from FIs, DNFBPs, LEAs, and RAs. These programs were conducted face-to-face as well as through online platforms.

13. FOREIGN EXCHANGE

The Department of Foreign Exchange (DFE), which was established on 20 November 2017, continued to carry out the responsibility vested in the Central Bank as the agent of the Government for implementing the provisions of the Foreign Exchange Act No. 12 of 2017 (FEA) to ensure proper promotion and regulation of foreign exchange in Sri Lanka. DFE consists of four Divisions, namely, Policy, Capital Transactions, Investigations and Statistics, and Monitoring and Corporate Services, to execute the assigned duties.

The main functions of DFE are as follows:

- a) Facilitating the issuance of Regulations and Orders by the Minister under the provisions of the FEA.
- b) Appointing Restricted Dealers (RDs) and other persons to deal in foreign exchange as prescribed by the Hon. Minister of Finance (the Minister) in terms of the FEA.
- c) Issuing Directions under the FEA to Authorised Dealers (ADs) and monitoring their compliance in terms of the Regulations, Orders and Directions issued under the FEA.

- d) Implementing provisions of the FEA by formulating Regulations and Orders and issuing Directions for carrying out foreign exchange activities and transactions.
- e) Monitoring the export proceeds repatriation into Sri Lanka in compliance with the Rules issued under the MLA using the information obtained through the Export Proceeds Monitoring System (EPMS) and initiating regulatory actions against non-compliances.
- f) Considering requests for specific purposes not covered by the general permissions granted under the FEA.
- g) Reviewing the effectiveness of existing policies and identifying the necessity for new policies in line with the developments in the foreign exchange market and implementing such new policies appropriately.
- h) Conducting investigations on non-compliances with the provisions of the FEA.
- i) Providing clarifications for inquiries on foreign exchange transactions and preparing relevant sections pertaining to foreign exchange regulations and policies for the reports and publications of the Central Bank.

A summary of the key activities performed by DFE during 2022 is given below.

13.1 Facilitating Issuance of New Regulations, Orders, and Directions

During the year, DFE, in conjunction with several other measures introduced by the Central Bank to ease the pressure on the exchange rate and to support foreign currency liquidity in the domestic foreign exchange market, issued Regulations, Orders and Directions, where necessary, in terms of the provisions of the FEA. Some of the key Regulations, Orders and Directions are highlighted below with the details given in Part III of this Report.

- i. The Order issued under Section 22 of the FEA, which was initially issued suspending and imposing limits on outward remittances for certain capital transactions, was further extended during the year to support exchange rate stability.
- ii. The Regulations on opening Special Deposit Accounts (SDAs) were extended for a period of 12 months up to 07 April 2023 considering the potential to attract foreign exchange inflows to the country, while allowing already opened SDAs to roll over for a maximum of 36 months from the date of opening the SDAs to encourage retention of such funds within the country.
- iii. An Order was issued under Section 8 of the FEA reducing the maximum limit for possession of foreign currency from USD 15,000 to USD 10,000 with the aim of attracting foreign currency in the possession of persons in or resident in Sri Lanka into the banking system.
- iv. Directions were issued in early November 2022, facilitating

the foreign currency transactions under the Golden Paradise Visa program implemented by the Department of Immigration and Emigration for persons resident outside Sri Lanka seeking long term resident visas.

- v. Regulations and Directions were issued granting permission to companies incorporated under the Companies Act, No. 7 of 2007 to obtain short term loans from their overseas parent companies or companies within the same group of companies incorporated outside Sri Lanka for facilitating payments for the import of raw materials for manufacturing goods.
- vi. Regulations and Directions were issued granting permission to the investors and investees in the Colombo Port City Special Economic Zone (CPC) to open bank accounts for making investments in the CPC, while also allowing employees of the companies in the CPC to open foreign currency accounts and enabling residents to receive payments from companies in the CPC in respect of providing goods and services.
- vii. Directions were issued to RDs (i.e., Money Changers) prohibiting the offering of higher exchange rates (considering non-compliances by RDs by way of offering higher buying rates for foreign currencies) to customers.

Further, during the year, DFE engaged in proposing amendments to the FEA with regard to several issues and concerns identified in respect of implementing the provisions of the Act, including obtaining an appropriate regulatory empowerment to curb unauthorised foreign exchange transactions.

13.2 Granting of Permission for Foreign Exchange Transactions

- (a) Special Permissions were granted under the FEA as illustrated in Table II-13 below.

Table II-13

Purpose	No. of approvals	Value in USD mn
Resident Companies to issue bank/corporate guarantees in favour of residents outside Sri Lanka	2	29.1
Opening of Special Foreign Currency Accounts	29	N/A*
Authorised Dealers/Resident Companies to process certain miscellaneous foreign exchange transactions that are not covered by the general permissions granted under the FEA	101	N/A*

* N/A – Not Applicable

- (b) Issuance of permits for RDs to engage in money changing business and cessation/discontinuation of such operations

- i. 11 new money changing permits were issued during the year 2022 to hotels for buying and exchanging foreign currency notes.

- ii. 1 Money Changing permit was revoked and 1 was temporarily suspended. Further, two Licensed Financial Companies Ceased their money changing operations during the year.
- iii. The categories of institutions and types of permits that were issued to RDs to engage in money changing are provided in Table II-14.

Table II-14
RDs Permitted to Engage in Money Changing Business as at 31 December 2022

Category of Institution	Permitted business	No. of permits issued
Limited Liability Companies that are solely engaged in the money changing business (money changers)	Buying and exchanging foreign currency	59*
	Buying, selling and exchanging foreign currency	
Licensed Finance Companies (LFCs)	Buying, selling and exchanging foreign currency	06
Tourist Hotels	Buying foreign currency	14
Total		79

* Permits were issued to 59 companies which include 69 money changing outlets/branches. Out of these 69 outlets, 58 were permitted to buy and exchange foreign currency, while the remaining 11 were permitted to buy, sell, and exchange foreign currency.

Accordingly, as at 31 December 2022, 26 ADs and 81 RDs including MMBL Money Transfer (Pvt) Ltd (engaging in money transfer service) and Sri Lanka Export Credit Insurance Corporation (engaging in issuing credit guarantees in foreign exchange) were in operation. The list of ADs [i.e., Licensed Commercial Banks (LCBs) that are authorised to deal in foreign exchange for permitted transactions and Licensed Specialised Banks (LSBs) that are permitted to deal in foreign exchange for the purposes specified in the respective authorisation] and RDs including branches are in **Annex II-2** and **Annex II-3**, respectively.

(c) Transfer of Migrants' funds

ADs were permitted to open 215 Capital Transaction Rupee Accounts (CTRAs) during the year for the purpose of remitting the migration allowance to Sri Lankan emigrants and to facilitate outward remittances of inherited funds to non-nationals. However, the amounts transferred through these CTRAs amounted to only USD 1.26 million due to suspensions introduced under the Order issued under Section 22 of the FEA.

13.3 Issuing Clearance Letters to Resident Investors

DFE issued 12 clearance letters during the year to resident investors confirming that there are no pending investigations under the FEA against such investors, thus enabling them to make outward investments as permitted by the Regulations issued by the Minister.

13.4 Monitoring and Investigation of Foreign Exchange Transactions

- i. All ADs are required to submit the information on foreign currency accounts maintained by them to DFE as per the reporting requirements imposed by the Directions issued under the FEA on such foreign currency accounts. Further, in terms of the Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2022, as amended (Rules), issued under the MLA, all ADs are required to submit information in relation to repatriation of export proceeds into Sri Lanka and conversion of such proceeds into Sri Lanka Rupees as stipulated. This information is analysed by DFE and used for monitoring, regulatory and policy making purposes.
- ii. In addition, DFE conducted several on-site inspections at ADs to identify whether the ADs and exporters complied with the Rules and to initiate remedial measures or regulatory action, if necessary.
- iii. 47 new investigations were initiated in respect of ADs, RDs and other persons in terms of the provisions of the FEA, with regard to non-compliances with the Regulations, Directions, and Orders issued under the FEA.
- iv. Further, 40 investigations, which comprise 17 initiated before 2022 and 23 initiated during 2022, were concluded during the year by taking appropriate actions.
- v. Additionally, law enforcement authorities were assisted in litigation and judicial proceedings by providing expert evidence/testimonies by the DFE in respect of matters pertaining to the provisions of the FEA.

13.5 Export Proceeds Monitoring System (EPMS)

In 2021, a Working Group was appointed to implement an IT based system to monitor export proceeds repatriations into the country. As a result, an automated EPMS was developed and implemented in June 2022, in collaboration with the Information Technology Department of the Central Bank and the Sri Lanka Customs (SLC). The main objective of the EPMS is to ensure all exports of goods from the country are captured into a database and to monitor the repatriation of export proceeds as per the Rules on Repatriation of Export Proceeds into Sri Lanka. The EPMS captures export information through a web service provided by SLC and export proceeds repatriation details are submitted by ADs to the system. Accordingly, the EPMS is expected to strengthen the monitoring of export proceeds repatriation into the country.

13.6 Enhancing Awareness on Foreign Exchange Regulations

Nine awareness programmes were conducted during the year for ADs and other stakeholders on the prevailing Regulations and the provisions of the FEA. Moreover, ten

press releases were issued to enhance awareness on the foreign exchange Regulations, Orders and Directions. The official website of DFE (www.dfe.lk) was duly updated to enhance public awareness on the FEA regulations while the department continued to provide clarifications for inquiries on foreign exchange transactions.

Annex II-2

List of Authorised Dealers (ADs) as at 31 December 2022

Licensed Commercial Banks	
1	Amana Bank PLC
2	Bank of Ceylon
3	Bank of China Ltd
4	Cargills Bank Ltd
5	Citibank, N.A.
6	Commercial Bank of Ceylon PLC
7	Deutsche Bank AG
8	DFCC Bank PLC
9	Habib Bank Ltd
10	Hatton National Bank PLC
11	Indian Bank
12	Indian Overseas Bank
13	MCB Bank Ltd
14	National Development Bank PLC
15	Nations Trust Bank PLC
16	Pan Asia Banking Corporation PLC
17	People's Bank
18	Public Bank Berhad
19	Sampath Bank PLC
20	Seylan Bank PLC
21	Standard Chartered Bank
22	State Bank of India
23	The Hongkong & Shanghai Banking Corporation Ltd
24	Union Bank of Colombo PLC
Licensed Specialised Banks	
25	National Savings Bank
26	Sanasa Development Bank PLC

Annex II-3

List of Restricted Dealers (RDs) as at 31 December 2022

RDs permitted to buy and exchange foreign currency	
Money Changing Outlets	
1	Abdeen Money Changers (Pvt) Ltd
2	Abilash Money Exchange (Pvt) Ltd
3	Ariyawansa Enterprises (Pvt) Ltd
4	Aruna Forexc (Pvt) Ltd*
5	Asian Money Exchange (Pvt) Ltd
6	Brescia Grameen (Pvt) Ltd*
7	Bullion Money Exchange (Pvt) Ltd
8	Capital Exchange (Pvt) Ltd
9	Central Money Exchange (Pvt) Ltd
10	Colombo Money Exchange (Pvt) Ltd - Colombo 01
11	Colombo Money Exchange (Pvt) Ltd - Colombo 06
12	Dadigama Group (Pvt) Ltd
13	Data Exchange International (Pvt) Ltd
14	Daya Authorized Money Changer (Pvt) Ltd
15	Galle Money Exchange (Pvt) Ltd - Galle

16	Galle Money Exchange (Pvt) Ltd - Galle Fort
17	George Michael Holdings (Pvt) Ltd
18	Global Village Exchange (Pvt) Ltd
19	Golden Money Changers (Pvt) Ltd
20	Gold Lanka Jewellery (Pvt) Ltd
21	Haifa Travels and Tours (Pvt) Ltd
22	International Exchange (Pvt) Ltd
23	Jayes Investments Ltd
24	Jeya Forex Exchange (Pvt) Ltd*
25	Kamal Enterprises (Pvt) Ltd*
26	Keyser Exchange (Pvt) Ltd
27	Kudamadu Money Exchange (Pvt) Ltd*
28	M.P. Money Changer (Pvt) Ltd
29	Maruthi Money Exchange (Pvt) Ltd - Jaffna
30	Mayurie Money Changers (Pvt) Ltd
31	Midna Mini Market (Pvt) Ltd*
32	Milano Money Exchange (Pvt) Ltd
33	Narmatha Gold Centre (Pvt) Ltd - Jaffna
34	Narmatha Gold Centre (Pvt) Ltd - Kilinochchi
35	New Lanka Gold House (Pvt) Ltd*
36	New Natasha (Pvt) Ltd
37	New Regal's Money Changer (Pvt) Ltd
38	Rafeek's Gems (Pvt) Ltd*
39	Rimha Jewellery (Pvt) Ltd*
40	Rivindu Enterprises (Pvt) Ltd
41	Royal Money Exchange (Pvt) Ltd - Colombo 01
42	Royal Money Exchange (Pvt) Ltd - Colombo 06
43	Royal Money Mart (Pvt) Ltd - Aluthgama
44	Royal Money Mart (Pvt) Ltd - Colombo 01
45	Salaka Trust Investment (Pvt) Ltd*
46	Sharanga Money Exchange (Pvt) Ltd*
47	Shifaz Money Exchange (Pvt) Ltd
48	Sornam Forex (Pvt) Ltd*
49	Swiss Money Exchange (Pvt) Ltd - Colombo 01
50	Swiss Money Exchange (Pvt) Ltd - Colombo 06
51	Thamasha Forex (Pvt) Ltd*
52	Thomas Cook Lanka (Pvt) Ltd - Colombo 02 - Colombo City Center
53	Thomas Cook Lanka (Pvt) Ltd - Colombo 02 - One Galle Face Mall
54	Thomas Cook Lanka (Pvt) Ltd - Kandy
55	Unic Forex (Pvt) Ltd
56	Vasanthas International Money Exchange (Pvt) Ltd*
57	Western Money Exchange (Pvt) Ltd
58	Windsor Money Exchange (Pvt) Ltd
RDs permitted to buy, sell and exchange foreign currency	
59	Arrujina Jewellery (Pvt) Ltd
60	City Exchange (Pvt) Ltd
61	Crown Money Exchange (Pvt) Ltd
62	Devi Forex (Pvt) Ltd
63	Jewel Lanka Money Exchange (Pvt) Ltd
64	Maruthi Money Exchange (Pvt) Ltd - Colombo 06
65	Metro Forex (Pvt) Ltd
66	Pushpa Money Changer (Pvt) Ltd
67	Ravi Forexae (Pvt) Ltd
68	Thomas Cook Lanka (Pvt) Ltd - Bandaranaike International Airport
69	Universal Money Changers (Pvt) Ltd*

Licensed Finance Companies	
70	Asia Asset Finance PLC
71	Citizens Development Business Finance PLC
72	Lanka Credit and Business Finance Ltd
73	L B Finance PLC
74	Senkadagala Finance PLC
75	Singer Finance (Lanka) PLC
RDs permitted to buy foreign currency	
Tourist Hotels	
76	Pearl City Hotel
77	Shangri-La's Hambantota Resort & Spa
78	Shangri-La Hotel Colombo
79	Cinnamon Red Colombo
80	Cinnamon Citadel Kandy
81	Cinnamon Lodge Habarana
82	Habarana Village by Cinnamon
83	Trinco Blu by Cinnamon
84	Cinnamon Bentota Beach
85	Hikka Tranz by Cinnamon
86	Cinnamon Bey Beruwala
87	Cinnamon Grand
88	Cinnamon Lakeside
89	Cinnamon Wild Yala
Other Entities	
90	MMBL Money Transfer (Pvt) Ltd (Permitted only to channel inward remittances in foreign currency to distribute in Sri Lanka Rupees to local beneficiaries)
91	Sri Lanka Export Credit Insurance Corporation (Permitted to issue pre/post shipment credit guarantees in foreign currency to ADs on account of exporters)

* These entities have not been permitted to engage in money changing businesses for the year 2023

14. FOREIGN REMITTANCES FACILITATION

The Foreign Remittances Facilitation Department (FRFD) was established to facilitate and streamline workers' remittance inflows to the country while working towards realising the full potential of labour migration and workers' remittances. In achieving set goals, the FRFD engaged in the following activities during 2022 and early 2023 by liaising with other relevant authorities in the foreign remittance sector.

14.1 Cash Based and Non-cash Based Incentives for Migrant Workers

- Implemented an incentive scheme for reimbursing transaction costs borne by migrant workers up to Rs. 1,000 per transaction equivalent to Rs. 20,000 or above when remitting money to rupee accounts maintained by licensed banks and over the counter cash receipts. In this regard, FRFD held discussions with the State Bank of Pakistan, Migrant Workers Associations abroad, Exchange House Associations abroad and licensed banks in Sri Lanka prior to designing and implementing the scheme. This scheme has been in operation since 01 February 2022.
- Designed a scheme to introduce an additional duty-free allowance for migrant workers. This scheme would

encourage migrant workers to send their earnings through formal channels, facilitating sustainability and medium term growth of the non-debt forex inflows to the country. The scheme was approved by the Cabinet of Ministers and is expected to be implemented in the near future.

- Included in designing a scheme to grant permission to import Electric Vehicles for Migrant Workers. The scheme was implemented by the Ministry of Labour and Foreign Employment. The scheme encourages migrant workers to remit their forex earnings through legal channels by granting them permission to import electric vehicles of Cost, Insurance, and Freight (CIF) values equal to or less than the 50 per cent of the forex remitted from 01 May to 31 December 2022.

14.2 Public Awareness on Workers' Remittances and Migration

- Public awareness programmes on incentives schemes focused on migrant workers and the importance of formal money transferring channels were conducted through various modes, such as newspapers, radio programmes, seminars, social media platforms and news websites.
- A list of Remitting Agents (RAs) and Other Remitting Channels (ORCs) directly tied up with licensed banks in Sri Lanka was published on the Central Bank website and updated on a regular basis. This list is to improve the awareness of Sri Lankan expatriates on RAs and ORCs directly tied up with licensed banks, enabling them to identify the formal channels for sending their remittances to Sri Lanka.
- FRFD engaged in handling clarifications, complaints, and grievances in relation to remitting foreign currency to the country while addressing the difficulties and limitations faced by migrant workers by liaising with relevant authorities and other departments of the Central Bank.

14.3 Sharing Information on Remittances and Migration

- Disseminated data on labour migration and workers' remittances by publishing the respective information on the Central Bank website.
- Conducted research on workers' remittances and migration and published them in Journals and Central Bank publications.

In order to address the information asymmetries on methods used by migrant workers to remit their earnings to Sri Lanka and to provide the required information for effective policy formulation, currently FRFD is conducting a baseline survey on Sri Lankan migrant workers and their remittance patterns by carrying out face-to-face interviews based on a structured questionnaire. Going forward, FRFD expects to get extensively involved in the process of introducing new

schemes such as concessionary loan schemes to enhance remittances and migrant workers' welfare in collaboration with other relevant authorities. Further, FRFD is planning to study the transaction cost currently prevailing in the market by using a Cross Country Study on inward remittance flows.

15. HUMAN RESOURCES

The Human Resources Department (HRD) carries out the Human Resource Management (HRM) functions with the objective of ensuring the availability of a productive, motivated, and contented team of employees, who could contribute to achieve the overall objectives of the Central Bank amidst various challenges such as the COVID-19 outbreak, traveling difficulties due to fuel shortages, etc. In line with Strategic Action Plan 2022 of the Central Bank, operations of HRD included activities related to recruitment of new staff, promotions, job rotations, employee remunerations, training and skills development, performance evaluation, staff motivation, grievances handling, and outsourcing of selected services of the Central Bank as necessary, during the year 2022. HRD convened meetings of the senior management of the Central Bank, i.e., the Corporate Management Committee, Training Committee, and Training Sub Committee, facilitating discussions on proposals and decision making regarding all HRM related matters and matters related to other corporate functions. Further, HRD convened regular meetings of the Heads of Department for discussions and decision making on operational as well as policy matters related to the Central Bank's core activities and, strategic and operational functions.

HRD contributed towards maintaining the industrial harmony in the Central Bank by facilitating continuous dialogue between the Central Bank management, employees at all levels as well as the Trade Unions. Moreover, HRD provided a necessary platform for the Bank's pensioners and the Pensioners' Associations to have a dialogue with the Central Bank management and their concerns/requests were considered. HRD also facilitated discussions between the Central Bank management and all Trade Unions to finalise the 2021-2023 Triennial Salary Revision at the beginning of the year 2022.

Further, HRD facilitated the smooth functioning of operations of the Central Bank during the outbreak of COVID-19 in

the early part of 2022 as well as when travelling difficulties prevailed due to fuel shortages in the country, while maintaining uninterrupted operations by facilitating Work From Home arrangements.

15.1 Human Resources Structure

The total number of staff of the Central Bank at the end of year 2022 was 1,260 which consisted of 661 Staff Class (SC) Officers, 463 Management Assistant Class (MAC) Officers, and 136 Office Assistant Class (OAC) employees. The total staff of the Central Bank consisted of 656 male and 604 female officers representing 52 per cent and 48 per cent of the total staff, respectively. The average age of an employee of the Central Bank was 40 years at the end of 2022.

15.2 Educational and Professional Qualifications of Employees

As indicated in Table II-15, the Central Bank has a diverse and talented pool of human resources with a high level of academic and professional qualifications.

15.3 Human Resources Management

(a) Recruitments

In 2022, HRD followed the General Recruitment procedure to recruit Junior Personal Assistants (English and Sinhala) to the Central Bank. Candidates were assessed based on a Skill Test conducted on 29 October 2022 and interviews held on 22 December 2022. Appointment of the selected candidates are to be effective in January 2023. Further, discussions were held with the Department of Examinations for arrangements in relation to conducting a competitive examination for the recruitment of Banking Assistants (Trainee) to the Central Bank.

Additionally, HRD filled the position of Director/Security Services Department of the Central Bank on contract basis for a period of one year from 02 January 2023.

(b) Performance Management

The Performance Management System of the Central Bank includes preparation and review of job descriptions of employees, setting goals for individual employees, monitoring of employee performance, and evaluation of employee performance.

Table II-15
Educational Qualifications/Professional Memberships of Employees of the Central Bank
as at 31.12.2022

Employee Class	Educational Qualifications/Professional Membership Holders								Total
	PhD Holders	Master's Degree, First Degree & Professional Memberships	Master's Degree & First Degree	First Degree & Professional Memberships	Master's Degree & Professional Memberships	Master's Degree only	First Degree only	Professional Memberships only	
SC	26	123	169	71	44	3	171	10	617
MAC	-	11	30	16	20	38	42	24	181
Total	26	134	199	87	64	41	213	34	798

Under the performance evaluation process, the level of performance of each employee is evaluated by assigning ratings for the performance achieved, generic and technical competencies as specified in the evaluation criteria. The final performance marks of employees up to SC Gr III (2) are used as one of the requirements in the promotion criteria.

HRD carried out the employee performance evaluation process as planned during the year. Further, HRD introduced a quarterly performance review process from 2022. This process is aimed at giving an opportunity for the supervisors to closely monitor the performance of employees in a progressive manner, aligning employees' performance towards achieving departmental strategic objectives, and for employees, to use as a direction to achieve their annual individual goals.

(c) Promotions

HRD facilitated promotions under the employee promotion scheme of the Central Bank to ensure career progression of employees. Accordingly, a total of 272 staff members were granted their Class and Grade promotions during the year 2022. On this basis, 1 Assistant Governor was promoted to Deputy Governor, 1 Head of Department was promoted to Senior Head of Department, 7 Deputy Heads of Department were promoted to Additional Heads of Department, 11 Staff Class Grade III (1) officers were promoted to Deputy Heads of Department, and 252 employees were granted their Class and Grade promotions.

(d) Training and Skills Development

The Central Bank provides opportunities for its staff to upgrade skills and knowledge for the purpose of fulfilling the objectives of the Central Bank effectively and to have a diverse and talented staff. Accordingly, the Central Bank encourages its officers to read for postgraduate studies in internationally recognised universities under the Central Bank Sponsorship Scheme for postgraduate studies. Further, the Central Bank facilitates officers to attend training programs locally and internationally, to support the continuous enhancement of knowledge,

expertise, and skills within the Central Bank and to meet the emerging needs of its human capital development. However, considering the prevailing economic condition of the country, the Central Bank decided not to bear any foreign currency expenses on facilitating training opportunities including postgraduate studies during the year 2022. However, the Central Bank allowed officers to participate in foreign trainings for which the total costs were sponsored by the organising institution and to proceed for postgraduate studies if the officer obtained a full scholarship from external sources acceptable to the Central Bank.

In 2022, HRD facilitated two officers to embark on postgraduate studies in economics in top ranked universities in Australia under scholarships offered by the Australian Government. The number of officers who commenced and returned after completion of postgraduate studies under the Central Bank Sponsorship Scheme during the period from the year 2018 to end of the year 2022 are given in Table II-16 below.

As an alternative to the above, the Central Bank facilitated officers to attend online training programs in 2022 conducted by the other Central Banks and international organisations such as IMF, SEACEN, World Bank etc., and local institutions. Accordingly, HRD facilitated 621 officers to participate in 402 foreign training programs conducted virtually and 65 officers to participate in 36 foreign training programs held abroad which were fully funded by the training organiser.

In the meantime, HRD facilitated 479 officers to participate in 93 local training programs conducted by the external local training institutions and 1,716 officers to participate in 85 local training programs conducted by the Central Bank's Centre for Banking Studies (CBS). In addition, HRD facilitated the Central Bank employees to follow long term local (part time) training programs and continued its Sponsorship Scheme for the Chartered Financial Analyst (CFA) qualification, while facilitating other Certificate

Table II – 16
Postgraduate Studies under the Central Bank Sponsorship Scheme

Year	Postgraduate Studies				Total	
	PhD		Master's Degree		Commenced	Completed*
	Commenced	Completed*	Commenced	Completed*		
2018	8	1	8	14	16	15
2019	4	1	7	7	11	8
2020	2	5	6	8	8	13
2021	1	4	1	6	2	10
2022	-	1	2	1	2	2
Total	15	12	24	36	39	48

* Returned after completion of postgraduate studies

Courses and Diploma Programs offered by local institutions. HRD also conducted knowledge sharing sessions among the staff of the Central Bank and other central banks. Accordingly, HRD conducted knowledge sharing programs with the Bank of Korea (BOK) in 2022 under the topic of “FX Transaction Monitoring and Market Stabilisation Measures”. Further, HRD facilitated several other knowledge sharing sessions conducted by BOK.

(e) Job Rotation

HRD continued the implementation of the annual job rotation policy in 2022 in order to achieve its overall objectives of developing multi skilled Human Resources within the Central Bank while enhancing its productivity. Accordingly, HRD executed transfers of 23 officers in SC and, 50 employees in OAC under the annual job rotation scheme with effect from 03 January 2022. Further, 12 employees in OAC were transferred based on the roster plan formulated under the Annual Job Rotation Scheme.

(f) Industrial Harmony

HRD continued to perform its role as the facilitator for maintaining a closer dialogue between the Central Bank management and Trade Unions. Accordingly, 9 discussions were arranged in 2022 giving the opportunity to the management and Trade Unions to resolve issues related to remuneration, promotions, training, welfare, recruitment, and general administration of the Central Bank.

(g) Outsourcing of Services

HRD has been given the authority to outsource manpower services required to the Central Bank which are not related to its core functions. Accordingly, HRD follows the tender procedure for outsourcing services to the Central Bank, upon the request of the respective departments. In 2022, HRD outsourced services in 5 areas as per the requirements of the Bank, i.e., Security Services, Service of Software Engineers, Service Providers for Managing Holiday Bungalows, Service of Audit Firms, and Service of Medical Officers etc.

15.4 Closing of Departments

In accordance with the provisions of Section 33 of the Monetary Law Act, No. 58 of 1949, the Monetary Board at its Meeting No. 11/2022 held on 08 April 2022 granted approval to assign functions of Governor’s Secretariat Department (GSD) to the Governor’s Secretariat attached to the Secretariat Department and to close GSD with effect from 08 April 2022.

15.5 Meetings Attended by the Governor during 2022

- (a) Foreign Visits undertaken by the Governor:
- i. Meeting with H. E. Sheikh Bandar Bin Mohammed Bin Saoud Al-Thani, Governor of the Qatar Central Bank on 04 January 2022.
 - ii. Doha Forum in Doha, Qatar during the period of 25 – 27 March 2022.
 - iii. International Monetary Fund (IMF)/World Bank Spring Meetings, Washington DC, USA during the period of 17 – 24 April 2022.
 - iv. IMF/World Bank Annual Meetings, Washington DC, USA during the period of 10 – 16 October 2022.
- (b) Special Events (Local) attended by the Governor:
- i. Chief Guest at the 32nd Anniversary Convention organised by the Association of Professional Bankers-Sri Lanka, held at the Cinnamon Grand Hotel on 18 January 2022.
 - ii. Keynote address at the National Defence College seminar on “Economic Security as an integral part of National Security” on 14 February 2022.
 - iii. Guest Speech at the Monthly Meeting of Ceylon Chamber of Commerce on 28 April 2022.
 - iv. Keynote Speech for Webinar on South-South Sharing of Policy Experiences: Debt Sustainability in Developing Countries on 11 May 2022.
 - v. Chief Guest and Keynote Speaker at Chamber of Young Lankan Entrepreneurs (COYLE) General Meeting on 25 May 2022.
 - vi. Guest Speaker at the Webinar organised by the Cochin Chamber of Commerce & Industry on 28 May 2022.
 - vii. Chief Guest at the Annual General Meeting of the Sri Lanka Institute of Agriculture on 03 June 2022.
 - viii. Keynote Speech of Dinner Meeting organised by the Colombo Golf Club on 24 June 2022.
 - ix. Guest Speaker at Colombo Club Luncheon Meeting on 19 July 2022.
 - x. Chief Guest for Inauguration Ceremony for the 7th Intake of the Doctor of Business Administration Degree of University of Kelaniya on 29 July 2022.
 - xi. Keynote Speech at the Webinar on “Crisis on Sri Lanka and Pathway to Recovery” to Japanese Audience (Virtual) on 31 August 2022.
 - xii. Guest Speaker at the Dinners Club of Corps of Sri Lanka Electrical & Mechanical Engineers on 15 September 2022.
 - xiii. Keynote Speech at Postgraduate Institute of Management (PIM) Alumni’s Strategic Forum 2022 on 20 September 2022.

- xiv. Chief Guest/ Keynote Speech at 128th Annual General Meeting of the Colombo Tea Traders' Association on 30 September 2022.
- xv. Chief Guest at the annual get together of Alumni Reunion of University of Kelaniya on 22 October 2022.
- xvi. Keynote Address at the Event on 'Sri Lanka: State of the Economy-Driving Policy Action from Crisis to Recovery' on 25 October 2022.
- xvii. Keynote Speech at the Budget Forum organised by the Centre for Banking Studies on 15 November 2022.
- xviii. Keynote Speech at Seminar for Resolving Industry Issues & Boosting the Economy via the Construction Industry on 15 November 2022.
- xix. Chief Guest at Olcott Night organised by Rahula College, Matara on 19 November 2022.
- xx. Panelist at Sri Lanka Internet Day 2022 organised by Federation of Information Technology (IT) Industry in Sri Lanka on 22 November 2022.
- xxi. Panelist at the Post Budget Seminar organised by National Chamber of Exporters of Sri Lanka on 22 November 2022.
- xxii. Keynote Speech at the event organised by Business Economics Students' Association of University of Colombo on 24 November 2022.
- xxiii. Keynote Speech at the Induction of the President & Inauguration of 29th Annual Scientific Sessions of the College of Medical Administrators of Sri Lanka on 25 November 2022.
- xxiv. Keynote Speaker at the Annual Convocation of the PIM on 26 November 2022.
- xxv. Keynote Speech at the CT CLSA Securities (Pvt) Ltd Annual Investor Forum for Foreign Institutional Investors on 28 November 2022.
- xxvi. Guest of Honour/ Keynote Speech at International Conference on 'The Road Map for Economic Recovery of Sri Lanka' organised by Institution of Engineering and Technology on 30 November 2022.
- xxvii. Chief Guest of International Conference on Sustainable and Digital Business 2022 of Sri Lankan Institute of Information Technology (SLIIT) on 02 December 2022.
- xxviii. Keynote Speech at Chartered Public Finance Accountant (CPFA) and Association of Public Finance Accountants of Sri Lanka (APFASL) Annual Conference 2022 on 02 December 2022.
- xxix. Chief Guest for the 125th Anniversary Celebration of Trade Finance Association of Bankers on 03 December 2022.
- xxx. Speech at the 58th South East Asian Central Banks (SEACEN) Governors' Conference (Virtual) on 05 December 2022.
- xxxi. Keynote Speech at the Sri Lanka Economic Summit 2022 on 06 December 2022.
- xxxii. High Level Round Table Discussion on Structural Reforms for Economic Recovery and Sustainable Growth on 06 December 2022.
- xxxiii. Chief Guest/ Keynote Speech at The Inaugural Session of the Sri Lanka Economic Association Annual International Conference on 09 December 2022.

15.6 Promotions/Appointments

- i. Mrs. T M J Y P Fernando was designated as the Senior Deputy Governor of the Central Bank with effect from 01 December 2022.
- ii. Mrs. K M A N Daulagala was promoted as a Deputy Governor of the Central Bank with effect from 07 October 2022.
- iii. Mr. B L J S Balasooriya was promoted to Staff Class Special Grade as a Senior Head of Department with effect from 03 February 2022.
- iv. Dr. R A A Perera, Director of the Domestic Operations Department, was appointed as Director of the Economic Research Department with effect from 01 January 2022, and subsequently he was appointed as Director of the Domestic Operations Department with effect from 12 April 2022.
- v. Dr. P K G Harischandra, Additional Director of the Economic Research Department, was appointed as Director of the Domestic Operations Department with effect from 01 January 2022 and subsequently he was appointed as Director of the Economic Research Department with effect from 12 April 2022.
- vi. Mrs. R M C H K Jayasinghe, Additional Director of the Department of Supervision of Non-Bank Financial Institutions, was appointed as Director of the Department of Supervision of Non-Bank Financial Institutions with effect from 03 January 2022.
- vii. Mr. W R M K Fernando, Director of the Governor's Secretariat Department, was appointed as Director (Special Projects) of the Secretariat Department with effect from 08 April 2022 and subsequently he was appointed as Director of the Risk Management Department with effect from 12 April 2022.
- viii. Mr. G D P D Jayathilake, Director of the Statistics Department, was appointed as Director of the Communications Department with effect from 12 April 2022.
- ix. Mrs. D R Karunaratne, Director of the Financial Intelligence Unit, was appointed as Director of the Department of Foreign Exchange with effect from 12 April 2022.
- x. Mrs. E H Mohotty, Director of the Communications Department, was appointed as Director of the Financial Intelligence Unit with effect from 12 April 2022.

- xi. Dr. (Mrs.) H K J Ekanayake, Director of the Risk Management Department, was appointed as Director of the Statistics Department with effect from 12 April 2022.
- xii. Dr. (Mrs.) A A I N Wickramasinghe, Director of the Department of Foreign Exchange, was appointed as Director of the Legal and Compliance Department with effect from 12 April 2022.
- xiii. Mr. P D R Dayananda, Additional Superintendent of the Currency Department, was appointed as Superintendent of the Currency Department with effect from 17 April 2022.
- xiv. Dr. (Mrs.) W G S S J Keerthiratne, Additional Director of the Legal and Compliance Department, was appointed as Additional Director of the Financial Intelligence Unit with effect from 06 May 2022.
- xv. Mr. W M Priyankara, Additional Director of the Financial Intelligence Unit, was appointed as Additional Secretary of the Secretariat Department with effect from 06 May 2022.
- xvi. Mr. G C A Ariyadasa, Additional Director of Department of Foreign Exchange, was appointed as Additional Director of the Regional Development Department with effect from 06 May 2022.
- xvii. Mr. N D Y C Weerasinghe, Additional Director of the Regional Development Department, was appointed as Additional Superintendent of the Public Debt Department with effect from 06 May 2022 and subsequently he was appointed as Superintendent of the Public Debt Department with effect from 06 December 2022.
- xviii. Mrs. D K Mayadunna, Additional Director of the International Operations Department, was appointed as Additional Director of the Risk Management Department with effect from 06 May 2022 and subsequently she was appointed as Additional Director of the Internal Audit Department with effect from 15 June 2022. Thereafter, she was appointed as Director of the Internal Audit Department with effect from 01 July 2022.
- xix. Dr. E W K J B Ehelepola, Additional Superintendent of the Public Debt Department, was appointed as Additional Director of the Economic Research Department with effect from 16 June 2022.
- xx. Mr. M R Wijewardane, Director of the Payments and Settlements Department, was appointed as Additional Director of the Information Technology Department with effect from 14 July 2022.
- xxi. Mr. K V K Alwis, Director of the Information Technology Department, was appointed as Director of the Payments and Settlements Department with effect from 14 July 2022.
- xxii. Mr. D L Nihal, Additional Superintendent of the Public Debt Department, was appointed as Additional Superintendent of the Employees' Provident Fund Department with effect from 14 July 2022.

xxiii. Mrs. W L S W Jayasundera, Additional Superintendent of the Employees' Provident Fund Department, was appointed as Additional Superintendent of the Public Debt Department with effect from 14 July 2022.

xxiv. Mr. H M P B Herath, Additional Director of the Information Technology Department, was appointed as Director of the Information Technology Department with effect from 14 July 2022.

15.7 Employees on Release

- (a) Dr. C Amarasekara, Staff Class Grade IV officer, to the International Monetary Fund as an Alternative Executive Director with effect from 01 January 2022.
- (b) Mr. K M M Siriwardana, Deputy Governor, to the Ministry of Finance as Secretary to the Treasury with effect from 08 April 2022.
- (c) Mrs. F R Bangsajayah, Staff Class Grade II officer in the Corporate Services, to the office of the Secretary of the Ministry of Finance with effect from 11 April 2022.
- (d) Mr. M G Ashoka, Management Assistant Class Grade II (Regraded) officer, to the office of the Secretary of the Ministry of Finance with effect from 11 April 2022, and subsequently he was reverted to the Bank with effect from 01 June 2022.
- (e) Mrs. M Z N Hanifa, Staff Class Grade I officer in the Corporate Services, to the International Monetary Fund as an Administrative Assistant with effect from 12 September 2022.

15.8 Retirements/Resignations

A total of 42 officers retired from the Bank Service, including one Deputy Governor, one Assistant Governor, one Senior Head of Department, three Heads of Department, two Additional Heads of Department, and two Deputy Heads of Department in 2022. A total of 51 officers resigned from the Central Bank service including one Head of Department, one Deputy Head of Department, and 3 contract employees during the year of 2022.

16. INFORMATION TECHNOLOGY

The Information Technology Department (ITD) continued to fulfill its dynamic role of contributing towards accomplishing the core objectives of the Central Bank. ITD provided enterprise level integrated Information Technology (IT) solutions and corporate services, while continuously enhancing the security of facilitating infrastructure.

During the year, services were provided under the major areas of (a) delivery of cost effective application software solutions; (b) continuous enhancement of IT infrastructure; (c) contribution to establishment of state-of-the-art financial market infrastructure; (d) strengthening of IT security and

resilience; and (e) IT helpdesk support and enhancement of competencies of the staff.

(a) Delivery of Cost-effective Application Software Solutions

ITD developed an Export Proceeds Monitoring System (EPMS) to facilitate the Department of Foreign Exchange (DFE) to monitor the repatriation of export proceeds and conversion of such export proceeds into Sri Lanka Rupees. EPMS captures data related to export of goods from Sri Lanka Customs on a daily basis and matches with data provided by the Licensed Commercial Banks (LCBs) on repatriation of export proceeds from the same, on a weekly basis. Further, the system captures data related to repatriation of proceeds for export of services reported by LCBs. The system compiles data and generates required reports to facilitate DFE implementing well informed and data driven regulatory measures.

ITD further enhanced the International Transaction Reporting System (ITRS) developed for the collection of granular data on cross border foreign currency transactions of customers of LCBs and Licensed Specialised Banks (LSBs), by introducing new features to improve continuous monitoring and cleansing of data. In addition, dashboards to analyse cross border transaction data were developed to enhance the operational and policy decision making process of the Central Bank. Furthermore, ITD continued to provide technical assistance to LCBs and LSBs to ensure smooth functioning of the ITRS.

To strengthen the continuous supervision and examination process of financial institutions, the FinNet system (the regulatory data collection system from LCBs, LSBs and Licensed Finance Companies) was further enhanced enabling reporting of financial information in line with Sri Lanka Financial Reporting Standards (SLFRS-9).

A Depositor Wise Data Collection System was implemented for the Resolution and Enforcement Department (RED) to collect data from all banks and finance companies at regular time intervals. This system consists of three modules: the Deposit Data Validator tool which enables the financial institutions to validate and submit the required information to the Central Bank, the web interface for the RED to get summarised information of the submitted data, and the module for submission of regulatory returns at regular time intervals through the FinNet.

ITD further facilitated the automation of several manual operations of the Employees' Provident Fund Department (EPFD). Reconciliation of employer payments made through online channels as well as through respective bank counters, checking trial balance relevant to the refund payments before

releasing such payments, processing payments made via respective banks, and issuing e-documents for visa purposes were some of the manual processes which were automated during the year.

The currency counter function of the Currency Department (CRD) was fully integrated to the Currency Management System (CMS) along with all required reports, reducing the usage of paper. Further, a new Counterfeit Notes Identification System was developed for the CRD. This system records all information provided by the Central Bank to court cases, enabling easy reference for future court cases.

ITD progressed with the development of a system to manage Refinance, Interest Subsidy and Credit Guarantee scheme loan facilities granted by Regional Development Department (RDD) through banks to micro, small and medium sector enterprises. This system is expected to streamline loan processing, increase productivity and efficiency, while reducing manual work. The Refinance module of the above system was implemented and is in live operation while development of the other modules is in progress.

The Treasury Bond Auction System was modified to facilitate the implementation of a Direct Issuance Window by the Public Debt Department (PDD) for Treasury Bonds that are fully allocated at Phase I, accommodating the funding requirements of the Treasury.

An Inventory Management System for IT Fixed Assets was implemented to manage the lifecycle of IT assets within the Central Bank in an efficient and effective manner.

To increase the efficiency of staff loan processing carried out by the Staff Services Management Department (SSMD), ITD developed a new and improved web based loan granting system for the Staff Benefit Scheme (SBS) while initiating the development of a new and improved system for Staff Housing Loans (SHL).

The Task Tracker system that automates internal workflows was revamped to include a new workflow that follows up recommendations from the Audit Advisory Committee (AAC).

In addition to the completed projects mentioned above, ITD initiated and progressed with several other new systems and enhancements vital for the operations of the Central Bank.

In order to comply with the SWIFT roadmap for ISO 20022 SWIFT MX migration, conversion of existing SWIFT MT message formats to ISO 20022 MX message formats was successfully tested for outward messages of iGLAS, the Central Bank's General Ledger System.

ITD catered to special data requirements of departments of the Central Bank and facilitated audits carried out on software systems and related processes.

Further, ITD continued to expand the use of the Document Management System (DMS) by completing physical document digitisation processes in several departments, increasing personnel productivity related to document handling.

(b) Continuous Enhancement of IT Infrastructure

IT infrastructure of the Central Bank was maintained during the year to ensure all information systems are resilient and on par with latest technology advancements.

ITD completed the construction of the new Head Office Data Centre to comply with the Telecommunications Industry Association (TIA) 942 Rated-3 standard. This is a data centre which has redundant capacity components and multiple independent distribution paths serving the computer equipment.

Along with the above new data centre, ITD designed and planned to upgrade the Local Area Network (LAN) of the head office building by widening the backbone bandwidth through high speed fibre and Gigabit Ethernet up to the end user.

(c) Contribution to the Establishment of State-of-the-art Financial Market Infrastructure

Technical expertise was provided by ITD to several national level IT projects during the year.

ITD contributed to the national payments and settlements system modernisation project through active involvement in the scoping, designing, and testing phases of system implementation.

(d) Strengthening IT Security and Resilience

ITD took measures to secure all IT assets of the Central Bank, while facilitating a secure Work from Home (WFH) environment for employees on a needs basis. The Information Security Policy which is the key document on implementing information security of the Central Bank was updated with the inclusion of a WFH policy and a laptop usage policy.

In addition to frequent vulnerability assessments performed internally on software applications, an assessment was also performed on the financial messaging network related IT infrastructure to ensure that the systems are well prepared for any cyber security threat. An external information security assessment was also carried out targeting the financial messaging network and other mission critical systems to ensure a high level of security.

Virtual user awareness programs were carried out to provide employees of the Central Bank with knowledge

and guidance on newly introduced security policies, data classification, and data backup methods. Phishing simulations were carried out to enhance user awareness of identifying phishing emails.

(e) IT Support and Enhancement of Competencies of the Staff

WFH arrangements were supported by ITD in order to continue daily operations of the Central Bank, while ensuring secure access to systems, adopting industry best practices. ITD was able to simultaneously provide assistance to all help desk queries and maintain a high level of availability of critical infrastructure (above 99.5%), on par with the industry standards, amidst diverse challenges.

In order to uplift the IT competencies of the staff and to nurture a more technologically savvy and threat ready workforce within the Central Bank, ITD continued to publish awareness banners on the intranet and circulated security advisory alerts through email to all staff.

In addition, the staff of ITD actively participated in local and international webinars, virtual workshops, and conferences to enhance their skills and knowledge on IT advancements required to uplift the quality of IT systems and related infrastructure of the Central Bank.

17. INTERNAL AUDIT

The Internal Audit function has been in operation in the Central Bank since 1951. The purpose and mission, scope of work, authority, responsibility, independence, and objectivity of the Internal Audit Department (IAD) are included in the Internal Audit Charter approved by the Monetary Board. IAD follows the International Professional Practices Framework of the Institute of Internal Auditors (IPPF of IIA) in conducting audits. A summary of the activities carried out by the department during 2022 is given below.

17.1 Internal Audit Plans

Strategic Audit Plan for 2023–2026 and the Annual Audit Plan for 2023 were compiled during the year and approved by the Monetary Board at the end of December 2022.

17.2 Conduct of Audit Assignments

(a) Process Audits and Information Systems Audits

In 2022, Process and Information Systems (IS) audits were conducted. Each audit engagement was carried out in four sequential steps, i.e., planning, performing, communicating audit results, and following up on the implementation of audit recommendations. 47 Audit Reports were issued and accordingly, audit observations with recommendations were communicated to the relevant departments during the year, covering the policy, compliance, operational, legal, and other related risk areas.

(b) Progress Reporting

Progress of the conduct of audit assignments was reported to the Monetary Board and the Monetary Board Advisory Audit Committee (AAC). Audit reports were submitted to the Superintendent of National Audit Office through the AAC. Further, contents of the Internal Audit Reports were submitted to Director General of the Management Audit Department of the Ministry of Finance as requested and in line with the National Audit Act, No. 19 of 2018.

17.3 Quality Assessment and Improvement Program

During the year, ongoing monitoring of the performance and periodic self-assessment of internal audit activity were conducted and the results were communicated to the Monetary Board through the AAC.

17.4 Capacity Building and Awareness

Capacity building programs for the officers of IAD were conducted in different related disciplines during the year. Further, IAD conducted an awareness program for the Audit Coordinating Officers of the Bank on the "Internal Audit Facilitation Guidelines" in the first quarter of 2022. A guest presentation was conducted by an IS audit professional for the benefit of IAD staff.

17.5 Facilitation to the Monetary Board Advisory Audit Committee

The AAC is a subcommittee of the Monetary Board which advises the Monetary Board on financial reporting, internal controls, internal audit, external audit, and any other matters assigned by the Monetary Board. The Secretary to the Monetary Board is the Secretary to the AAC. The Director of IAD functions as the Assistant Secretary to the AAC where IAD provides secretarial facilitation to the AAC. Further, follow up of the implementation of the AAC recommendations was also carried out periodically during the year.

18. INTERNATIONAL OPERATIONS

The International Operations Department (IOD) is entrusted with the responsibility of managing official foreign reserves and monitoring the domestic foreign exchange (FX) market activities to ensure the orderly and smooth operations of the domestic FX market, as empowered by the provisions of the Monetary Law Act (MLA), No. 58 of 1949.

18.1 International Reserves Management

Foreign reserves management activities of the Central Bank of Sri Lanka are carried-out by IOD, as per the Investment Policy Statement and the Investment Guidelines prepared under the broader guidance of the International Reserves Investment Oversight Committee (IRIOC) and approved by the Monetary Board. Since 2016, a model based scientific framework stemming from the asset and liability structure

was followed by the Central Bank in managing its foreign reserves, where the model has been built up considering liquidity requirements, capital preservation, and income generation objectives subject to the risk tolerance level of the Central Bank.

Year 2022 marked the most inordinately challenging year in the history, where the standard reserve management operations were restrained and IOD was compelled to adopt a pathway with time and context specific approaches. The unprecedented foreign exchange liquidity crisis emerged in 2020 led the traditional reserve management objectives turn to a different dimension since mid-2021, amidst several stressed scenarios becoming simple realities on the global front. Sri Lanka also confronted with severe challenges with the acute shortage of foreign currency liquidity being the most prominent issue.

This FX liquidity shortage become extremely chaotic with severe shortages in essential needs, primarily fuel, cooking gas and coal since 2021, and the situation aggravated to an unprecedented level by end of the first quarter of 2022. This warranted, the Central Bank to deploy various crisis specific measures in combating the FX crisis, and had to optimally allocate the scarcely available foreign reserves in meeting the pressing FX needs for essentials to maintain economic activities of the country at least at bare minimum levels. Whilst there was enormous pressure and overwhelming public outcry rising up for necessities, demand management of foreign currency with an extremely limited and fast diminishing foreign reserves was indisputably a daunting task for the reserve management team of the Central Bank, and the focus was purely on liquidity management. With the announcement of debt restructuring initiatives in April 2022, the FX debt service was limited to the settlement of debts to multilateral organisations.

Nevertheless, the Central Bank had to adopt time and context specific measures, deviating from the standard reserve management practices. As a result, a gradual easing down in the intense demand for foreign currency was observed with a noticeable improvement in the foreign currency liquidity in the domestic market, towards the very end of the year.

18.2 Performance Analysis and Facilitation Activities

As usual, IOD compiled Central Bank reserves and gross official reserves on a daily basis, while assessing the performance of reserve management activities on a realised return approach despite the sharp decline in foreign reserve levels. As required, the performance of reserves management was presented to the IRIOC and the Monetary Board, on a monthly and quarterly basis, respectively, where the constraints on reserve management were deliberated.

With a view to provide a buffer even with short-term FX liquidity until a buildup of official reserves is in place, the external funding arrangements were done through the

Bilateral Currency Swap Agreements (BCSAs) with fellow Central Bank fraternity, namely, the Reserve Bank of India (RBI), the Bangladesh Bank (BB), and the People's Bank of China (PBoC). The second drawal of the RBI SARRC swap facility was executed in January 2022, while the swap facility obtained from the BB in August/September 2021, which was initially rolled-over twice, was rolled-over further in 2022. The swap facility obtained from the PBoC was also rolled-over for a further period of twelve months.

Meanwhile, the annual review to evaluate the adherence/compliance with Anti Money Laundering / Combating the Financing of Terrorism (AML/CFT) requirements of foreign counterparties was carried-out for existing active counterparties in 2022, despite the extremely challenging global and local FX market conditions.

In 2022, the Central Bank implemented a new Reserve Management System (RMS) upon the expiration of the license of the Treasury Management System (TMS). As the main user of the RMS, IOD is vested with the responsibility of system administration function of the RMS, while ensuring proper coordination with other user departments and the software provider.

18.3 Domestic Foreign Exchange Market Developments

IOD actively engaged in monitoring and guiding the domestic FX market, which faced an acute liquidity shortage during the year. As per the guidance provided by the Central Bank in September 2021, the USD/LKR rupee exchange rate ranged between Rs. 200 and Rs. 203 until early March 2022. However, subsequent to the Central Bank's decision to allow a measured adjustment in the exchange rate on 07 March 2022 due to the sharp depletion of gross official reserves of the country and the significant pressures in the domestic FX market, the USD/LKR exchange rate started to overshoot. As a measure in managing the intraday volatility of the exchange rate, amidst the challenging liquidity position and the absence of an active interbank FX market, the Central Bank commenced announcing exchange rate guidance with a variation margin since 13 May 2022. Consequently, the exchange rate stabilised gradually, and the weighted average spot exchange rate in the interbank FX market hovered between Rs. 360 - Rs. 363 per US dollar during the period from mid May to end December 2022. Since mid May 2022, IOD commenced publishing the USD/LKR middle spot exchange rate with a prescribed variation margin along with middle exchange rates for 56 other world currencies, on the Central Bank website, on a daily basis. In addition, the average Telegraphic Transfer (TT) buying and selling exchange rates against the Sri Lankan rupee for nine major currencies were also published on the Central Bank website on a daily basis.

During 2022, the Central Bank continued to purchase a portion of mandatorily converted export proceeds in

goods, converted workers' remittances, and converted service export proceeds from Licensed Commercial Banks (LCBs) and National Savings Bank (NSB). In addition, LCBs and NSB voluntarily surrendered another portion of such proceeds to finance the importation of coal and fuel. Moreover, in order to address FX liquidity issues in the domestic FX market, the Central Bank was compelled to implement several new measures, such as availing its FX in financing an extended range of essential imports, while instructing all banks to prioritise essential imports and encouraging them to manage FX outflows with the available FX inflows. A remarkable feature of the domestic FX market activities was the Central Bank's presence as a net seller, facilitating a significant number of requests for foreign exchange essentials such as fuel, gas, coal, pharmaceuticals and food commodities, among several others, due to the national importance of such requests in maintaining economic activities amidst public unrest. In this endeavour, IOD had to extensively engage with different stakeholders, including the Government, State Owned Business Enterprises, private sector players, and customers, devoting a considerable time to address their queries/concerns.

Meanwhile, to ensure a high standard of market conduct whilst preventing excessive volatility of the exchange rate and avoiding building up FX positions, IOD took measures to temporarily revise the Net Foreign Exchange Open Position (NOP) limits applicable to respective LCBs/NSB on a case-by-case basis in 2022, to facilitate smooth functioning of the domestic FX market. In line with market sentiments, IOD, as per its entrusted responsibility of ensuring the orderly conduct of the domestic FX market, provided its own recommendations to curb undue volatility in the exchange rate, while continuing to provide its views, observations, and recommendations on possible implications of various policy proposals and regulations, related to matters forwarded by other departments of the Central Bank as well as external organisations throughout the year.

IOD continued to be the Secretariat of the Market Operations Committee (MOC) and provided the same with all relevant information to make effective recommendations. IOD also provided its insights on the developments in terms of the domestic FX market and gross official reserves to the Monetary Policy Committee (MPC). Further, the Monetary Board was continuously apprised and provided appropriate recommendations, highlighting concerns and the way forward on the developments in the domestic FX market in a timely manner.

Meanwhile, IOD continued to provide its contributions and inputs to the Capital Market Development Project (CMP), which is to be implemented by the Central Bank, aimed at developing the domestic FX market and improving the market monitoring activities.

19. LEGAL AND COMPLIANCE

Legal Department (LD) actively contributed to achieving all strategic priorities of the Central Bank despite the challenging environment caused by the macroeconomic turmoil in the country. Some of the key activities performed by LD during the year 2022 are summarised below.

With the assistance of various stakeholders including the Ministry of Finance, Attorney General's Department, Legal Draftsman's Department, International Monetary Fund (IMF), and the World Bank, LD engaged in the enactment of the Central Bank of Sri Lanka Act, which was published in the Gazette on 01.11.2019, which was also a prior action of the IMF program. The said Bill has been further developed to capture new areas in central banking in association with such stakeholders. The Bill *inter alia* provides for the autonomy of the Central Bank with enhanced governance standards, an advanced Board structure to secure the objects thereof, and enhanced regulatory and supervisory powers, etc. It will replace the Monetary Law Act, No. 58 of 1949 once enacted.

In addition, during 2022, LD engaged in the drafting of a few other new laws which enhance the authority of the Central Bank in several regulatory arenas. The said new laws include the Trading, Clearing and Netting Act, the Banking (Special Provisions) Act, and Microfinance and Credit Regulatory Authority Act to enhance the regulatory, supervisory, and resolution framework of the Central Bank. Further, LD acted in collaboration with other supervisory departments to introduce further amendments to the Finance Business Act, No. 42 of 2011, Finance Leasing Act, No. 56 of 2000, Foreign Exchange Act, No. 12 of 2017, and Payment and Settlement Systems Act, No. 28 of 2005 with a view to enhancing the regulatory and supervisory authority of the Central Bank in order to address various challenges arising from market developments in the country.

During 2022, there was a considerable increase in litigation filed against the Central Bank pursuant to the economic downturn of the country, and LD, with the assistance of the relevant departments made submissions to secure the interests of the Bank. In collaboration with law enforcement authorities of the country, LD continued to institute action against unauthorised finance companies, prohibited schemes, and instituted actions to wind up finance companies of which licenses were cancelled by the Monetary Board, with a view to safeguarding the interests of the depositors and creditors of such entities.

LD actively collaborated with the other departments of the Central Bank in developing and amending subsidiary legislations issued by the Monetary Board under the statutes administered by the Central Bank, with a view to enhancing its regulatory authority and thereby, ensuring the soundness of the banking and financial sector. LD also reviewed the statutes developed outside the Central Bank by giving observations to

the provisions thereof, including the Personal Data Protection Act No. 09 of 2022 and Colombo Port City Economic Commission Act, No. 11 of 2021.

Moreover, in 2022, LD handled the compliance function of the Central Bank to facilitate compliance requirements of foreign counterparties, conducting annual counterparty reviews from an anti-money laundering perspective. In order to ensure the Central Bank's compliance with provisions of the Right to Information Act, No. 12 of 2016 (RTI Act), the RTI Unit established within LD handled 188 information requests and 23 appeals relating to the Central Bank during 2022. It actively engaged in enhancing public awareness on financial sector issues namely, prohibited schemes, unauthorised finance businesses, and evolving issues in the finance and leasing sector. Officers of LD represented the Central Bank in many fora as resource persons and served on several internal/external committees including reviewing of the Payment and Settlement Systems Act, Debt Restructuring Exercise of Sri Lankan Airlines Limited, the case filed by the Hamilton Reserve Bank in New York Federal Courts, developing a Financial Asset Management Agency framework, and the National Financial Inclusion Strategy of the country.

20. MACROPRUDENTIAL SURVEILLANCE

The Macroprudential Surveillance Department (MSD), with the objective of maintaining financial system stability in the country, a core statutory objective of the Central Bank, conducts a wide range of analysis to assess the buildup of systemic risk affecting the financial system. For this purpose, MSD gathers data from regulated financial institutions, listed corporates, and various other sources to conduct analyses. The findings of these assessments facilitate the policy formulation process of the Central Bank and support the introduction of macroprudential policy measures to mitigate systemic risks in order to maintain financial system stability. Accordingly, such analyses complement microprudential regulation and supervision in ensuring financial system stability.

The macroprudential surveillance framework covers risks emanating from global and domestic macroeconomic developments, financial market activities, and the financial institutions sector using the data reported by regulated financial institutions and data collected by MSD from other sources. Further, MSD carries out stress testing exercises to assess vulnerabilities in financial institutions and analysis on household and corporate sector developments to assess the impact on financial system stability. Moreover, MSD continued to compile a number of composite financial system stability indicators to assess the stability and soundness of different subsectors of the domestic financial system, while taking steps to improve the reliability of these indices. Following such analyses, board papers including quarterly risk assessments were submitted by MSD to the Monetary Board highlighting possible risks to the stability of the financial system and other contemporary concerns over financial system stability during

the year 2022. Furthermore, MSD continued to facilitate sustainable finance related activities and a separate unit for the same was established within the department. A summary of the main activities undertaken by MSD during 2022 is given below.

(a) Stress Testing Framework

MSD conducted its biannual dynamic solvency stress testing on the banking sector which was developed with the Technical Assistance (TA) received from the International Monetary Fund (IMF). The dynamic solvency stress test model provides a macroprudential perspective by assessing resilience of the financial system under hypothetical yet plausible scenarios. MSD was involved in formulating macroeconomic scenarios and granular level data collection on the banking sector and subsequently evaluated the impact of envisaged shocks on the banks' resilience through the execution of the quantitative toolkit which embodies risk modules that stretch across the stress testing horizon. MSD continued the biannual static solvency stress testing of the Licensed Finance Companies (LFCs) sector based on hypothetical macroeconomic scenarios.

MSD enriched its systemic risk analysis through the liquidity stress testing conducted on the data collected from the banking sector through maturity ladder templates, which identifies cash inflow-outflow mismatches, that was developed with the assistance of IMF TA. The liquidity stress testing framework assesses the resilience of the banking sector to systemic liquidity shocks.

A new framework for interconnectedness and contagion analysis of the banking sector was developed with the assistance from IMF TA during the year. Interconnectedness and contagion analysis primarily focuses on the risks towards the banking system through interbank exposures and extends to assess the contagion risks emanating from the State Owned Entities and LFCs while factoring solvency and liquidity channels in the model. MSD conducted pilot interconnectedness and contagion analysis during the year.

(b) Surveys, Indices and Data Collection

MSD continued to conduct the Systemic Risk Survey (SRS) on a biannual basis, which is a forward looking survey that quantifies and tracks market participants' perceptions on the potential risks to financial system stability signaling any buildup of systemic vulnerabilities and perceived probability of a high impact event. Materialisation of these risks could potentially disrupt the financial intermediation process and affect public confidence in the financial system. Further, SRS helps to validate the internal assessments of MSD on vulnerabilities of the financial system.

Further, MSD compiled several indices on a quarterly basis, namely, Banking Soundness Index (BSI), Licensed

Finance Companies Sector Soundness Index (LFCSI), Financial Market Stability Index (FMSI), and the composite Financial System Stability Index (FSSI) using FMSI, BSI and LFCSI.

With a view of enriching the database, MSD continued to gather granular level data from several external institutions, such as regulated financial institutions, Colombo Stock Exchange, Insurance Regulatory Commission of Sri Lanka, Securities and Exchange Commission, Department of Census and Statistics, and Credit Information Bureau, among several other data sources.

(c) Contributing to Statutory Reports and Other Publications of the Central Bank

The Financial System Stability Review (FSSR): MSD published the FSSR which evaluates risks and vulnerabilities faced by the Sri Lankan financial sector, and discusses the risk mitigation measures adopted during the period under consideration.

Statutory Publications: MSD continued to contribute to key publications of the Central Bank by coordinating and compiling the Chapter on "Financial Sector Performance and System Stability" of the Central Bank Annual Report 2021 and "Recent Economic Developments 2022". Further, MSD contributed to the formulation on the section related to the financial system of the September 15th Report, which is a confidential report submitted to the Minister of Finance. In addition, MSD also contributed to other publications of the Central Bank by compiling financial sector data and providing analyses of subsectors of the financial system.

(d) Conducting Corporate Sector and Household Sector Analysis

MSD conducts analyses of Corporate Sector and Household Sector to assess financial vulnerabilities emanating from the two sectors. Thus, vulnerabilities of the corporate sector are analysed to assess risks emanating from Non-Financial Corporates (NFCs) to the financial system on a quarterly basis, using information on listed NFCs in the Colombo Stock Exchange, which serves as a proxy for the NFCs. In addition, MSD analyses the indebtedness of the Household and Institutional sectors to assess the financial vulnerabilities emanating from such borrowers and identify possible buildup of systemic risks. The analysis is carried out based on the quarterly aggregate credit data of the banks and LFCs/SLCs sector received from the Credit Information Bureau (CRIB).

(e) Coordination of Committees on Financial System Stability

Financial System Stability Committee (FSSC): MSD functioned as the Secretariat of the FSSC, which is an interdepartmental forum of the Central Bank established

for the identification of risks affecting the financial sector and facilitation of discussion of measures to mitigate risks and strengthen interdepartmental coordination efforts to promote financial system stability. During 2022, 11 FSSC meetings including seven restricted FSSC meetings for specific matters were conducted. Quarterly Risk Assessments (QRAs) and FSSR 2022 were presented to the FSSC to obtain the views of the members before submitting them to the Monetary Board.

Financial System Oversight Council (FSOC): MSD also functioned as the Secretariat of the FSOC, which comprises heads of core financial sector regulators to facilitate cooperation among member institutions to ensure the efficiency, soundness, and safety of the financial system. Accordingly, two FSOC meetings were conducted during the year 2022 to discuss and deliberate on the risks coming under the purview of the respective financial sector regulators.

Stakeholder Engagement Committee (SEC): Considering the interconnectedness of the monetary and financial sectors of the economy and the implications of changes in policy stance and responses of one sector to the other, SEC was established in 2022, comprising members from a diverse group of sectors. Accordingly, MSD participates in SEC meetings, conducts presentations as and when needed to apprise SEC on the macrofinancial developments, involves in the relevant discussions at the Committee meetings, and follows up on related actions proposed by the Committee.

(f) Coordinating and Facilitating Sustainable Finance Activities in Sri Lanka

In line with the Road Map for Sustainable Finance in Sri Lanka, MSD coordinated with domestic and international stakeholders engaged in sustainable financing and facilitated the implementation of the Road Map. Further, MSD also functioned as the Secretariat for the internal committees established in this regard.

(g) Coordination with International Agencies

MSD, as the coordinating department of the Financial System Stability cluster, engaged with the IMF in responding to the Macprudential Survey. Further, as the relevant authority facilitating Sustainable Finance activities in line with the Road Map for Sustainable Finance in Sri Lanka, MSD coordinated with multilateral agencies including the International Finance Corporation (IFC), United Nations Development Programme (UNDP), Asian Development Bank (ADB), and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

(h) Establishment of a Crisis Management Committee (CMC)

Financial crises are usually low probability, high impact events, for which most countries are unprepared. Hence,

the need to strengthen crisis preparedness and manage a financial crisis if one transpires was recognised by international agencies and the Central Bank. This requires buildup of legal, regulatory, and institutional architecture, in order to respond in a timely and effective way. As such, the World Bank highlighted the importance of the formation of a Financial Sector CMC as a forum for policy coordination. Accordingly, MSD took the initiative to develop the framework for the establishment of CMC, which will be a permanent forum to work during crisis times for effective financial crisis management and during non-crisis times to strengthen the financial crisis preparedness framework in the country.

21. PAYMENTS AND SETTLEMENTS

The Central Bank is the authority responsible for the administration, supervision, and regulation of the monetary, financial and payments system of Sri Lanka, as stated in Section 5 of the Monetary Law Act (MLA), No. 58 of 1949. The statutory mandate entrusted to the Central Bank under the Payment and Settlement Systems Act, No. 28 of 2005, is carried out by the Payments and Settlements Department (PSD) which regulates and oversees the payment and settlement systems and implements national payment system policy with the objective of ensuring safety, efficiency, competitiveness, and stability of the payment and settlement systems in Sri Lanka.

The main functions carried out by PSD are operations of the Real Time Gross Settlement (RTGS) System, carrying out back office functions relating to the management of the international reserves, management of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) System on behalf of the Central Bank of Sri Lanka, carrying out transactions routed through the Asian Clearing Union (ACU) mechanism, regulation and oversight of payment and settlement systems, and the regulation and supervision of payment service providers.

21.1 Operations of the Real Time Gross Settlement System

Section 62A of the MLA gives the authority to the Central Bank to establish and operate systems for transfer of funds, settle payment obligations, and issue system rules to participating institutions. Accordingly, PSD operates the RTGS System which settles time critical large value inter-participant payments such as the settlement of transactions with Licensed Commercial Banks (LCBs) and Primary Dealers (PDs) in relation to open market operations, standing Deposit Facility (SDF) and the Standing Lending Facility (SLF) as well as customer payments on real time gross basis.

Adhering to international best practices, the availability of the LankaSettle System, which includes the RTGS System and the scripless government securities settlement system, was maintained at a level of 99.75 per cent on average during the year. In order to ensure smooth functioning

of the RTGS System PSD monitored the provisioning of intraday liquidity through the Intraday Liquidity Facility (ILF) to the Participating Institutions (PIs) which requested extra funds. PIs of the RTGS System are the Central Bank, LCBs, one Licensed Specialised Bank (LSB), standalone PDs, Employees' Provident Fund, and the Central Depository System of the Colombo Stock Exchange.

As at end 2022, the number of PIs of the RTGS System was 35. During the year, the RTGS System settled 638,733 transactions with a total value of Rs. 827 trillion. The average volume and value of RTGS transactions settled per day were 2,661 and Rs. 3,446 billion, respectively. With regard to ILF operations, on average, Rs. 658.5 billion per day was released to PIs.

(a) Back-Office Functions Related to the Management of the International Reserves

Back office functions were carried out to facilitate the management of the international reserves of the country. A total of 3,495 transactions including foreign exchange trading and funding, money market transactions, and overnight repo/reverse repo transactions were carried out during the year 2022.

(b) Settlement of Transactions Related to Open Market Operations, the Standing Deposit Facility, and the Standing Lending Facility

For the purpose of facilitating the management of market liquidity, PSD engaged in the settlement of Repo and Reverse Repo transactions carried out under Open Market Operations, in addition to the settlement of transactions related to the SLF and the SDF. During the period under review, PSD facilitated and effected 232 Repo transactions amounting to Rs. 1,550.3 billion, 78 Reverse Repo transactions amounting to Rs. 1,189.5 billion, 4,966 SDF transactions amounting to Rs. 54,183.1 billion, 9563 SLF transactions amounting to Rs. 163,073.8 billion, and 43 Outright Sale transactions amounting to Rs. 27.7 billion.

21.2 Management of the SWIFT Communication Network

PSD managed the SWIFT system on behalf of all users of the Central Bank in accordance with the procedures laid out by the SWIFT Headquarters, such as governance arrangements, processes, risk management procedures, and controls.

Mandatory updates provided by SWIFT during the year 2022 were applied to strengthen the SWIFT system and to provide a highly secure and more efficient service for the SWIFT users in line with international standards.

SWIFT has embarked on a global project to migrate financial messages to ISO 20022 standard. It is an open standard which has a rich format and facilitates a better flow of information. PSD is also working towards adopting the ISO 20022 messaging standard.

21.3 Facilitating Transactions under the Asian Clearing Union (ACU)

PSD continued to facilitate the settlement of eligible trade related transactions between Sri Lanka and other member countries of the ACU. However, with effect from 14 October 2022, until further notice, commercial banks were instructed to settle their trade related transactions directly with banks in ACU member countries using a mechanism outside the ACU.

The total number of transactions, relating to both imports and exports, effected through the ACU mechanism from January to October 2022 was 3,301, and the values of these transactions were USD 1741.8 million and USD 181.9 million respectively.

The Central Bank participated in the special Standing Technical Committee (STC) meeting of the ACU that was organised by the Reserve Bank of India in April 2022 in addition to attending the 50th meeting of the Board of Directors of the ACU and the STC meeting of the ACU organised by the State Bank of Pakistan in May 2022.

21.4 Regulation and Oversight of Payment and Settlement Systems and Regulation and Supervision of Payment Service Providers

PSD facilitated the promotion of digital payment technologies and continued its regulatory, oversight, and supervision activities to ensure safety and efficiency of the electronic payment systems. Accordingly, the following major activities were carried out by PSD during 2022.

- (a) National Savings Bank (NSB) was conferred the participant status of the LankaSettle System after fulfilling the eligibility requirements. NSB is the first LSB to obtain the participant status of the LankaSettle System.
- (b) The General Directions on Sri Lanka Interbank Payment System (SLIPS), Common ATM Switch (CAS), Common Electronic Fund Transfer Switch (CEFTS), and Common Point-of-Sales (CPS) Switch were revised and issued under the Payment and Settlement Systems, Act No. 28 of 2005 to enable LSBs to obtain Primary Membership of SLIPS, CAS, CEFTS, and CPS after NSB becoming a participant in the RTGS System.
- (c) With the aim of promoting inward foreign remittances, the National Remittance Mobile Application, 'Lanka Remit' was launched in February 2022, which enables Sri Lankans working abroad to send money to Sri Lanka and to pay utility bills using payment cards issued overseas. Further, the Central Bank and the Sri Lanka Bureau of Foreign Employment (SLBFE) conducted an awareness programme in August 2022 to popularise the LankaRemit mobile application among migrant workers.
- (d) A three member Technical Assistance mission from the International Monetary Fund (IMF) to review the Payment and Settlement Systems Act, No. 28 of 2005 visited the

Central Bank in October 2022. The meetings of the mission were held with the participation of Central Bank officers including the Internal Committee appointed by the Central Bank to review the Payment and Settlement Systems Act, No. 28 of 2005 and several other external stakeholders.

- (e) Following the successful completion of the Blockchain Based Shared Know Your Customer (KYC) Proof of Concept in October 2021, necessary steps were taken to commence the purchase of a suitable Shared KYC Facility for Sri Lanka.
- (f) 'A Guide to Payment Services in Sri Lanka', a booklet which illustrates the payment instruments/methods and the infrastructures in Sri Lanka was published in printed and electronic form. Its electronic version was made available on the Central Bank's website.
- (g) In order to promote digital payments among citizens in the country, the National Institute of Education was provided with a recommended syllabus to educate school children on the use of digital payments.
- (h) A study on the feasibility of introducing Central Bank Digital Currency (CBDC) in Sri Lanka was conducted.
- (i) Approval was granted to several financial institutions which submitted proposals requesting permission to introduce new payment instruments, which would enhance customer convenience and efficiency of settlement for merchants.
- (j) Onsite supervision and offsite surveillance of licensed service providers of payment cards and mobile payment systems were continued to ensure the reliability and safety of such systems.
- (k) Business Continuity Plans of the LankaSettle participants and LankaPay (Pvt.) Limited (LPPL) were evaluated and monitored in order to ensure their ability to continue business operations in a contingency situation.

21.5 National Payment Council

PSD functions as the secretariat of the National Payments Council (NPC). The NPC has representation of all stakeholders of the country's payment systems. The responsibilities of the NPC include facilitating the development of new methods and technologies for payments, promoting safety and efficiency of payment systems, and facilitating the stability of the financial system. In 2022, NPC monitored the progress of implementing the Payment System Road Map 2022-2024 focusing on new payment technologies, secure digital transactions and increasing customer awareness on digital payment methods.

21.6 Public Awareness

PSD continued to publish the quarterly "Payments Bulletin" on the Central Bank website to disseminate information and

statistics on payment and settlement systems operating in the country. In addition, PSD issued press releases and conducted awareness programs to educate the general public about digital payments, payments related frauds and scams, risk of virtual currencies and other timely payments related topics.

22. POLICY REVIEW AND MONITORING

The Policy Review and Monitoring Department (PRMD) was established in 2007 with the objectives of reviewing and assessing the impact of policies implemented by the Central Bank and monitoring the implementation of the strategic and action plans of the Central Bank. Further, PRMD facilitates the Central Bank's strategic planning process.

22.1 Strategic and Action Plan of the Central Bank

The Strategic Planning Retreat (SPR) 2022 was held in February 2022 under the theme of "Balancing Basics" to discuss strategies and actions to be implemented in 2022 by individual departments aligned with the objectives of the Bank. Accordingly, the Strategic and Action Plan 2022 of the Central Bank for the period from April - December 2022 was finalised.

The SPR 2023 was held in November 2022 under the theme of "Regaining Stability". At the SPR, PRMD presented the overall progress of the Departmental Action Plans 2022, including its observations and recommendations, while each department presented their contribution to the achievement of the objectives of the Central Bank during 2022 along with the challenges they had to face during the year. Action Plans of individual departments for 2023 were also presented. The Strategic and Action Plan 2023 was finalised considering the matters discussed at the SPR.

The above two SPRs were conducted with the participation of the Members of the Monetary Board and the Senior Management of the Central Bank.

22.2 Progress Monitoring

PRMD monitored the progress of implementation of individual Departmental Action Plans against the identified quarterly outputs under each Key Performance Indicator (KPI) to assess their levels of progress. For this purpose, one-on-one meetings were conducted with each department on a quarterly basis.

Progress of the implementation of the action plans, reasons for the delay in completing certain activities along with PRMD's observations and recommendations were reported to the Corporate Management Committee (CMC) and the Monetary Board.

22.3 Key Focus Areas

Towards regaining macroeconomic stability, the Central Bank identified five key focus areas for 2023. Accordingly, a lead department and other responsible departments were identified to develop strategies to overcome the current and anticipated challenges in these five areas, giving due

consideration to both external and internal factors and with a direction for the medium term. The five key focus areas are as follows:

- Regaining price and economic stability via the implementation of the macroeconomic stabilisation framework
- Preserving financial system stability with enhanced crisis preparedness and management
- Clear and concise communication to improve public and other stakeholder understanding
- Availability of a highly productive, motivated, engaged, and contended team of human resources
- Availability of improved independence and authority while ensuring Central Bank accountability

22.4 Policy Review

Three policy studies were conducted during the year on the Effectiveness of Procurement Process of the Central Bank, the Central Bank's Role on Regional Development, and Optimising Resource Allocation of the Central Bank via Restructuring.

23. PUBLIC DEBT

The Public Debt Department (PDD), established on 28th August 1950 at the inception of the Central Bank, is responsible for discharging statutory obligations of the Central Bank as the agent of the Government for management of public debt in terms of Section 113 of the Monetary Law Act (MLA), No. 58 of 1949. In this endeavour, the key functions performed by PDD include, among others, developing and maintaining an efficient government securities market, ensuring availability of required information for market participants and the general public, ensuring that the Government's financing needs are met at the lowest possible cost at a prudent level of risk while adhering to best standards and practices, and servicing government debt on time in line with relevant policies. In this context, activities carried out by the PDD in 2022 are summarised below.

23.1 Raising of Funds to Meet the Government's Gross Borrowing Requirement

- Amidst the extremely challenging environment arising from deteriorating macroeconomic fundamentals, uncertainties emanating from socio-political instability, and speculations on the debt restructuring perimeter, the Government's substantive domestic funding requirement on maturing debt was aggressively pursued mainly through market subscription to Treasury bills and Treasury bonds, while adhering to prudent debt management measures.
- Investor preference was skewed towards short term Treasury bill maturities while greater investor preference was observed for longer tenure Treasury bonds.
- Funds to meet a part of the foreign currency debt requirement of the General Treasury was raised through the issuance of Sri Lanka Development Bonds (SLDBs) through both auction and Direct Issuance Window arrangements during the first half of 2022.
- An abridged table of activities under each of the source of funds is given below.

23.2 Servicing of Government Debt

In line with its interim policy regarding the servicing of external public debt dated 12 April 2022, the Government halted servicing outstanding foreign currency denominated external public debt, except for debt owed to multilateral agencies. Meanwhile, the Government appointed Lazard Frères SAS and Clifford Chance LLP as financial and legal advisors, respectively, in May 2022 to initiate the restructuring process of the Government's external debt.

SLDBs were excluded from the "Affected Debts" identified under interim policy regarding the servicing of external public debt dated 12 April 2022. An alternative mechanism for settlement of SLDBs was introduced based on constraints on availability of liquid foreign currency resources and following options were extended to investors.

- Settlement in Sri Lanka rupees subject to monetary policy considerations.

Table II-17
Instruments and Issuance Performance 2021 and 2022

Instrument	2021				2022			
	Issuances Rs. billion	WAYR (%)	ATM (Years)	No. of Auctions	Issuances Rs. billion	WAYR (%)	ATM (Years)	No. of Auctions
Treasury bills (a)	3,821.4	6.09	0.48	53	9,942.8	25.21	0.33	52
Treasury bonds	1,762.0	8.70	5.12	22	2,373.0	21.24	5.15	24
	Issuances USD million	WAYR (%) (b)	ATM (Years)	No. of Auctions	Issuances USD million	WAYR (%)	ATM (Years)	No. of Auctions
Sri Lanka Development Bonds	1,041.3	7.34	1.47	5	622.3	7.76 [3.40]	0.53	2

WAYR: Weighted Average Yield Rate/ Cost; ATM: Average Time to Maturity
(a) Gross Treasury bill issuance including Treasury bills issued to the Central Bank.
(b) Values in [] indicate the WAYR of Spreads above the 6-month LIBOR for Floating Rate SLDBs. No floating rate SLDBs were issued in 2021.
(c) SLDB issuances are based on investor confirmations up to 30.12.2022 and include maturity extensions under the alternative settlement mechanism.

- (b) Maturity extension of respective SLDB investments (including the interest payment) up to a minimum of six months with original terms and conditions, i.e., interest rates applicable to each individual bid of original issuance.
- (c) Facilitation of government securities (Treasury bonds) at the immediately preceding primary market weighted average yield rate, preferably within seven business days from the corresponding primary auction. For any other government security, with remaining maturity other than the maturities offered at the immediately preceding primary auction, primary market weighted average yields will be interpolated or extrapolated, as necessary.

Total debt service payments amounting to Rs. 2,997,645 million were facilitated during 2022 which included domestic and foreign debt service payments amounting to Rs. 2,510,281 million and Rs. 487,364 million, respectively. Therein, external debt servicing was executed in line with the Government's interim policy on servicing of external public debt dated 12 April 2022. In servicing domestic currency debt, 218 International Securities Identification Numbers (ISINs) were processed during 2022 as coupon and maturity payments viz-a-viz 224 ISINs processed during 2021. Similarly, in servicing foreign currency debt, 1,249 service payments were processed in 2022 compared to 1,836 payments processed in 2021.

23.3 Maintenance of the Title Registry in Government Securities

The Title Registry of scrippless government securities is recorded in the Central Depository System (CDS). The total holdings in scrippless securities as at end December 2022 amounted to Rs. 12,848.5 billion in face value comprising Rs. 4,126.3 billion in Treasury bills and Rs. 8,722.1 billion in Treasury bonds. The number of registered CDS accounts holders as at end December 2022 was recorded at 129,627.

Periodic statements to CDS account holders on their holdings, transactions and payments have been sent continuously throughout the year. PDD has sent 13,424 statements in electronic form and 48,530 semi-annual statements of holdings, 105,863 monthly statements of transactions and 40,089 payment statements by post to CDS account holders during 2022.

The real-time notification facility introduced for consenting CDS account holders in 2019, delivering real-time notifications for each and every debit and credit record of scrippless securities by way of an SMS or/and email alert to such CDS account holders facilitated 260,028 emails and 121,634 SMS alerts as real-time notifications compared to 147,744 and 47,561 respectively, in 2021.

In addition, CDS account holders were provided with the facility to view account details online, among other facilities

introduced to enhance the safety features of government securities investments.

23.4 Facilitation of the Settlement of Government Securities

CDS together with the Scrippless Security Settlement System (SSSS) constitute the LankaSecure system, operated and maintained by PDD. SSSS provides the settlement services for the primary and secondary market transactions in government securities. PDD plays a main role in facilitating settlement of transactions in government securities by ensuring uninterrupted real-time operation of the LankaSecure system.

By end 2022, the LankaSecure system consisted of 32 Dealer Direct Participants (24 Licensed Commercial Banks, 1 Licensed Specialised Bank, and 7 Primary Dealer Companies) maintaining accounts on their own behalf and on behalf of their customers who are investors of government securities and 3 Direct Participants (the Central Bank, Colombo Stock Exchange, and Employees' Provident Fund) who hold accounts on their own behalf only.

23.5 Debt Management Initiatives and Market Developments

In order to enhance the efficiency, effectiveness, and transparency while meeting the required resources through appropriate sources, with the purpose of developing the government securities market, the following initiatives were undertaken during 2022:

(a) Introduction of Phase II for Treasury bill Auctions

Phase II for Treasury bill auctions was introduced for further subscription following the respective Treasury bill auction. The maximum amount offered for Phase II is limited to the auction shortfall (if any) plus 25 per cent of the aggregate amount offered at the auction for subscription by auction participants at the WAYRs determined for respective maturities at the auction. In the event of oversubscription, the allocation is made based on aggregate successful participation of auction participants at the auction.

(b) Introduction of an Incentive Scheme for Promotion of Investments in SLDBs via the Direct Issuance Window (DIW)

An incentive scheme for the arrangers of investments in SLDBs via DIW was introduced in February 2022 with the objective of encouraging investments in SLDBs particularly by recipients of export proceeds and other foreign currency holders. A promotional or handling fees equivalent to 0.5 per cent (50 basis points) on the SLDB investments brought in through the DIW was provided as an incentive to Arrangers through Designated Agents (DAs) in Sri Lanka rupees by the Central Bank.

(c) Introduced a Non-Reserve Management System to replace the Treasury Management System.

Initiated the process for the establishment of a new external debt payment system under the Non-Reserve Management System to replace the current Treasury Management System. The main purpose of the system is to increase the efficiency of the foreign debt service payment process. This has been effective from 01 January 2022.

(d) Capital Market Infrastructure Development Project

Proposed implementation of the state-of-the-art infrastructure under the ongoing Capital Market Development Project (CMDP) is expected to develop the Sri Lankan government securities market in par with international best practices by upgrading its landscape in trading and settlement. BTA Consulting Limited of the United Kingdom has been providing consultancy services for the project. CMDP is envisaged to implement an Electronic Trading Platform (ETP), a Central Clearing House (CCH), an upgraded Central Securities Depository (CSD) and a market surveillance system. However, the procurement did not take place during 2022 due to the country's economic woes and is planned to be recommended in 2023.

(e) Initiation of the Digitalization Programme of LankaSecure Services

Arrangements have been made since mid 2022 to promote the electronic services provided by the LankaSecure system, envisaging full conversion of its services to electronic mode from existing physical and paper based services in the year 2023. Through digitalisation of its services, LankaSecure is expected to be on par with world's technological advancements, thereby reducing the costs and delays in communication, as well as broadening investor information.

(f) Assisting the Authorities for the Establishment of the Envisaged Public Debt Management Agency (PDMA)

The Government announced in its Interim Budget 2022 presented to Parliament in August 2022 of setting up a National Debt Management Agency (NDMA) in lieu of current arrangement in this respect. PDD provided the technical assistance in this regard, as and when required.

23.6 Coordinating Sovereign Rating Review Missions

In 2022, PDD facilitated international rating agencies (Fitch Ratings, Moody's Investors Services, S & P Global Ratings) for their rating reviews in line with rating engagements.

24. REGIONAL DEVELOPMENT

In 2022, the Regional Development Department (RDD) embarked on developing and implementing new policy strategies to increase financial inclusiveness of the country and explored the means of increasing the efficiency of the credit operations by partially automating the manual processes involved with such operations. RDD also focused on agriculture value chain financing initiatives, recognising the fundamental necessities of the farmers and other value chain participants and their potential to contribute to the national economy.

Against this backdrop, RDD continued to coordinate, facilitate, and implement various Refinance, Interest Subsidy and Credit Guarantee Schemes while providing a range of credit supplementary services during the year. These schemes were funded by the Central Bank, Government, Donor Agencies, and Participating Financial Institutions (PFIs).

On the financial inclusion front, RDD housed the National Financial Inclusion Secretariat established to coordinate, monitor, and evaluate the activities of Sri Lanka's first ever National Financial Inclusion Strategy (NFIS) launched in 2021. By the end of 2022, NFIS had achieved a significant progress with the support of key implementing agencies led by the Central Bank and the Ministry of Finance.

The Pilot Phase of the Domestic Agriculture Development program (DAD-PP) has been reviewed by a team of consultants from PricewaterhouseCoopers (PWC) on behalf of the Asian Development Bank (ADB) to explore the possibilities in funding the main DAD programme, which is expected to be implemented in 2024.

During the year, several measures were taken in respect of the schemes implemented by RDD including changing applicable interest rates, extending operational periods, providing debt moratoria etc., and identifying the requirements of the market and beneficiaries, in order to provide better tailored products to the underserved segments. In doing so, RDD, considering the credit risk borne by the PFIs, continued to share the credit risk through the guarantee schemes against loans granted to Micro, Small and Medium Enterprises (MSMEs).

With the social distancing practices and regulations discontinued, RDD together with the Regional Offices which represent Central Bank at the regional level, reintroduced in-person financial literacy, entrepreneurship development, and other programs to cater to the needy segments of the economy and also to increase financial inclusion in the country.

24.1 Expansion of Concessionary Credit Facilities

During 2022, RDD continued to broaden the financial outreach by implementing 22 refinance, interest subsidy and/or credit guarantee schemes and details of the schemes are given in Table II-18.

During 2022, loans totaling Rs. 17,244.4 million were disbursed to 63,202 beneficiaries by PFIs through loan schemes implemented by RDD. The Central Bank funded loan schemes contributed to 50.7 per cent of the total loans, while the Government and International Fund for Agriculture Development (IFAD) funded schemes contributed to 47.8 per cent (including the disbursements made by PFIs for government funded interest subsidy schemes) and 1.5 per cent, respectively. Out of total loan disbursements 57.6 per cent was released through the refinance schemes and the remaining 42.4 per cent was released under interest subsidy and/or credit guarantee schemes.

24.1.1 Implementation of Government Funded Schemes

In 2022, RDD, as an agent of the government, implemented 12 government funded schemes which consisted of 9 refinance schemes and 3 interest subsidy and credit guarantee schemes. The loans disbursed through these schemes amounted to Rs. 8,240.8 million or 47.8 per cent of the total loan disbursements in 2022 catering to 54,046 beneficiaries.

(a) Interest Subsidy and Credit Guarantee Schemes funded by the Government

Being the most sought out credit option of the farmers, the New Comprehensive Rural Credit Scheme (NCRCS) namely 'Sarasarā', which is an interest subsidy and a credit guarantee scheme continued its operations in 2022 as well, supporting island wide farmers to meet their short term working capital requirements. Through NCRCS, Rs 7,251.7 million was released in 2022 for 48,762 farmers who cultivated 34 short term crop varieties. The amount of loans released by PFIs under this scheme represented 88.0 per cent of the disbursements made under government funded schemes.

The applicable interest rates and scale of finance of NCRCS were amended in 2022 by issuing amendments to the NCRCS Operating Instructions. The purpose of these amendments was to encourage agricultural activities in the country to ensure food security, reduce the foreign exchange outflow on food imports, make people more inclined towards agricultural products, and to uplift the socio-economic conditions of the small-scale farmers. Prevailing economic conditions in the country and the relevant government policy measures were also considered when introducing these amendments. While loan funds for NCRCS is provided by the PFIs, the Government provided interest subsidy at a rate of 7 per cent per annum. Interest cost to the end borrower stands at 8 per cent per annum. The Government paid Rs.78.6 million during 2022 as interest subsidy under NCRCS.

The implementation period of the Smallholder Tea and Rubber Revitalization (STaRR) Interest Subsidy Scheme

scheduled to end on 31.12.2022 was extended up to 30.06.2023 in line with the extension of the STaRR Project implemented by the Project Management Unit (PMU) of STaRR. Moreover, in line with the developments of the market, Operating Instructions of the STaRR Interest Subsidy Scheme to change the interest rates of the scheme appropriately. Accordingly, Operating Instructions of the STaRR Interest Subsidy Scheme were amended to increase the rate for end borrower from 6.5 per cent to 9 per cent for the period from 08 July 2022 to 31 December 2022. In the financial front, RDD in collaboration with the PMU of STaRR Project disbursed Rs. 37.8 million among 180 beneficiaries in 2022.

(b) Refinance Schemes Funded by the Government

In 2022, RDD disbursed Rs. 951.3 million among 5,104 beneficiaries through 9 government funded refinance schemes. The Government, as a part of its counterpart financing of the SAPP, funded RF Agribusiness Loan Scheme, RF Youth Loan Scheme, RF FI Bulk Loan Scheme, RF Income Generation Loan Scheme and RF Promoter Bulk Loan Scheme in 2022.

Moreover, the Administrative Agreement signed with the Government was amended to extend the operational period of the Self-Employment Promotion Initiative Loan Scheme-Phase II (SEPI Phase II) which is intended to provide financial assistance to youth trained by recognised vocational training institutions for establishment of their own self-employment projects for five years commencing from 01.01.2023.

24.1.2 Implementation of Central Bank Funded Schemes

With a view to broadening the financial outreach of the MSMEs in Sri Lanka, the Central Bank continued to fund 7 major credit schemes during 2022 and Rs. 8,740.2 million was disbursed among 8,559 beneficiaries under these 7 schemes.

The credit operations of Saubagya (Prosperity) Loan Scheme, the flagship loan scheme operated by the Central Bank, was also continued successfully in 2022 disbursing Rs. 7,706.63 million among 8,062 beneficiaries. Moreover, Operating Instructions of the Scheme were amended to increase the interest rate to 9 per cent, while instructing PFIs to ensure that a minimum of 80 per cent of the new loans are granted for agriculture, livestock, fisheries, and related activities given the importance of accelerating fund disbursements to agriculture sector.

The DAD-PP program was established as a refinance scheme with the intention of introducing a comprehensive development package for the benefit of the smallholder farming community by offering them with a range of technical and financial assistance to enhance production

Table II-18
Summary of the Credit Schemes Implemented by RDD

Source of Funds	Name	Objective	Type of the Scheme	Release of funds in 2022 (Rs. million)	Interest Rate to the end borrower (% p.a.)
Government Funded	PAMP-RF	Poverty alleviation through promotion of income generating activities and organising low income groups to link them with formal banking system.	Refinance	69.30	12.00
	Swashakthi Loan Scheme	Generate employment opportunities for new young entrepreneurs engaged in income generating activities MSME Sectors.	Refinance	175.00	5.50
	SEPI II	Provide financial assistance to youth trained by recognised vocational training institutions for establishment of their own self-employment projects.	Refinance	2.00	7.00
	SAPP - RF Income Generation Loan Scheme	Increase the production, productivity, quality, and value addition of agriculture produce.	Refinance	83.10	6.50
	SAPP - RF Agribusiness Loan Scheme		Refinance	161.70	6.50
	SAPP - RF Youth Loan Scheme		Refinance	357.80	6.50
	SAPP - RF FI Bulk Loan Scheme		Refinance	59.36	6.50
	SAPP - RF Promoter Bulk Loan Scheme		Refinance	31.16	6.50
	SCREL	Re-energise the Tea supply chain by supporting existing tea manufactures to revamp their businesses.	Refinance	12.00	3.50
	NCRCS ¹	Uplift the socioeconomic conditions of micro and small scale farmers who engage in cultivation of paddy and short term crops including home gardening.	Interest Subsidy	5,034.60	4.00 until 15.06.2022 thereafter 8.00
	Interest Subsidy Scheme for Intensification of Shrimp Farms in Sri Lanka ¹	Assist Shrimp farmers to upgrade their farms	Interest Subsidy		1st 18 months-4.50 Next 6 months-8.50
STaRR ¹	Provide concessionary credit facilities for the smallholder farmers involved in STaRR Project, who experienced delays in income generation from replanted and new planted tea and rubber plantations, by supporting them to establish a self-employment or a short term income generating activity until such time the income is generated from their replanted or new planted plantations.	Interest Subsidy	37.80	9.0	
Central Bank Funded	Saubagya Loan Scheme	Start up or expand any MSME or any MSME affected by a disaster.	Refinance	7,706.6	9.00
	Refinance Scheme for COVID19 affected SOEs – SCRF Ph IV	Fulfill the working capital requirements and setting the statutory obligations of State Owned Enterprises (SOEs)	Refinance	-	4.00
	DAD-PP	Develop the domestic agriculture sector and to promote agriculture exports	Refinance	337.11	<Rs. 1mn - 4.00 >Rs. 1mn to Rs. 25 mn - 5.00
	Saubagya COVID-19 Renaissance Facility (SCRF) Phase I	Support the economic recovery efforts of the businesses and individuals negatively affected by the COVID-19 pandemic	Refinance	677.5	4.00
	SCRF-Phase II		Refinance	-	4.00
	SCRF-Phase III		Interest Subsidy & Credit Guarantee	-	4.00
	Credit Guarantee Scheme for the MSME Rice Mill Owners in Sri Lanka ²	Provide credit guarantee to the Participating Financial Institutions (PFIs) who provide loans to the eligible borrowers under the Scheme for the purpose of purchasing paddy	Credit Guarantee	-	Prevailing market rate
Donor Funded	SAPP - 4P Agribusiness Loan Scheme ³	Increase the production, productivity, quality, and value addition of agriculture produce	Refinance	38.78	6.50
	SAPP - 4P Youth Loan Scheme ³			45.79	6.50
	SAPP - FI Bulk Loan ³			178.84	6.50

Notes
¹ PFIs own funds and Interest Subsidy by the Government
² Central Bank - Credit Guarantee PFIs - Loan Financing
³ International Fund for Agriculture Development (IFAD)

and product quality and promote market opportunities through well connected agriculture value chains. The prominent feature of this scheme is the involvement of Lead Players selected by the PFIs who are expected to take lead in streamlining the identified value chain and confirm the participation of the players in the relevant agriculture value chain. They could be private sector organisations involved in the value chain or any other value chain participant that

has agreed to play the role of the lead player. This scheme is expected to be introduced as a comprehensive program in 2024 with ADB funding.

In this regard, ADB has expressed willingness to provide financial assistance to continue the DAD program in full scale by providing USD 100 million given the importance of establishing a well coordinated agriculture value chain program in the current context. Accordingly, a team of PWC

Consultants representing ADB has reviewed the DAD-PP in late 2022 and learning outcomes of the review are to be incorporated to the DAD program.

24.1.3 Implementation of Donor Funded Schemes

In 2022, RDD continued to implement Public-Private-Producer-Partnership (4P) Agribusiness, 4P Youth Loan Scheme and 4P FI Bulk Loan Scheme under the donor funded component of the SAPP funded by the IFAD. The loans disbursed through these schemes amounted to Rs. 263.4 million and such loans were provided for 597 beneficiaries in the agriculture sector.

The main objectives of the SAPP are to contribute to the poverty reduction and to increase competitiveness in the Sri Lankan smallholder community. It also intends to increase the income and quality of nutrition of smallholder farmer households involved in commercially oriented agriculture production and marketing systems linked to SAPP.

24.2. Implementation of National Financial Inclusion Strategy (NFIS) in Sri Lanka

NFIS is implemented in collaboration with key implementing entities and with the continues support of the International Finance Corporation (IFC) since its launch in March 2021. The NFIS Secretariat established in RDD coordinated the stakeholder efforts, monitored, and evaluated the progress of the action plan of the NFIS, while facilitating implementing entities to ensure smooth functioning of the project. During 2022, NFIS Secretariat conducted 2 National Financial Inclusion Council Meetings, 3 Management Committee Meetings and more than 25 Working Group Meetings. By the end of year 2022, 24 per cent of the actions were fully completed, while more than 60 per cent of the actions were in progress and on time.

24.3 Financial Literacy

RDD, having identified the need to improve financial literacy, skills, and capacity of the general public, designed and delivered 490 programs during 2022.

These programs were intended to create awareness on the drawbacks caused by financial exclusion and efforts were taken to reach vulnerable social segments in both rural and urban areas. RDD and the Regional Offices customised the programs to cater to the requirements of the target audiences, fundamentally highlighting the rewards of entering and linking with the formal financial sector. Moreover, RDD together with the Regional Offices conducted 799 field visits during 2022 to identify needs of entrepreneurs and scale them up to generate higher economic output.

Details of the programs conducted by RDD are given in Table II-19.

Table II-19
Awareness and Special Programmes Conducted during 2022

Type of Programme	No. of Programmes
Financial Literacy, Entrepreneurship, Capacity Building and Skill Development	476
Training of Trainers (TOT) Programmes	11
TV and Radio	02
Knowledge Sharing	01
Field Visits	799
Total	1,289

24.4. Regional Level Representation

RDD ensures the regional level representation of the Central Bank through the six Regional Offices located in Anuraphapura, Kilinochchi, Matale, Matara, Nuwara Eliya and Trincomalee. While encouraging and promoting regional economic development, the Regional Offices coordinate implementation of key activities of the Central Bank regionally such as handling Employees' Provident Fund (EPF) related matters, data collection initiatives, survey related activities, selling Central Bank publications and commemorative coins and notes.

The Regional Offices also make tangible efforts to enhance financial inclusion and financial literacy among general public at the regional level in line with the objectives of NFIS and shoulder special projects of RDD at the regional level. They also take measures to improve awareness of the general public, law enforcement agencies, and public and private institutions at the regional level, by conducting awareness sessions, seminars and workshops on services and functions of Central Bank, such as formal banking, financial services provided by authorised/licensed financial institutions, loan schemes implemented by those institutions and identification of counterfeit notes.

During 2022, the six Regional Offices directly handled 143,882 queries/requests related to EPF and 1,658 public grievances on various aspects. With regard to the survey related activities, all Regional Offices covered 1,262 samples in different districts while conducting 184 awareness programs on Foreign Remittance, Unauthorised Deposit Taking, Prohibited Financial Schemes, Counterfeit Notes, and Forge Notes Identification.

24.5. Other Initiatives

24.5.1 Green Village Programme

The Green Village Programme, which was introduced by RDD in 2020 as a pilot project, continued in 2022 as well. RDD in collaboration with the Regional Offices conducted several initiatives in selected villages during 2022. These programs included Home Gardening Trainings, Eco Friendly Projects such as Rainwater Conservation, Garbage

Recycling, Renewable Energy, Tree Planting, Eco-Tourism, Green Income Generation Activities etc. Moreover, villagers benefitted from several capacity building programs targeted to equip them with new skills to reach their income generation potentials, and also from Credit Camps, Entrepreneurship Development Programs, and Financial Literacy Programs conducted by RDD and the Regional Offices.

24.5.2 International Affiliations

During 2022, RDD continued its relationships with strategically important international bodies such as Alliance for Financial Inclusion (AFI), Asian Credit Supplementation Institution Confederation (ACSIC) and Asia-Pacific Rural and Agricultural Credit Association (APRACA). During the year, the Central Bank joined the South Asia Region Financial Inclusion Initiative (SARFII), the South Asian arm of AFI, by signing the Charter to drive the financial inclusion in the country.

25. RESOLUTION AND ENFORCEMENT

The Resolution and Enforcement Department (RED) contributed towards preserving the financial system stability of Sri Lanka, which is one of the core objectives of the Central Bank, by effectively managing the main financial safety net mechanism of Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS). Further, RED contributed to financial system stability by conducting investigations on prohibited schemes based on the provisions of Section 83C of the Banking Act, No.30 of 1988 and drafting the legal framework for resolution of licensed banks and non-bank financial institutions, regulated and supervised by the Central Bank.

A summary of activities carried out by the department during the year 2022 is given below.

25.1. Administration of the Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS)

RED continued carrying out of all operational and management arrangements of SLDILSS during the year in terms of Regulations and Policies approved by the Monetary Board. Further, in order to strengthen the legal framework of SLDILSS, provisions related to the Sri Lanka Deposit Insurance Scheme were included in the draft Banking (Special Provisions) Act to be enacted during the year 2023. With the enactment of the Banking (Special Provisions) Act, the Sri Lanka Deposit Insurance Scheme would be able to contribute to certain resolution measures and accordingly the existing mandate of SLDILSS would be enhanced from its existing mandate of "Pay Box".

As at end 2022, the Scheme comprised of 67 Member Institutions with a total fund size approximately Rs. 86,107.9 million (audited). Financial highlights of SLDILSS are given in Table II-20 below.

Table II - 20
Financial Highlights of SLDILSS

Item	Amount (Rs. Mn)	
	As at 31.12.2021	As at 31.12.2022
Size of the fund	67,877.3	86,107.9
Other Comprehensive Income Reserve	(2,103.0)	(25,931.5)
Total Equity of SLDILSS	65,784.4	60,176.4
Total Income	19,298.9	24,882.9
Total Expenditure	(96.6)	(226.3)
Surplus for the year (before tax)	19,202.4	24,656.6
Income Tax	(2,647.1)	(6,436.1)
Surplus for the year (after tax)	16,555.2	18,220.6
Total Assets	74,443.9	69,017.6
Investment in Government Securities	69,529.2	63,596.0
Loans and Receivables (net of provisions)	381.9	192.7

25.2. Compensation payments to the depositors of distressed finance companies

RED continued compensation payments to the depositors of 6 license cancelled/suspended finance companies in accordance with SLDILSS Regulations during the year 2022. Accordingly, SLDILSS was able to pay compensation totaling to Rs.30,499.24 million to 72,641 depositors of all 6 license cancelled/suspended companies as at 31.12.2022 of which details are given in Table II-21 below.

Table II - 21
Total Compensation Paid by SLDILSS as at 31.12.2022

Name of the Company	Total Insured Value (Rs. Mn)	No. of Depositors paid	Compensation paid (Rs. Mn)	Compensation Paid as a percentage of Total Insured Value
Central Investments and Finance PLC	2,465.66	3,497	1,982.76	80.41%
The Standard Credit Finance Limited	1,667.84	2,536	1,311.24	78.62%
TKS Finance Limited	1,190.74	1,876	1,017.37	85.44%
The Finance Company PLC	14,735.82	35,343	12,573.62	85.33%
ETI Finance Ltd	13,915.89	26,782	12,565.68	90.30%
Swarnamahala Financial Services PLC	1,253.27	2,607	1,048.57	83.67%
Total	35,229.22	72,641	30,499.24	86.57%

25.3 Investigation Activities

RED receives public complaints in different forms over operation of prohibited schemes and other financial scams. During the year, several onsite and offsite investigations were conducted over prohibited financial schemes, which were alleged to contravene the provisions of Section 83C

of the Banking Act, in conjunction with other departments of the Central Bank and law enforcement authorities. RED completed two investigations and reports were submitted to the Attorney General's (AGs) Department. In addition, 16 fact finding investigations were conducted based on public complaints received during the year.

Further, in order to prevent the general public from investing in prohibited schemes, a large number of public awareness programs were conducted targeting different groups of the community including government officials, police officers, bank staff, schoolteachers and children, and university students.

Table II-22
Details of Awareness Programs Conducted in 2022

Description	Conducted
Press releases/Gazettes	02
Newspaper advertisements/Press notices	04
Facebook inquires related to Pyramid Schemes	42
Posters/Leaflets distributed	11,508
Discussions	01
Webinars/Seminars conducted	29

25.4 Development of a Resolution Framework for Licensed Financial Institutions of the Central Bank

In order to strengthen the resolution framework for licensed financial institutions of the Central Bank, RED contributed towards drafting Banking (Special Provisions) Act while obtaining technical support of the International Monetary Fund (IMF) and the World Bank (WB) thereto.

The draft Banking (Special Provisions) Act includes provisions for establishing the Central Bank as the resolution authority in respect of licensed banks and it enables the application of such authority to non-bank financial institutions licensed, regulated, and supervised by the Central Bank. The proposed Act sets out resolution measures that can be exercised by the Central Bank and the Government of Sri Lanka as the case may be, to resolve a financial institution covered under the Act in a timely manner, to revive such financial institution as a going concern to ensure the interest of the depositors and creditors and thereby ensure financial system stability. In addition, it includes enhanced provisions related to the Sri Lanka Deposit Insurance Scheme and winding up procedures related to said financial institutions.

The approval of the Cabinet of Ministers for the draft Banking (Special Provisions) Act has been communicated to the Legal Draftsman Department for drafting the Act. This Act is expected to be enacted in early 2023.

26. RISK MANAGEMENT

In pursuing its policy objectives, the Central Bank faces various risks, both financial and non-financial in nature. Since the materialisation of any such risks could have an adverse impact on the achievement of objectives, financial position, and reputation of the Central Bank, having a properly designed risk management framework in place is vital.

The Risk Management Department (RMD) sets out the policies for implementation of risk management across the Central Bank as stipulated in the Risk Management Policy Statement (RMPS) developed in line with the risk management framework of the Central Bank. In this process, the Central Bank follows accepted standards, guidelines, and best practices for managing risks, while assigning risk ownership and management among different stakeholders with clear accountability.

26.1 Operational Risk

In order to keep the risk identification process up to date and to effectively manage any risk involved in operations, RMD reviewed the Operational Risk Taxonomy of the Central Bank and incorporated amendments as required during 2022.

Continuing the facilitation provided for departmental risk assessments, RMD worked closely with other departments in assisting the development of Departmental Risk Registers.

With the view of promoting a risk culture within the Central Bank, RMD conducted risk awareness sessions for the Central Bank staff throughout the year.

RMD continued to administer incidents reported through the Incident Reporting System, enabling the development of a central repository of incidents and tracking progress on the implementation of corrective measures. The information gathered through this system helps in identifying possible risk trends and areas of vulnerabilities and improving related risk treatment measures.

26.2 Financial Risk

As the second line of defence, RMD independently monitors, analyses, evaluates, and reports financial risks covering credit, market and liquidity risks. Further, it monitors compliance with Investment Policy Statements (IPS), Strategic Asset Allocations (SAA) and Investment Guidelines (IG) developed in line with the RMPS, relating to International Reserves (IR), Internal Investment Funds (IIF) of the Central Bank and Employees' Provident Fund (EPF), which is carried out as an agency function for the Government.

RMD revised IPS for IIF and IR, SAA for IIF, EPF and IR, IG for IIF and IR, incorporating amendments as required. RMD assessed market and credit risks by frequent analysis of the relevant risk indicators and monitored adherence to the limit framework given in IPS, SAA, and IG for EPF, IIF and IR. Risk assessments and non-compliances were presented at relevant

monthly Investment Oversight Committee (IOC) meetings.

RMD reviewed and revised the Risk Management Policy Statement (RMPS) with the view of further improving the risk management mechanism currently in use.

In addition, RMD commenced developing a Risk Appetite Framework (RAF) for the Central Bank and completed a study report on RAF which was circulated and discussed at the Non-Financial Risk Management Committee (NFRMC) and with the two external members of the Board Risk Oversight Committee (BROC).

Operational risks were reported to the NFRMC, and both operational and financial risks were reported to the Monetary Board through the BROC on a quarterly basis, to effectively manage risks related to operations and fund management activities of the Central Bank.

27. SECRETARIAT

The Secretariat Department (SD) is one of the few Departments that were established at the inception of the Central Bank. The main functions of SD involve overall corporate administration of the Central Bank, procurement management, administration of superannuation funds, facilitating overseas studies and training, conducting the Board of Survey for assets disposal management, and provision of secretarial assistance to the Monetary Board, Governor, Deputy Governors and Assistant Governors and protocol assistance to the Governor.

(a) Overall Corporate Administration

During the year 2022, overall corporate administration was performed in line with the governing regulations, ensuring accountability, risk management and other key attributes of good governance. In doing so, SD conducted a survey on properties of the Central Bank and having identified the risk areas, obtained a comprehensive insurance cover for all the properties of the Central Bank, facilitated incoming and outgoing postal services of the Central Bank through outsourced mail management service, ensured efficient and economical stationery store management, organised a variety of events for the Central Bank, and signed several agreements with service providers on behalf of the Monetary Board during the year.

(b) Procurement Management

During 2022, SD carried out the procurement of goods and services required for the bank in accordance with the procurement plan that was prepared based on the Monetary Board approved Annual Budget 2022 of the Central Bank. Procurements were done through tender procedures and other relevant procurement procedures set out in the Central Bank Manual, which are broadly consistent with the National Procurement Guidelines. In addition, SD promptly attended to a number of time critical ad-hoc procurements.

(c) Administration of Superannuation Funds

SD continued to administer payments related to the Superannuation Funds of the Central Bank which involved 2,307 beneficiaries. Accordingly, SD engaged in making payments related to gratuity, commuted pension, release of provident fund balances and making monthly payments of pensions, Widows' and Orphans' Pensions (W&OP), and Widowers' and Orphans' Pensions (WR&OP). Further, SD attended to a number of correspondences with the beneficiaries in order to fulfill their requirements including collection of life certificates in line with Pension Rules specified in the Central Bank Manual.

(d) Facilitating overseas studies and Training

During 2022, SD provided support services to officers who embarked on postgraduate studies or travelled abroad on duty. In this regard, SD facilitated payments to universities and payments to the employees who travelled abroad for the aforesaid purposes. In addition, SD issued visa letters and Provident Fund balance confirmation letters for visa purposes and facilitated purchasing of air tickets and obtaining travel insurance. However, compared to previous years, foreign travel was subdued due to the COVID-19 pandemic and the economic crisis.

(e) Conducting Board of Survey

A Board of Survey to identify obsolete, damaged, unserviceable and irreparable fixed assets was completed during the year and such items were disposed of in accordance with the applicable provisions in the Central Bank Manual.

(f) Provision of Secretarial and Protocol Assistance to the Governor

With effect from 08 April 2022, the Governor's Secretariat Department ceased to be in operation, and as a division of SD, the Governor's Secretariat Division provided secretarial and protocol assistance to the Governor during the year, which included scheduling of appointments and meetings, preparation and compilation of presentations and speeches for the Governor, coordinating and arranging Governor's local and foreign travels, arranging official functions hosted by the Governor, and protocol services provided to VIP visitors of the Governor and the Central Bank.

28. SECURITY SERVICES

The Security Services Department (SSD) continued its operations to protect employees, visitors and properties of the Central Bank including the Regional Offices and other establishments despite the various challenges encountered during the year due to the COVID-19 pandemic and prolong protests conducted by various parties in close proximity. Special security arrangements were provided for currency

consignments in transit coordinating with the Sri Lankan Police as organisational priorities. SSD actively contributed to all business continuity drills of the Central Bank.

(a) System Improvements

Operational fitness of all firefighting equipment located at the Head Office and other premises was inspected, maintained, and upgraded on a regular basis during the year. Maintenance services of all other security equipment including baggage scanners and cargo scanners were carried out as per the service agreements with the respective service providers. Steps were taken to introduce two explosive detectors to enhance the security system. SSD continuously updated itself with intelligence information and maintained relationship with relevant authorities.

(b) Surveillance Activities

SSD screened and facilitated 85,299 visitors to the Head Office of the Central Bank and all visitors to its Regional Offices. 30,514 currency boxes in transit were screened throughout the year.

(c) Prevention of COVID-19

SSD conducted prevention measures such as monitoring the temperature of the staff and visitors and screened and registered all the visitors through the visitor management system before entering the premises according to the guidelines issued by the health authorities. SSD supported documentation and mail management systems of all the departments who could not receive services of the staff due to the pandemic. SSD introduced a new duty roster system for its staff to reduce human contact inside the Central Bank premises.

(d) Assessment of Security Controls

The security plan was updated based on the findings of the security control assessment and two handheld explosive detectors were procured and scheduled to be operated in the near future.

(e) Strengthening Human Capital and Competency Building

A training program was conducted for security officers on handling newly purchased explosive detectors to enhance their skills related to modern technology. SSD was able to conduct annual scheduled training programs for security officers successfully.

29. STAFF SERVICES MANAGEMENT

The role of the Staff Services Management Department (SSMD) is to facilitate the wellbeing of the staff of the Central Bank, ensuring an efficient, healthy, and satisfied labour force. Hence the welfare facilities of SSMD are designed to foster good physical and mental health of Central Bank employees and to promote a healthy working environment. Key services rendered

by the department include disbursement of loans under the Staff Housing (mortgage) Loan Scheme; Provident Fund Loan Scheme, and Staff Benefit Scheme (SBS) including the Staff Vehicle Loan Scheme, reimbursement of medical expenses under the Employer Contributory Medical Benefit Scheme (MBS), provision of medical facilities to the staff, provision of restaurant facilities, and other staff welfare services. These services covering housing, vehicle, medical, and other welfare needs of staff help in raising employees' standard of living, facilitating a contented and motivated workforce that can work with a high level of efficiency and integrity. Moreover, medical needs of dependents of Central Bank staff as well as pensioners are also looked after under the MBS scheme.

Amidst the challenging environment caused by the COVID-19 pandemic, SSMD continued to extend welfare facilities to all beneficiaries during the year 2022. Special measures were taken to comply with the guidelines issued by the health authorities regarding the COVID-19 pandemic and SSMD facilitated additional services required by staff including vaccination programs for the employees at the Central Bank Head Office premises in 2022. SSMD continued the disbursement of housing, vehicle, and other welfare loans to the staff and reimbursement of medical expenses incurred by all beneficiaries registered under the MBS during the year. The number of beneficiaries under the MBS consisting of employees, pensioners, and their registered dependents together with widows/widowers stood around 9,842 approximately as at end 2022. Further, SSMD provided medical facilities to the staff through the Medical Center during office hours with medical tests and laboratory services provided at a reasonable charge. In January 2022, SSMD made arrangements to open a pharmacy operated by an outsourced supplier at the Central Bank premises. In 2022, SSMD also conducted awareness programs for the staff via MS teams to enhance their knowledge and awareness of peaceful mind, post COVID-19 cardiac diseases, healthy childbirths, and home gardening.

Restaurant services were provided to members of staff during working hours through an outsourced service provider. SSMD supervised the operations of the restaurant and pastry shop to ensure provision of quality food and beverages to the staff at reasonable prices.

SSMD, in collaboration with the Information Technology Department, was in the process of developing new IT systems for the Staff Housing (mortgage) Loan Scheme, Provident Fund Loan Scheme, SBS, Medical Benefit Scheme, and Railway Warrant Issuing System to increase efficiency of its services.

30. STATISTICS

The Statistics Department (STD) completed its activities in 2022 as planned despite many challenges in the forms of disruptions to data collection and mobility restrictions that persisted during certain months.

The major activities of the department during 2022 included forecasting near term inflation and GDP to be used in the policy formulation process, collecting data and compiling indices to provide timely information for the data driven decision making process, and disseminating information through publications.

30.1 Forecasting Near Term Inflation and GDP to be Used in the Policy Formulation Process

STD continuously engaged in forecasting near term inflation and GDP growth, contributing to the Forecasting and Policy Analysis System (FPAS) of the Central Bank. Accordingly, the model based and indicator based forecasts were produced using relevant inputs from various sources. These forecasts were detailed and discussed at regular monetary policy cycles and submitted to the Monetary Board (MB) to facilitate policy decision making.

30.1.1 Forecasting Near Term Inflation

The latest price trends and expected price movements associated with market developments and econometric techniques were used to forecast near term inflation based on both the Colombo Consumer Price Index (CCPI) and National Consumer Price Index (NCPI). In line with continuous efforts to improve inflation forecasting, STD explored new variables and data sources that reflected both supply and demand side impact on inflation and novel forecasting models using time series and machine learning techniques.

30.1.2 Forecasting Near Term GDP

Near term GDP growth forecasts were prepared on a quarterly basis using both indicator and model based techniques. Primary and secondary leading economic indicators and survey findings related to economic activities were combined with expert judgments in indicator based forecasting, while model based forecasts were prepared using econometrics techniques.

30.2 Collecting Data and Compiling Indices to Provide Timely Information for Data Driven Decision Making Process

STD continuously engaged in collecting data through surveys, Country Wide Data Collection System (CWDCS), and other several institutions to compile indicators/indices. The analytical outcomes of these and relevant analyses were utilised in forecasting GDP/inflation and provided to the management to be considered in decision making process. Meanwhile, some information was published on the Central Bank website.

30.2.1 Survey Based Data Collection and Compilation of Indices

30.2.1.1 Purchasing Managers' Index Surveys

The Purchasing Managers' Index (PMI) surveys were conducted on a monthly basis to gather timely information

about the economy. The PMI surveys target large companies predominantly concentrating on the Western province, covering manufacturing, construction and services activities. The results were used as high frequency leading indicators to evaluate the recent developments in the respective economic activities in the indicator based GDP forecasting process. Further, the evaluations that were made based on the survey findings were reported to the management for policymaking purposes. The results of Manufacturing and Services PMI surveys were released as monthly press notices for the use of analysts and the general public.

30.2.1.2 Business Outlook Survey

The Business Outlook Survey (BOS), which provides a snapshot of business sentiments regarding the existing and expected developments of the economy, was continued as a quarterly survey during 2022. The target population of this survey was large scale enterprises covering agriculture, industry and services activities of the economy. The aggregate results and key insights were submitted to MPC and MB, while economic growth forecasts were made based on the survey findings using statistical methodologies. Further, an executive summary, along with key indices, was published quarterly on the Central Bank website for the information of external users.

30.2.1.3 Condominium Market Survey

The quarterly Condominium Market Survey (CMS) was conducted covering major condominium developers to collect data on condominium sector developments including information on actual sales, reasons for price changes, actual and anticipated demand, funding structure, number of current and upcoming housing units, project occupancy levels and buyer portfolio information. The information gathered through the survey was reported to the management through a quarterly report adding insights to Central Bank's policymaking process in terms of the financial system stability. In addition, a quarterly price index for new condominiums, which facilitates identifying the overall changes in the price level of new condominiums, was compiled based on the sales data collected through the survey. Survey findings in summary form were published on the Central Bank website on a quarterly basis.

30.2.1.4 Inflation Expectations Survey

Inflation Expectations Survey (IES) was continued on a monthly basis to collect data and information on inflation expectations of two main categories of economic agents, namely, the Corporate Sector and the Household Sector. During 2022, the Corporate Sector surveys were continued as email-based surveys, while the Household Sector surveys were conducted in virtual mode. These virtual surveys were conducted in collaboration with Regional Offices at

Matale, Anuradhapura, Kilinochchi, Trincomalee and Nuwara Eliya for the employees of selected public sector institutions, during which the participants were briefed on the purpose and importance of the survey and the theoretical aspects on inflation. In addition, Household Sector survey responses were also collected continuously from the Teacher Investigators (TIs) of the CWDCS on a monthly basis. Meanwhile, IES was expanded to capture the inflation expectations of the Research Institutes during the fourth quarter of 2022. The survey findings of the IES were reported to the MPC for consideration in the policymaking process.

30.2.1.5 Other Surveys

Two surveys to assess the Credit Conditions in the economy, namely, the Credit Demand Survey (CDS) and Credit Supply Survey (CSS), which capture the demand and supply side developments of the credit market activities, respectively, were continued during the year 2022. CDS, targeting Small and Medium Enterprises (SMEs) of the economy, was carried out as an annual survey in association with the Regional Offices of the Central Bank to identify credit related developments and issues experienced by SMEs, particularly during this unprecedented time. Meanwhile, CSS was conducted on a quarterly basis in 2022 covering all LCBs and LSBs to capture the recent developments and the outlook of the credit supply related activities in Sri Lanka. The results of both CDS and CSS were used in the policy formulation process of the Central Bank, while the results of CSS were also published on the Central Bank website for the benefit of the general public.

Further, the monthly Retail Sales Volume Survey (RSVS) and the quarterly Supermarket Retail Trade Survey (SRTS), were continued during the year to understand the developments in the general and modern trade segments of the retail sector, respectively. The findings were used in the indicator based GDP forecasting process.

The Survey on Transportation Services, which covers land transportation, air transportation, port and logistic services, was continued as a monthly survey during 2022 to capture the developments in the transportation sector. Further, a survey was carried out to identify the developments related to the Information Technology and Business Process Management (IT & BPM) sector during 2022 and the prospects for 2023. The findings of these surveys were used for internal economic analyses, particularly in the economic growth forecasting process.

The Annual Public Sector Employment Survey was continued in 2022, covering all public sector institutions, i.e. institutions under the central government and provincial councils to assess the developments in public sector employment.

STD, in addition to its regular surveys, undertakes numerous surveys based on the requirements that may arise spontaneously due to the occurrence of contingent events that might have a significant impact on the economy and/or central banking activities. During 2022, several such surveys were conducted, namely, Survey on Other Personal Services, Survey on Labour Demand, and Survey on the Effectiveness of COVID-19 Concessionary Loans Provided by the Regional Development Department of the Central Bank.

30.2.2 Country Wide Data Collection System

Operations of CWDCS continued in 2022 with the engagement of 53 TIs in order to collect retail prices of an identical basket of goods to that of NCPI, producer prices of agricultural commodities and building materials, daily wages of the informal sector workers, inflation expectations, and retail sales volumes of selected categories of goods, thereby providing timely inputs for inhouse policymaking processes. With the view to enhancing the quality of the data collected through CWDCS, on-site and off-site supervisions were carried out in collaboration with the Regional Offices of the Central Bank. Further, the annual seminar was conducted at CBS with the participation of all TIs in order to improve the quality of data and to discuss the issues faced by the TIs during the data collection process. Reports were generated continuously from data of CWDCS through Tableau software and the data/information collected on a weekly, monthly and quarterly basis during the year was used in forecasting price movements and inflation. In addition, as per the request of the Consumer Affairs Authority, selected data from CWDCS was continually shared with them on a weekly basis.

STD continued to obtain the services of non-teacher data investigators to collect data/information on wholesale and retail prices from the Pettah market, Marandagamula rice market, Dambulla and Narahenpita Special Economic Centres, and Negombo and Peliyagoda Fish markets on a daily basis in order to strengthen the management information system. Furthermore, a summary of these price data was published on the Central Bank website on a daily basis. In addition, as per the request of the Presidential Secretariat, prices of the selected food items were shared with them on a daily basis during the year.

Further, STD continued to compile leading indicators using food prices available on the websites of two leading supermarkets on a daily basis.

30.2.3 Data Collection through Other Sources and Compilation of Indices

30.2.3.1 Wage Rate Indices

STD compiled wage rate indices for public, formal and informal private sectors to assess the movements of

salaries and wages of the economy. Accordingly, nominal and real Wage Rate Indices for the Public Sector were compiled monthly based on the public administration salary circulars. In terms of the formal private sector, Real Wage Rate Indices were compiled monthly, based on the nominal wage rate indices for employees whose wages are governed by the wage boards provided by the Department of Labour.

Meanwhile, the real and nominal Informal Private Sector Wage Rate Indices, which were used to analyse the movements of the informal private sector wages were compiled based on wage information collected through CWDCS. As an ongoing improvement to the index, in 2022, base year of this series was revised to 2018 from 2012. In addition, these wage rate indices were continued to submit to the Special Data Dissemination System (SDDS), FPAS, MPC and MB in 2022 for consideration in the policymaking process.

30.2.3.2 Property Market Indices

The price indices for residential property (condominiums, lands and houses) in the Colombo district were compiled by STD on a monthly basis using publicly available web based property advertisement data. The Department commenced publishing the Real Estate Market Analysis report on the Central Bank website since the first quarter of 2022, which includes the condominium market information gathered through the CMS and the above price indices.

STD continued to compile the Land Valuation Indicator (LVI) on a semi-annual basis to capture the developments in the real estate property market. The LVI comprises Residential, Commercial, and Industrial land values, which is based on per perch bare land price assessments collected from the Government Valuation Department under these three land categories. Two press releases on LVI were published in 2022 for public information.

30.2.4 Compiling Regional Statistics

30.2.4.1 Sri Lanka Prosperity Index

Sri Lanka Prosperity Index (SLPI) is a multidimensional indicator compiled by the Central Bank to measure the progress of the country specifically referring to socio economic aspects moving beyond the aspects considered in GDP. The index encompasses three sub-indices: Economic and Business Climate, Wellbeing of the People, and Socio Economic Infrastructure, which are compiled annually using appropriate provincial indicators. In 2022, STD compiled and published SLPI for the year 2021 using 41 representative variables.

30.2.4.2 Provincial Gross Domestic Product

Provincial Gross Domestic Product (PGDP) for the year 2021 was compiled by disaggregating the National Accounts estimates of the Department of Census and

Statistics (DCS) into the provinces using appropriate indicators/variables related to agriculture, industry and services activities. The relevant press release was issued by STD in December 2022. These estimates provide an approximation on the contribution of each province to the national GDP, which is useful for public authorities to decide on the allocation of resources among provinces.

30.2.5 Analysing Labour Market Information

Overall labour market data analyses with respect to the labour force, employment, unemployment, foreign employment, labour relations, and labour market reforms were done by STD, based on the statistics/information obtained from the DCS, Sri Lanka Bureau of Foreign Employment, Department of Labour, and other reliable data sources. Based on this analysis, a report was submitted to the management on a quarterly basis to support the policymaking process.

30.3 Disseminating Information

Regular dissemination of official statistics was continued by STD in 2022 in electronic modes amidst challenges faced in data collection. Accordingly, annual statistical publications, "Economic and Social Statistics of Sri Lanka 2022 – Volume XLIV" and "Sri Lanka Socio Economic Data 2022 – Volume XLV" were released. Further, high frequency data dissemination was done through the release of Daily Economic Indicators, which consist of data on exchange rates, money market rates, stock market, and energy sector statistics, and the release of a Daily Price Report of selected consumer items. Weekly and Monthly Economic Indicators were also published on the Central Bank website throughout the year in a timely manner.

The department contributed to two chapters of the Central Bank's Annual Report and Recent Economic Developments report, while continuing to provide data for the Monthly Bulletin of the Central Bank.

STD carried out the administrative functions of the Data Library which is the Central Bank's online database, updating and maintaining it to meet the data needs of researchers and other stakeholders.

31. SUPERVISION OF NON-BANK FINANCIAL INSTITUTIONS

The Department of Supervision of Non-Bank Financial Institutions (DSNBFI) is entrusted with the mandate to regulate and supervise Licensed Finance Companies (LFCs), Specialised Leasing Companies (SLCs) and Licensed Microfinance Companies (LMFCs) under the provisions of the Finance Business Act (FBA), No. 42 of 2011, the Finance Leasing Act (FLA), No. 56 of 2000, and the Microfinance Act, No. 06 of 2016, respectively. In addition, DSNBFI supervises Primary Dealer Companies (PDCs) under the

provisions of Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 (as amended) and Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 (as amended).

DSNBFI's supervisory function includes conducting statutory examinations (onsite supervision) and continuous surveillance (offsite supervision) of licensed/registered institutions, while the regulatory function involves issuance of licenses/registrations, prudential regulations, granting regulatory approvals, and investigating companies conducting finance business without authority. Apart from these major functions, DSNBFI also engages in several other activities such as capacity building of the sector, facilitating court proceedings, and attending to public complaints.

By end 2022, the Non-Bank Financial Institutions (NBFIs) sector comprised 37 LFCs, 1 SLC, 4 LMFCs, and 7 PDCs. Further, there were 54 Registered Finance Leasing Establishments (RFLEs) that possess registration under the FLA, including Licensed Banks, LFCs, and SLC. The names of these LFCs, SLC, RFLEs, LMFCs, and PDCs are provided at the end of this section.

The main functions and activities performed by DSNBFI during 2022 are summarised below.

31.1 Policy Measures

(a) Issuance of Prudential Regulations

During 2022, several prudential regulations were issued to streamline the existing regulatory framework of NBFIs in line with the current market conditions and international best practices in consultation with NBFIs and relevant other stakeholders of the sector. Such regulations issued to LFCs, SLCs, LMFCs, and PDCs during the year including extraordinary measures taken due to prevailing macroeconomic conditions are provided in Part III of this report. A summary of the major prudential measures introduced during 2022 is below:

- i. Regulatory Framework on Technology Risk Management and Resilience
- ii. Incentive for Sri Lankans working abroad on inward workers' remittances
- iii. Mobile phone based E-money Services
- iv. Revision on maximum interest rates on deposits and debt instruments
- v. Removal of maximum interest rate on microfinance loans
- vi. Concessions to borrowers whose income or businesses have been adversely affected due to the current macroeconomic conditions
- vii. Mandatory recording of the Unique Identification Numbers of the depositors of LFCs
- viii. Guidelines on sustainable finance activities

(b) Amendments to the Finance Business Act and the Finance Leasing Act

DSNBFI is in the process of making necessary amendments to the FBA to enhance the supervision, regulation and resolution of LFCs and necessary amendments to the FLA to address irregularities in the finance leasing business.

(c) Implementation of Masterplan on Consolidation of NBFIs sector (the Masterplan)

- i. In order to address the weaknesses and risk exposure in the LFCs/SLCs sector, the Masterplan was introduced in 2020.
- ii. Under Phase I of the Masterplan, 5 transactions were fully completed during the year. Amalgamation of Sinhaputhra Finance PLC with Commercial Leasing and Finance PLC, Commercial Leasing and Finance PLC with LOLC Finance PLC and Prime Finance PLC with HNB Finance PLC were completed during the year. New finance business licenses were issued to Assetline Finance Ltd (previously known as Assetline Leasing Co. Ltd) and SMB Finance PLC (previously known as SMB Leasing PLC). Further, 3 proposed amalgamations under the Masterplan which were approved by the Monetary Board in 2022 are currently in progress.¹
- iii. Further, companies who were unable to find a merger partner under the Masterplan were directed to exit from the market upon cancellation of the license. Accordingly, the finance business license issued to Swarnamahar Financial Services PLC was cancelled in terms of Section 37 (3) of the FBA, and the Monetary Board of the Central Bank in terms of the section 25 (1) (m) of the FBA, decided to direct Kanrich Finance Ltd to settle its public liabilities in full.

31.2 Supervision of Licensed Institutions

(a) Conducting Statutory (On-Site) Examinations

- (i) DSNBFI conducted statutory examinations of 13 LFCs and 4 PDCs during 2022. The main findings of the examinations included the deterioration in earnings and assets quality, risks of highly concentrated loan portfolios, weaknesses in the governance framework including related party transactions, lapses in the risk management, internal audit and compliance functions including lack of adequate resources to perform such functions effectively, and non-compliances with regulatory requirements.
- (ii) The Monetary Board approved the recommendations for key supervisory concerns and the Time Bound Action Plans to rectify supervisory concerns identified during the examinations of LFCs/PDCs, which were communicated to the respective companies for necessary corrective actions.

¹ Subsequently, LOLC Development Finance PLC was amalgamated with LOLC Finance PLC, w.e.f. 31.01.2023.

- (iii) Further, DSNBFI conducted 25 spot examinations including spot examinations of 12 LFCs to assess the impairment model and spot examinations of 10 LFCs to assess the process of submission of regulatory information.

(b) Conducting Continuous (Off-Site) Surveillance

- (i) All LFCs, SLCs, LMFCs and PDCs were continuously supervised based on the periodic financial information submitted to the Central Bank by LFCs/SLCs/LMFCs and PDCs through the web based fin-net system. The department also reviewed the other financial information including auditors' reports, management letters, external ratings, and press reports. These reviews identified the potential risks of LFCs, SLCs, LMFCs, and PDCs through early warning indicators and an internal rating system on the areas of capital, liquidity and impairment, and the necessary recommendations were made when required.
- (ii) DSNBFI took prompt corrective actions to rectify the supervisory concerns of the sector within a stipulated time frame, based on the assessments and severity of the findings. Further, the sector's performance was reported to the Monetary Board on a quarterly basis in view of keeping the senior management informed of the latest developments in the sector.
- (iii) DSNBFI granted 1,180 regulatory approvals to LFCs and SLCs to issue debt instruments, increase share capital, ownership transfers, capital infusions by new investors, amend the Articles of Association, formation of subsidiaries, annual branch expansion plans, advertisements and deposit incentive schemes, and appointment of new directors and key management personnel.
- (iv) Follow up of the progress of actions taken by LFCs and PDCs to rectify the key supervisory concerns identified during onsite examinations.
- (v) DSNBFI mediated to resolve 258 complaints received from the general public with regard to the operations of LFCs and SLCs that were largely related to policy matters and LFCs whose licenses have been cancelled.

31.3 Regulatory and Resolution Actions

The key focus of DSNBFI during 2022 was to implement regulatory measures in an expeditious manner on companies non-compliant with prudential directions and facilitate measures on companies whose licenses have been cancelled or suspended. Accordingly, the following steps were taken in this regard.

- i. Several regulatory actions were initiated including imposing restrictions on deposits, lending and

borrowings on LFCs that were non-compliant with capital requirements in line with prompt corrective action framework.

- ii. During 2022, the suspension of business of Perpetual Treasuries Ltd. was extended twice on 05.01.2022 and 05.07.2022 and continues to remain in force for a further period of six months from 05.01.2023 in order to continue the investigations being conducted by the Central Bank.
- iii. Meetings were held with the Senior Management and appointed Management Panels of LFCs related to the issues prevailing in the companies whose licences were cancelled or suspended.

31.4 Public Awareness and Capacity Building

i. Public Disclosure

The names of LFCs and SLCs indicating non-compliances with prudential capital requirements and regulatory restrictions were published on the Central Bank website.

ii. Capacity Building

The senior officers of the Department continued to serve as resource persons at the training sessions, including the programmes conducted at the Centre for Banking Studies of the Central Bank.

iii. Meeting with LFCs/SLCs and Other Stakeholders

DSNBFI conducted meetings with the Chairpersons and Chief Executive Officers of LFCs/SLCs chaired by the Governor with the objective of sharing views between the Central Bank and LFCs/SLCs sector on matters related to the economy and regulatory developments. In addition, the department held continuous meetings with LFCs/SLCs, the Finance House Association Leasing Association, external auditors, and international agencies to discuss issues relating to individual licensed institutions /sector as a whole and to implement corrective actions.

iv. Public Awareness Programmes

DSNBFI provided assistance to conduct awareness programs upon requests of other departments such as the Resolution and Enforcement Department, Communication Department and Regional Development Department, as and when required. The department published a newspaper article on the topic of 'Beware of unauthorised deposit taking institutions and individuals' and conducted 6 public awareness programs at regional level while participating in 5 TV/ radio programs to enhance public awareness of the risks of unauthorised finance businesses.

31.5 Investigation of Unauthorised Finance Businesses

The department was handling 125 investigations on unauthorised deposit taking and finance businesses as at end 2022 based on complaints and information received by the Central Bank. Further, during 2022, the Director of DSNBFI obtained extensions from the High Court of Colombo for freezing orders issued under Section 44 of FBA with respect to 4 investigations. Moreover, the Director of DSNBFI obtained orders from the relevant Magistrate Courts to suspend overseas travel of concerning parties of four entities subject to investigations.

Table II-23
Details of work performed by DSNBFI during 2022

Type of work	No.
Regulatory approvals	1,180
Customer complaints handled	258
Meetings conducted with external parties	103
Off-site surveillance reports	542
Investigation of unauthorised finance business	125
Statutory (On-site) examinations	17
Spot examinations	25
Board papers submitted to the monetary board	97
RTI requests handled	35

Annex II - 4

Authorised Financial Institutions (As at end 2022)	
Licensed Finance Companies	
1. Abans Finance PLC	20. LOLC Finance PLC (h)
2. Alliance Finance Co. PLC	21. Mahindra Ideal Finance Ltd. (i)
3. AMW Capital Leasing and Finance PLC	22. Mercantile Investments & Finance PLC
4. Asia Asset Finance PLC	23. Merchant Bank of Sri Lanka & Finance PLC (j)
5. Assetline Finance Ltd. (a)	24. Multi Finance PLC (k)
6. Associated Motor Finance Co. PLC	25. Nation Lanka Finance PLC (l)
7. Bimpuh Finance PLC (b)	26. Orient Finance PLC
8. CBC Finance Ltd.	27. People's Leasing & Finance PLC
9. Central Finance Co. PLC	28. PMF Finance PLC(m)
10. Citizens Development Business Finance PLC	29. Richard Peiris Finance Ltd(n)
11. Commercial Credit & Finance PLC	30. Sarvodaya Development Finance PLC (o)
12. Dialog Finance PLC	31. Senkadagala Finance PLC
13. ETI Finance Ltd. (c)	32. Singer Finance (Lanka) PLC
14. Fintrex Finance Ltd.	33. Siyapatha Finance PLC
15. HNB Finance PLC (d)	34. SMB Finance PLC (p)
16. Kanrich Finance Ltd. (e)	35. Softlogic Finance PLC (q)
17. Lanka Credit and Business Finance PLC(f)	36. U B Finance Co. Ltd.
18. L B Finance PLC	37. Vallibel Finance PLC
19. LOLC Development Finance PLC (g)	
Registered Finance Leasing Establishments	
(A) Licensed Commercial Banks	(B) Licensed Specialised Banks
1. Amana Bank PLC	1. Housing Development Finance Corporation Bank of Sri Lanka
2. Bank of Ceylon	2. Pradeshiya Sanwardana Bank
3. Commercial Bank of Ceylon PLC	3. Sanasa Development Bank PLC
4. DFCC Bank PLC	4. Sri Lanka Savings Bank Ltd.
5. Hatton National Bank PLC	
6. MCB Bank Ltd.	
7. National Development Bank PLC	
8. Nations Trust Bank PLC	
9. Pan Asia Banking Corporation PLC	
10. Sampath Bank PLC	
11. Seylan Bank PLC	
12. Union Bank of Colombo PLC	

(C) Licensed Finance Companies	
1. Abans Finance PLC	22. Mercantile Investments & Finance PLC
2. Alliance Finance Co. PLC	23. Merchant Bank of Sri Lanka & Finance PLC (j)
3. AMW Capital Leasing and Finance PLC	24. Multi Finance PLC (k)
4. Asia Asset Finance PLC	25. Nation Lanka Finance PLC (l)
5. Assetline Finance Ltd. (a)	26. Orient Finance PLC
6. Associated Motor Finance Co. PLC	27. People's Leasing & Finance PLC
7. Bimpuh Finance PLC (b)	28. PMF Finance PLC (m)
8. CBC Finance Ltd.	29. Richard Peiris Finance Ltd. (n)
9. Central Finance Co. PLC	30. Sarvodaya Development Finance PLC (o)
10. Citizens Development Business Finance PLC	31. Senkadagala Finance PLC
11. Commercial Credit & Finance PLC	32. Singer Finance (Lanka) PLC
12. Dialog Finance PLC	33. Siyapatha Finance PLC
13. ETI Finance Ltd. (c)	34. SMB Finance PLC (p)
14. Fintrex Finance Ltd.	35. Softlogic Finance PLC (q)
15. HNB Finance PLC (d)	36. Swarnamahar Financial Services PLC (r)
16. Kanrich Finance Ltd. (e)	37. U B Finance Co. Ltd.
17. Lanka Credit and Business Finance PLC (f)	38. Vallibel Finance PLC
18. L B Finance PLC	
19. LOLC Development Finance PLC (g)	(D) Specialised Leasing Companies
20. LOLC Finance PLC (h)	1. Co-operative Leasing Co. Ltd.
21. Mahindra Ideal Finance Ltd. (i)	
Licensed Microfinance Companies	
1. Berendina Micro Investments Company Ltd.	3. Dumbara Micro Credit Ltd.
2. Lak Jaya Micro Finance Ltd.	4. Sejaya Micro Credit Ltd.
Primary Dealer Companies	
1. Acuity Securities Ltd.	5. NSB Fund Management Co. Ltd.
2. Capital Alliance PLC	6. Perpetual Treasuries Ltd. (t)
3. Entrust Securities PLC (s)	7. Wealth Trust Securities Ltd.
4. First Capital Treasuries PLC	
(a) Assetline Leasing Co Ltd, was licensed under the Finance Business Act, No. 42 of 2011 as an LFC w.e.f. 29.08.2022 under the Masterplan and accordingly name was changed to Assetline Finance Ltd.	
(b) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, granting of new loans and acceptance of new deposits were frozen. The company was required to repay its deposit base w.e.f. 03.06.2022.	
(c) The Monetary Board decided to cause the Director, Department of Supervision of Non-Bank Financial Institutions to make an application to a competent court for the winding up of ETI Finance Ltd., in terms of Section 31(5)(b) of the Finance Business Act, No. 42 of 2011.	
(d) Prime Finance PLC amalgamated with HNB Finance PLC w.e.f.12.05.2022.	
(e) Due to inability of the company to comply with regulatory capital requirements, restrictions were imposed on lending and deposits. Further, approval was granted for the proposed merger between Kanrich Finance Ltd. (KFL) and Nation Lanka Finance PLC (NLFP) under the Masterplan to comply with regulatory capital requirements subject to fulfilment of several conditions and upon successful completion of the proposed merger NLFP will be the remaining entity. Moreover, KFL was directed to settle its public liabilities in full within the period from 26.12.2022 to 28.02.2023.	
(f) The name of Lanka Credit and Business Finance Ltd. was changed to Lanka Credit and Business Finance PLC w.e.f. 21.01.2022 due to the listing requirement under the Masterplan.	
(g) LOLC Development Finance PLC amalgamated with LOLC Finance PLC w.e.f. 31.01.2023.	
(h) Commercial Leasing and Finance PLC amalgamated with LOLC Finance PLC w.e.f. 31.03.2022. and LOLC Development Finance PLC amalgamated with LOLC Finance PLC w.e.f. 31.01.2023.	
(i) Name of Ideal Finance Ltd was changed to Mahindra Ideal Finance Ltd w.e.f. 28.01.2022.	
(j) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, restrictions were imposed on lending, deposits and offering of maximum interest rate.	
(k) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, restrictions were imposed on lending and deposits. Further, the company is in the process of a merger with LB Finance PLC under the Masterplan.	
(l) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, granting of certain types of loans and acceptance of new deposits were frozen. The Monetary Board granted approval for the proposed merger between KFL and NLFP under the Masterplan to comply with regulatory capital requirements subject to fulfilment of several conditions. Upon successful completion of the proposed merger, NLFP will be the remaining entity.	
(m) Name of People's Merchant Finance PLC was changed to PMF Finance PLC w.e.f. 21.10.2022.	
(n) Non-compliance with the Finance Business Act Direction No. 2 of 2017 on Minimum Core Capital and No. 3 of 2018 on Capital Adequacy Requirements since 31.10.2022. Subsequently on 31.01.2023, the company complied with the cited directions.	
(o) The name of Sarvodaya Development Finance Ltd. was changed to Sarvodaya Development Finance PLC w.e.f.06.01.2022 due to the listing requirement under the Masterplan.	
(p) SMB Leasing PLC was licensed under the Finance Business Act, No. 42 of 2011 as an LFC w.e.f. 01.12.2022 under the Masterplan and accordingly its name was changed to SMB Finance PLC.	
(q) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, restrictions were imposed on lending, deposits and offering of maximum interest rate. Acceptance of new deposits was frozen w.e.f.12.08.2022.	
(r) Finance business licence issued to Swarnamahar Financial Services PLC was cancelled w.e.f. 28.12.2022 and registration as a registered finance leasing establishment was cancelled w.e.f.18.01.2023.	
(s) Participation in government securities primary auction was refrained w.e.f. 24.07.2017.	
(t) Suspended from carrying on the business and activities of a Primary Dealer since 06.07.2017 and current suspension is effective until 05.07.2023.	

PART III

PART III

ADMINISTRATIVE MEASURES ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING THE YEAR RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

OPERATING INSTRUCTIONS, CIRCULARS, DIRECTIONS AND NOTICES

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2	Monetary Law Act Order No. 02 of 2022: Amendment to the Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank	1
3	Banking Act Directions No. 01 of 2022: Forward Sales and Purchases of Foreign Exchange by Licensed Commercial Banks	1
4	Circular No. 01 of 2022: Guidelines on Establishment of Post Covid-19 Revival Units in Licensed Banks	2
5	Monetary Law Act Order No. 03 of 2022: Interest Rates on Lending and Deposit Products of Licensed Banks	3
6	Banking Act Directions No. 02 of 2022: Restrictions on Discretionary Payments of Licensed Banks	4
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9	Monetary Law Act Order No. 04 of 2022: Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank	7
10	Banking Act Directions No. 05 of 2022: Sustainable Finance Activities of Licensed Banks	7
11	Banking Act Directions No. 06 of 2022: Addendum to the Banking Act Direction No. 8 of 2011 Customer Charter of Licensed Banks Accessibility to Banking Services for Customers with Special Needs	10
12	Circular No. 02 of 2022: Concessions to Affected Borrowers Amidst the Prevailing Extraordinary Macroeconomic Circumstances	12
13	Banking Act Order No. 01 of 2022: Banking (Off-Shore Banking Business Scheme) Order Designated Foreign Currencies	14
14	Banking Act Directions No. 07 of 2022: Mandatory Recording of the Unique Identification Numbers of Depositors by Licensed Banks	15
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16	Banking Act Determination No. 01 of 2022: Annual Licence Fee of Licensed Commercial Banks and Licensed Specialised Banks	17
Department of Foreign Exchange		
17	The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2263/41 – Friday, January 21, 2022	2263/41 17

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18	Directions No. 01 of 2022 under Foreign Exchange Act, No. 12 of 2017: Directions issued to Authorized Dealers on Personal Foreign Currency Accounts (PFCAs)	19
19	Directions No. 02 of 2022 under Foreign Exchange Act, No. 12 of 2017: Directions issued to Authorized Dealers on Business Foreign Currency Accounts (BFCAs)	19
20	The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2270/66 – Friday, March 11, 2022	2270/66 19
21	Directions No. 03 of 2022 under Foreign Exchange Act, No. 12 of 2017: Directions issued to Authorized Dealers on Designation of Thai Baht	21
22	The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2273/06 – Monday, March 28, 2022	2273/06 21
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Monetary Law Act Order No. 01 of 2022

11 March 2022

**AMENDMENT TO THE MAXIMUM INTEREST RATES ON LENDING
PRODUCTS OF LICENSED BANKS**

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

The Central Bank of Sri Lanka has adopted monetary policy tightening measures in the recent past including an increase of policy interest rates to dampen the possible build-up of underlying demand pressures in the economy, which would, in turn, help ease pressures in the external sector, thus promoting greater macroeconomic stability. Consequently, considering the increase in overall market interest rates, the Monetary Board hereby issues an amendment to the Monetary Law Act Order No. 02 of 2020 on the Maximum Interest Rates on Lending Products of Licensed Banks.

Accordingly, Order 2.1 of the Cited Order is replaced as follows and Order 2.2 is deleted.

- | | |
|---|--|
| 2. Interest Rates on LKR denominated loans and advances | 2.1 Commencing 14 March 2022, the maximum interest rates that shall be charged by licensed commercial banks and licensed specialised banks for the credit card advances, pre-arranged temporary overdrafts and pawning advances are given below: |
| | (i) 20 per cent per annum on credit card advances commencing from the next billing cycle. |
| | (ii) 18 per cent per annum on pre-arranged temporary overdrafts. |
| | (iii) 12 per cent per annum on the money lent for pawning advances collateralised by personal articles made of gold accepted as a pledge, for all new pawning advances and existing pawning facilities that are renewed. |

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

Monetary Law Act Order No. 02 of 2022

11 March 2022

**AMENDMENT TO THE MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS OF LICENSED
COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK**

Issued under Section 104(1)(a) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the recent monetary policy tightening measures, the expected macroeconomic developments and the prevailing interest rates on foreign currency deposits of licensed banks, the Monetary Board hereby issues an amendment to the Monetary Law Act Order No. 03 of 2021 on Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank, removing the existing maximum interest rate limits imposed on foreign currency deposits of licensed commercial banks and the National Savings Bank.

Accordingly, Orders 2 and 3 of the cited Order are deleted.

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

Banking Act Directions No. 01 of 2022

22 March 2022

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE BY LICENSED COMMERCIAL BANKS

Issued in terms of powers conferred by Section 46(1) of the Banking Act No. 30 of 1988, as amended.

Banking Act Directions No. 07 of 2021 dated 25 April 2021 on Forward Sales and Purchases of Foreign Exchange by Licensed Commercial Banks are hereby revoked.

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

Circular No. 01 of 2022

24 March 2022

GUIDELINES ON ESTABLISHMENT OF POST COVID-19 REVIVAL UNITS IN LICENSED BANKS

The prolonged nature of the COVID-19 pandemic has led to disruption in income generating activities of businesses adversely impacting their ability to duly repay their loans and thereby impairing the recovery process of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks). Therefore, with a view to facilitating the sustainable economic revival of businesses affected by the COVID-19 pandemic and to mitigate the increase in impaired assets of licensed banks, the Central Bank of Sri Lanka (CBSL) in its "Six-Month Road Map for Ensuring Macroeconomic and Financial System Stability" announced the need for establishment of Post COVID-19 Revival Units in licensed banks. Accordingly, CBSL hereby issues broad guidelines to give effect to the establishment of Post COVID-19 Revival Units in licensed banks.

1. **Objective**
 - 1.1 The purpose of establishment of the Post COVID-19 Revival Unit (hereinafter referred to as the Unit) is to identify and assist under performing and non-performing borrowers of licensed banks who are affected by COVID-19 and are facing financial difficulties due to reduction of income or sales, reduction or impairment of business operations or the closure of business etc., with the aim of reviving viable businesses which will provide benefits to such borrowers, leading to enhancement of economic activities and contributing to the development of the national economy.
2. **Governance Framework and Resources**
 - 2.1 Licensed banks are required to formulate a revival and rehabilitation policy approved by the Board of Directors for a locally incorporated licensed bank and the regional/global head office for a licensed bank incorporated outside Sri Lanka.
 - 2.2 The revival and rehabilitation policy should *inter alia* include the following at a minimum:
 - (i) the mandate for establishment of the Unit;
 - (ii) its scope of activities including deliverables;
 - (iii) the revival mechanism for borrowers including financial and non-financial strategies which may include but not limited to rescheduling/restructuring of existing credit facilities;
 - (iv) granting other additional credit facilities on needs basis and;
 - (v) provide any other appropriate measures for the revival of affected borrowers, post COVID-19.
 - 2.3 The Unit shall be headed by a Key Management Personnel of the licensed bank with sufficient authority and seniority to ensure effective and efficient oversight of the Unit and expeditious implementation of revival and rehabilitation activities.
 - 2.4 Licensed banks to ensure that the Unit shall be adequately staffed and possess sufficient expertise and authority for credit appraisal and monitoring and be provided with all other resources on needs basis.
 - 2.5 In the case of banks with more than 50 bank branches, such licensed banks may consider establishment of Units at large branches / regional offices of banks as appropriate. Other licensed banks shall have the Post COVID-19 Revival Unit centrally.
3. **Duties and Functions of the Revival Unit**
 - 3.1 The Unit shall actively liaise with branches and other business units of the bank to;
 - (i) identify borrowers who require rehabilitation assistance, including borrowers considered for liquidity support to unwind moratorium
 - (ii) develop rehabilitation proposals after completing a thorough analysis and coordination with all stakeholders
 - (iii) obtain necessary approvals and review the performance
 - 3.2 In the case of 3.1(i) above, licensed banks shall not consider the following borrowers for revival.
 - (a) Borrowers that have been identified as willful defaulters
 - (b) Borrowers that have defaulted due to diversion of funds (i.e., funds borrowed from licensed banks have been utilised for purposes un-related to the operations of the business of the borrower)
 - (c) Borrowers that have defaulted due to mismanagement and/or frauds in the business
 - (d) Borrowers engaged in unviable projects

- 3.3 In the case of 3.1(i) above, licensed banks may consider the following borrowers for revival at the discretion of the banks.
- (i) Borrowers that have been classified as non-performing prior to 01 April 2020.
- (ii) Borrowers that are under litigation.
- 3.4 The Unit shall conduct awareness programs on rehabilitation, initiatives, procedures and methodologies to relevant stakeholders viz., branches and business units of the bank, borrowers etc.
- 3.5 The Unit shall provide credit counselling and business advisory services and assist businesses in reaching out to potential investors, obtain seed capital, equity etc., if necessary.
- 4. Accounting Considerations**
- 4.1 Licensed banks shall adopt accounting treatment for facilities considered under the Unit as per the Sri Lanka Accounting Standards and related Circulars/guidelines issued by CBSL. In the case of risk elevated borrowers or sectors, licensed banks are required to make adequate impairment charges. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka and Auditors for additional guidance and clarification in this regard.
- 5. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka**
- 5.1 Licensed banks, in consultation with CRIB, shall develop a reporting modality to report credit facilities transferred to this Unit, so that participation in revival and rehabilitation schemes of this Unit will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
- 6. Re-finance or Interest Subsidy Schemes**
- 6.1 The restructuring of facilities granted under refinance or interest subsidy schemes shall be considered in accordance with the related guidelines issued by the Regional Development Department of CBSL or the Ministry of Finance in this regard.
- 7. Recovery Action for Default after Revival**
- 7.1 Licensed banks may adopt suitable recovery actions against borrowers that have failed to adhere to the terms and conditions agreed for revival and rehabilitation under this Unit as per the bank's internal guidelines and policies.
- 8. Implementation**
- 8.1 Licensed banks are required to make necessary arrangements to establish Post COVID-19 Revival Units by 30 April 2022. In the case of licensed banks that have already established Revival Units such banks may expand the scope of activities of these Units to be in line with the requirements of this Circular.
- 9. Reporting Requirement**
- 9.1 Licensed banks shall report the details on progress of rehabilitation proposals availed to the bank's borrowers as at the end of each quarter, within 15 working days, commencing 30 June 2022 as per the reporting format given in Annex I.

Attachments of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_1_of_2022_e.pdf

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

Monetary Law Act Order No. 03 of 2022

21 April 2022

INTEREST RATES ON LENDING AND DEPOSIT PRODUCTS OF LICENSED BANKS

- (1) The Central Bank of Sri Lanka (CBSL) having considered the tight monetary policy measures adopted thus far hereby revokes Order 2.1 of the Monetary Law Act Order No. 02 of 2020 dated 21 August 2020 as amended by the Order 2.1 of the Monetary Law Act Order No. 01 of 2022 dated 11 March 2022, effective as follows.
- (i) Credit card advances, commencing from the next billing cycle.
- (ii) All new pre-arranged temporary overdrafts and existing pre-arranged temporary overdrafts that are renewed/extended.
- (iii) All new pawning advances and existing pawning advances that are renewed.
- (2) Licensed banks shall adjust the deposit rates adequately, in line with the tight monetary policy measures adopted by CBSL, to attract deposits into the banking system.

Mrs. T M J Y P Fernando
**Senior Deputy Governor
 Central Bank of Sri Lanka**

Banking Act Directions No. 02 of 2022

06 May 2022

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the prevailing macroeconomic conditions and the importance of maintaining appropriate levels of liquidity and capital buffers in licensed banks, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

1. **Empowerment**
 - 1.1 In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, 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 licensed bank incorporated in Sri Lanka and every licensed bank, which is a branch of a bank incorporated or established outside Sri Lanka, on a standalone basis.
3. **Restrictions on Discretionary Payments**
 - 3.1 Every licensed bank incorporated or established in Sri Lanka shall defer payment of cash dividends until the financial statements/interim financial statements for the year 2022 are finalized and audited by its External Auditor.
 - 3.2 Every licensed bank incorporated outside Sri Lanka shall defer repatriation of profits not already declared for financial years 2021 and 2022 until the financial statements for the year 2022 are finalized and audited by its External Auditor.
 - 3.3 Licensed banks shall give due considerations to the requirements of the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the potential impact of the COVID-19 pandemic and prevailing macroeconomic conditions when deciding on payments of cash dividends and profit repatriations.
 - 3.4 Licensed banks shall adhere to the following with immediate effect, until 31 December 2022.
 - (a) Refrain from buying-back of its own shares.
 - (b) Refrain from increasing management allowances and payments to Board of Directors.
 - (c) Refrain from incurring non-essential and/or non-urgent expenditure and have a Board approved policy to rationalise if such expenditure is to be incurred.
 - (d) Exercise extreme due diligence and prudence when incurring capital expenditure, if any.
4. **Effective Date**
 - 4.1 These Directions shall be implemented with immediate effect.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Direction No. 03 of 2022

19 May 2022

MARGIN REQUIREMENTS AGAINST IMPORTS

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka, with a view to preserving the stability of the exchange rate and foreign currency liquidity in the banking system, requires licensed commercial banks (LCBs) and National Savings Bank (NSB) to adopt the following measures on imports of certain non-essential and non-urgent goods, with immediate effect until further notice.

1. A 100 per cent non-interest bearing cash margin shall be kept on the invoiced value of imports specified in Annex I, made under Documents against Acceptance (DA) and Documents against Payment (DP) terms.
2. In the case of NSB, the margin requirements specified in Direction 1 above, shall be applicable for such imports made under Letter of Credit (LC) terms, in addition to DA and DP terms.
3. In the case of existing DAs and DPs covering the importation of goods covered by these Directions, no increase in the value of such DAs and DPs shall be permitted by LCBs and NSB unless such increase is covered by the cash margin deposits as required in Direction 1 above.
4. Such non-interest bearing cash margin shall be placed by the importer with the bank that releases documents, at the time of acceptance of documents by the importer or at the time of making the endorsement by the licensed bank, in terms of Operating Instructions No. 05/2022 dated 12.05.2022, issued by the Controller General of Imports & Exports.
5. Such non-interest bearing cash margin requirement shall be on the total value of the invoice, regardless that the same invoice includes goods that are not covered under these Directions.
6. LCBs and NSB shall endorse the invoice to the effect that the margin deposit has been obtained.
7. The margin deposit shall be released on providing documentary evidence on payments through the banking channels in Sri Lanka and customs documents relating to clearance of imports.
8. LCBs and NSB shall not grant any loan facilities to enable importers to place the margin deposits in respect of these imports.
9. The provisions of these Directions shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Attachments of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_03_of_2022_e.pdf

Banking Act Direction No. 04 of 2022

23 May 2022

REGULATORY REQUIREMENTS AMIDST PREVAILING EXTRAORDINARY MACROECONOMIC CONDITIONS

As a measure to maintain adequate capital to meet any losses, the banking sector has over the years built-up capital to enable banks to operate in a sound and resilient manner. These buffers have stood well to absorb unexpected losses during challenging times and has also helped banks to mobilise long term funding at reduced levels of risk-premia as well as maintain its credit ratings.

However, after carefully considering the extraordinary circumstances caused by the current macroeconomic conditions, the Monetary Board hereby issues the following Directions to licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), subject to periodic review.

- | | |
|---|---|
| 1. Empowerment | <ol style="list-style-type: none"> 1.1 In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| 2. Capital Conservation Buffer (CCB) | <ol style="list-style-type: none"> 2.1 Licensed banks may drawdown the CCB, up to 2.5% subject to conditions stipulated in Direction No. 01 of 2016 on Capital Requirements under Basel III for licensed commercial banks and licensed specialized banks, which are specified below: <ol style="list-style-type: none"> (i) The distributions will be subject to the following restrictions as specified in Table 01. |

Table 01 - Minimum CCB Ratios

CCB Maintenance Ratio	Applicable Minimum Earnings Retention Ratio
2.5 %	0%
> 1.875% - 2.5%	40%
> 1.25% - 1.875%	60%
> 0.625% - 1.25%	80%
0 % < - 0.625 %	100%

(ii) Licensed banks shall consider this Direction as a prior approval of the Monetary Board to drawdown CCB and shall submit a Board approved capital augmentation plan on rebuilding the CCB within 03 years, to the Director of Bank Supervision within 21 days of drawing down the CCB.

3. **Computation of Risk Weighted Assets for Operational Risk under Capital Adequacy Requirements** 3.1 As stipulated under Banking Act Direction No.01 of 2016, licensed banks may move to The Standardised Approach (TSA) or The Alternative Standardised Approach (ASA) to compute risk weighted assets for Operational Risk, until 31.12.2023, by adopting a prudent documented procedure for mapping its current business activities to the appropriate business lines in accordance with Directions, subject to obtaining prior written approval of the Director of Bank Supervision.
4. **Staggering the Mark to Market Losses** 4.1 Licensed banks may stagger the overnight mark to market losses on Government Securities denominated in LKR, held at fair value arising from the changes in policy interest rates as announced in the Monetary Policy Review No-03 dated 08.04.2022, up to Q2 of 2024 as stipulated below for the purpose of computing the capital adequacy ratio, subject to the conditions stipulated in Directions 4.2 and 4.3 below:

Table 02 - Staggering of overnight Mark to Market loss for Computation of Capital Adequacy Ratio

Cumulative percentage of Absorption		
Q2 2022	Q2 2023	Q2 2024
33.33 %	66.66%	100%

- 4.2 Licensed banks are required to submit an assessment of such loss to be staggered to the Director of Bank Supervision with a certification provided by external/internal auditors validating the amount.
- 4.3 If a licensed bank decides to stagger the above mark to market loss, such licensed banks shall not pay any dividends/repatriate any profits and shall refrain to the extent possible from incurring non-essential and capital expenditure until the entire mark to market loss on Government Securities is fully recognised in the capital adequacy computation.
5. **Treatment of Other Comprehensive Income (OCI)** 5.1 Licensed banks may include 100 percent of accumulated OCI gains which are reflected in the statement of changes in equity as per the latest available annual or interim audited financial statements, subject to complying with all other conditions stipulated in the Banking Act Directions No.01 of 2016.
6. **Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)** 6.1 Licensed banks are permitted to operate maintaining an LCR and NSFR at a minimum level of 90% up to 30.09.2022, as a short-term measure to adjust the liquidity profiles of licensed banks, with enhanced supervision and frequent reporting.
7. **Minimum Capital Requirement** 7.1 The deadline for the enhancement of minimum capital requirement of licensed banks as stipulated in Banking Act Direction No. 05 of 2017 is extended up to 31.12.2023, for licensed banks which fail to meet the minimum capital requirement by 31.12.2022.
- 7.2 Such licensed banks shall submit their capital augmentation plan, including plans to consolidate or merge with suitable financial institutions, together with timelines to the Director of Bank Supervision by 31.12.2022 to meet the minimum requirements by 31.12.2023 and shall refrain from distribution of dividends/ repatriation of profits until the minimum capital requirements are met.

8. **Submission of Internal Capital Adequacy Assessment Process (ICAAP)** 8.1 Licensed banks are granted time until 30.06.2022 to submit the ICAAP document for 2022.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 04 of 2022

08 June 2022

MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS OF LICENSED COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK

Issued under Section 104(1)(a) of the Monetary Law Act, No. 58 of 1949, as amended.

Monetary Law Act Order No. 03 of 2021 dated 30 December 2021 on Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank except Order 7 is hereby revoked.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 05 of 2022

22 June 2022

SUSTAINABLE FINANCE ACTIVITIES OF LICENSED BANKS

The Central Bank of Sri Lanka (CBSL), having considered the importance of committing to achieving the Sustainable Development Goals of United Nations and the need to transit towards a green, inclusive and balanced economy in Sri Lanka, published the Road Map for Sustainable Finance in Sri Lanka in 2019. The Road Map provides a broader direction to financial regulators and financial institutions to effectively manage environmental, social and governance (ESG) risks associated with projects they finance and promote assistance to businesses that are greener, climate-friendly and socially inclusive.

The Road Map, required to establish a classification and measurement system for sustainable activities, i.e., a taxonomy, for Green Finance activities in Sri Lanka with the support of all stakeholders. The Sri Lanka Green Finance Taxonomy was published by CBSL on 06 May 2022.

Considering the national importance of promoting sustainable financing initiatives and the need for providing a governance and risk management framework for licensed banks in respect of sustainable finance activities, the Monetary Board hereby issues the following Directions on Sustainable Finance activities in licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to facilitating a sustainable economy and promoting the sustainable finance practices of licensed banks, in line with Sustainable Finance Road Map of CBSL.

1. **Empowerment**
 - 1.1 In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
 - 1.2 In terms of Section 76J(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
2. **Applicability**
 - 2.1 These Directions shall be applicable to all licensed banks.
3. **Sustainable Finance Initiatives**
 - 3.1 Licensed banks shall identify and develop appropriate guidelines to conduct its business activities in a sustainable manner.
 - 3.2 Licensed banks shall develop innovative financial solutions to support sustainable initiatives.
 - 3.3 Licensed banks shall consider raising funds via instruments such as green/sustainable bonds and allocate such funding to invest in/fund sustainable activities.

4. Identified Priority Sectors

4.1 The following sectors/activities are identified as priority sectors to provide sustainable lending facilities by licensed banks:

Identified Sectors	Prioritized Sub Sectors
Agriculture, forestry and logging	Sustainable agriculture, forestry development
Manufacturing	Energy saving machinery/ equipment
Electric power generation, transmission and distribution	Renewable energy projects
Transportation and storage	All forms of sustainable transport and storage
Water supply, sewerage and waste management	Water supply/management projects, Waste management projects
Construction	Green construction projects
Sustainable Tourism and recreation	All sustainable tourism and recreational activities
Other Sectors	Gas, steam and air conditioning supply, Financial Services, Information and communications technology, Sustainable Women Empowerment initiatives etc.

4.2 Licensed banks shall consider the applicable environmental/climate adaptation and mitigation aspects, social impact, regulations, certifications, and relevant external and internal guidelines on sustainable activities granting funding to above priority sectors and reporting above information.

4.3 Licensed banks shall ensure the compliance with the requirements of the Sri Lanka Green Finance Taxonomy when identifying the above priority sectors and activities.

5. Governance Framework for Sustainable Finance Initiatives

5.1 Board of Directors (BOD) and senior management shall ensure effective and efficient overseeing of the Sustainable Finance activities and a BOD approved policy at a minimum shall include the following:

- (a) clear roles and responsibilities of BOD and senior management on overseeing of the bank's environmental and social risks and sustainable business activities;
- (b) identify main risks for the licensed bank on environmental aspects and green and climate financing activities;
- (c) ensuring that sustainable financing activities and identified environmental risks are addressed in the bank's overall risk management framework;
- (d) policies and processes to assess, monitor, review and report such risks;
- (e) parameters and metrics for measuring the progress of sustainable finance initiatives; and
- (f) appropriate internal controls to be in place.

5.2 The Chief Financial Officer and relevant Key Management Personnel of the licensed banks under the guidance provided by the BOD shall ensure:

- (a) policies, tools, metrics, operational procedures and controls implemented by the bank in respect of sustainable finance are reviewed and updated regularly (at least annually) and integrated with other relevant policies and procedures of the bank.
- (b) adequate resources, skills and expertise are allocated to the management of sustainable finance activities;
- (c) clear articulation of the roles and responsibilities of business units and functions in managing risks associated with sustainable finance; and
- (d) BOD is informed in a timely manner on material issues, relating to sustainable financing and business practices.

- 6. Risk Management**
- 6.1 Licensed banks shall identify and evaluate the risks stemming from associated climate, environmental and other green financing activities considering the nature, scale, complexity, and interconnectedness of its operations and assess the magnitude and materiality of such risks.
- 6.2 Licensed banks shall incorporate ESG risk management to the entire decision-making processes, including environmental and social policies, risk assessment, environmental and social covenants.
- 6.3 All material risks, defined in 6.1 above, shall be considered in the Pillar II assessment under Capital requirements for the licensed banks.
- 6.4 Licensed banks shall identify how risks identified in Direction 6.1 will affect its business model and assess the potential impact on the bank.
- 6.5 Licensed banks shall implement effective risk management practices and internal controls to mitigate risks in Direction 6.1 above.
- 6.6 Licensed banks may conduct scenario analysis and stress testing to assess the impact of potential/alternative climate related risks and green financing activities.
- 7. Capacity Building and Innovation**
- 7.1 Licensed banks are expected to build capacity on Sustainable Finance activities going forward providing adequate training to staff members.
- 7.2 Licensed banks are expected to develop and provide new innovative sustainable finance solutions to customers.
- 7.3 Licensed banks shall develop expertise in environmental stress testing and scenario analysis, whilst obtaining appropriate external expertise on environment and climate related risk aspects.
- 8. Disclosures and Reporting**
- 8.1 Licensed banks shall disclose the following information related to sustainable finance practices in their annual reports:
- (a) An overview on bank's sustainable finance policies and activities;
- (b) Identified sustainable finance related risks and associated mitigation measures; and
- (c) A statement on banks approach towards sustainable finance activities and way forward.
- 8.2 Licensed banks are encouraged to disclose environmental and social impact generated from business activities using internationally recognized reporting frameworks, such as Global Reporting Initiative (GRI) and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- 8.3 Licensed banks shall submit the information required as per Annex I to the Bank Supervision Department, within 30 days from the end of each quarter.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex I

Quarterly Statement on Sustainable Financing Activities of Licensed Banks						
As at						
Name of the Licensed Bank –						
	Sector	Sub Sector (Identify as defined in Sri Lanka Green Finance Taxonomy for applicable facilities)	No. of Credit Facilities	Value of Outstanding Credit Facilities as at Q.... XX	No of New Credit Facilities granted during Q.... XX	Value of the new Credit Facilities granted during Q... XX
1.	Agriculture, Forestry and Logging	Sustainable Agriculture				
		Forestry and Logging				
		Other Sustainable Activities				

2.	Manufacturing	Energy saving machinery/ equipment				
		Other Sustainable Manufacturing				
3.	Electric power generation, transmission and distribution	Renewable energy projects				
		Other Sustainable Activities				
4.	Transportation and storage	All forms of sustainable Transportation and storage				
5.	Water supply, sewerage and waste management	Water supply/management projects				
		Waste management projects				
		Other Sustainable Activities				
6.	Construction	Green construction projects				
		Other Sustainable Activities				
7.	Sustainable tourism and recreation	All sustainable tourism and recreation activities				
8.	Other Sectors	Gas, steam and air conditioning supply				
		Financial Services				
		Information and communications technology				
		Sustainable Women empowerment initiatives, if not covered under any other area				
		Other Sustainable Lending (Please Specify)				
		Total				

Email to Bank Supervision Department, Database - bsddb@obs1.lk, within 30 days from the end of each quarter

Banking Act Directions No. 06 of 2022

04 July 2022

ADDENDUM TO THE BANKING ACT DIRECTION NO. 8 OF 2011 CUSTOMER CHARTER OF LICENSED BANKS ACCESSIBILITY TO BANKING SERVICES FOR CUSTOMERS WITH SPECIAL NEEDS

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended.

The Monetary Board of the Central Bank of Sri Lanka hereby issues the following addendum to the Banking Act Direction No. 08 of 2011, on Customer Charter of Licensed Banks, with a view to further strengthening the financial consumer protection measures for customers with special needs.

Accordingly, paragraph 7 of the Annexure to Banking Act Direction No. 08 of 2011 on Customer Charter of Licensed Banks, is expanded as follows:

7. Special attention and care

- 7.1 The customers such as elderly, disabled or customers with low financial literacy (hereinafter referred as customers with special needs) have the right to receive special attention to facilitate them to have a fair access to banking services.
- 7.2 Accordingly, licensed banks shall implement comprehensive policies and procedures to ensure improved access to banking services for customers with special needs, including but not limited to the Guidelines provided in Schedule 1.
- 7.3 Licensed banks shall expedite the implementation of such measures at branches to avoid inconvenience to concerned customers.

Dr P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

SCHEDULE 1

GUIDELINES FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS TO IMPROVE ACCESSIBILITY TO BANKING SERVICES FOR CUSTOMERS WITH SPECIAL NEEDS**1. Introduction**

- 1.1 These guidelines set minimum requirements for licensed banks to facilitate accessible banking services for customers with special needs and improve financial consumer protection, and financial inclusion of such customers.
- 1.2 In the context of these guidelines, “customers with special needs” refer to individuals who require additional assistance to perform banking transactions and/or to obtain banking services due to physical, or medical conditions including, but not limited to visual impairments, hearing impairments, loss of limb/s, etc. and due to old age.

2. General Guidelines**2.1 Improve Accessibility to Banking Services**

- (i) Licensed banks shall ensure that customers with special needs have fair access to banking services and products, in a similar manner to any other customer.
- (ii) In this regard, licensed banks shall provide the following to ensure accessible banking services to individuals with special needs.
- (a) Licensed banks shall ensure that all newly opened physical service outlets such as bank branches, mobile banking units, and self-service machines including Automated Teller Machines (ATMs) and Cash Deposit Machines (CDMs) are accessible to customers with special needs including customers using wheelchairs, crutches, walkers, etc.
- (b) Digital banking channels including internet banking and mobile banking apps to be compatible with international accessibility standards accommodating options such as screen magnifiers, screen readers, text to speech and providing text transcript to allow audio information accessible, etc., where applicable. In this regard, licensed banks are expected to streamline their apps and website to be compatible with the in-built, standard accessibility features of devices (mobile phones, laptops, tabs, etc.) used by customers with special needs.
- (c) Licensed banks are required to establish quality control/assurance function or a similar arrangement to ensure that banking products and services are accessible friendly for customers with special needs.

2.2 Special Attention and Due Care

- (i) Licensed banks may consider flagging bank accounts of customers with special needs enabling the bank staff to recognize such customers and pay special attention and due care when providing banking services to such customers.
- (ii) Licensed banks shall provide special training to relevant staff at bank branches and other service outlets to equip them to provide cordial and effective service to customers with special needs.
- (iii) Licensed banks shall ensure that the customers with special needs have access to obtain assistance from bank staff in case the customer believes that such assistance is necessary for them to perform/obtain banking services.
- (iv) Licensed banks shall maintain a customer care hotline/electronic media (live chat) to assist customers with special needs in resolving their complaints/issues and make customers aware of such facilities.

2.3 Ensure Fair Treatment

- (i) Licensed banks shall ensure fair treatment to all customers, including those with special needs. Accordingly, licensed banks shall review their internal policies and procedures that hinder fair access to banking services by customers with special needs.
- (ii) Licensed banks shall not deny the provision of banking services to customers based on their age or special needs, nor enforce any additional terms and conditions (including any requirement that prevent such customer from obtaining banking services from a branch other than the branch where the respective account is opened) which may place such customers in a disadvantageous position.
- (iii) Licensed banks may consider using biometric authentication options such as fingerprint readers to verify the identity of such customers whose identity cannot be verified due to not being able to place a valid signature.
- (iv) Licensed banks are encouraged to promote a diverse and inclusive culture to create a welcoming environment for individuals with special needs and ensure zero tolerance for discrimination on any grounds.

3. Specific Guidelines to Improve Banking Experience for Customers with Visual Impairments

- 3.1 **Facilitate Informed Decision Making:** Licensed banks shall ensure that the customers with visual impairment have access to adequate information on the banking products and services at the point of onboarding and, thereafter, with respect to, but not limited to, the features, terms and conditions of the products or services for informed decision making.
- 3.2 Banks may consider allocating dedicated staff to assist customers with special needs and make available the key documents in accessible friendly electronic media to make informed decisions.
- 3.3 **Accessibility and Visibility Options:** Licensed banks shall formulate a plan with timelines to provide customers the option to opt for high visibility versions of various documents such as bank statements, mandates, various applications with larger fonts and high contrast colours for the benefit of elderly customers and those with partial visual impairment.
- 3.4 Licensed banks shall consider accessibility features for visually impaired customers as important when procuring new Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs) and other self-service machines (SSMs) with a view to making use of Brail keypads and audio input/output facilities therein to provide access to banking services for visually impaired customers. In this regard, banks shall introduce such machines to facilitate the visually impaired customers and replace existing incompatible ATM machines with new machines, in an orderly manner in the future.
- 3.5 Licensed banks shall establish above machines strategically in consultation with other banks to ensure that at least one such machine is generally available in each locality catering to the needs of visually impaired customers.
- 3.6 Licensed banks shall ensure that no additional conditions are enforced on visually impaired customers, such as forcing to open joint accounts, restricting banking services to the branch at which such customers have opened their bank accounts.

4. Implementation

- 4.1 Licensed banks shall implement comprehensive policies and procedures to ensure improved access to banking services for customers with special needs, including but not limited to the Guidelines, with a view to addressing any practical difficulties faced by such customers in obtaining banking services.
- 4.2 Licensed banks shall not levy any additional charge or fee to the customers who avail such accessibility options obtaining banking services.
- 4.3 Considering the additional resources involved in implementing certain requirements, banks are permitted to stagger the implementation, with a view to achieving full compliance by 31.12.2022.

Circular No. 02 of 2022

07 July 2022

CONCESSIONS TO AFFECTED BORROWERS AMIDST THE PREVAILING EXTRAORDINARY MACROECONOMIC CIRCUMSTANCES

With a view to meeting the challenges faced by businesses and individuals engaged in various economic sectors due to the prevailing extraordinary macroeconomic circumstances, the Central Bank of Sri Lanka (CBSL), requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to provide the following concessions, to affected borrowers, on a need basis.

These concessions are granted to devise suitable repayment arrangements based on the new repayment capacities of the borrower, on a case-by-case basis, while preserving banking sector stability by preventing any elevated strain on the financial system. Accordingly, this Circular is issued to provide broad guidelines with prudential requirements for consistent implementation across all licensed banks. Licensed banks may consider implementing these concessions through the Post COVID-19 Revival Units which have already been established in terms of the Circular No. 01 of 2022 issued on 24 March 2022.

1 Concessions for performing credit facilities

- 1.1 Licensed banks are required to provide appropriate concessions (i.e., grace period for capital or interest or both capital and interest or part of the capital or interest, re-structuring of credit facilities, or any other concession) for performing credit facilities of individuals or businesses (hereinafter referred to as borrowers) whose income or business has been adversely affected by the current macroeconomic conditions including those borrowers who were already subject to COVID-19 moratoriums. These concessions are expected to be provided to affected borrowers in all economic sectors, including but not limited to tourism, transportation, and Micro, Small and Medium scale Enterprises (MSME) engaged in business sectors such as manufacturing, services, agriculture, and construction on a case-by-case basis, for a period of six months from the date of this Circular, based on the new repayment capacity/ viability of the borrower.

1.2 In the case of regular installment loans, the licensed banks shall devise a mechanism to structure the repayment plan not exceeding the contracted instalment value of the existing credit facility or facilities, with an extended tenure, to match with the repayment capabilities of the borrowers. In the case of other credit facilities, the licensed banks shall devise a suitable mechanism to structure the repayment plan.

1.3 In the case of Rupee facilities considered for the concessions, the interest rate applicable for the concessionary period (including the recovery period) shall not exceed the latest contracted rate of interest or the Standard Lending Facility Rate applicable on the date of this Circular (15.5%), whichever is higher, and shall be charged only on the amount considered for the concession. In the case of foreign currency facilities, licensed banks may charge a concessionary rate of interest rate as mutually agreed with the customer.

2 Applicability of Concessions for Credit Facilities Granted under Refinance/Interest Subsidy Schemes

2.1 Licensed banks shall seek necessary guidelines from the relevant agencies, and government authorities with regard to extending these concessions for credit facilities granted under various refinance or interest subsidy schemes, introduced by the government or other agencies.

3 Facilitating Early Settlements

3.1 In the case where any borrower wishes to fully settle any of the existing credit facilities, such borrower shall be given the opportunity to do so, without charging any additional fee, such as early settlement charges. In the case of lease facilities, recovery of future interest shall also be waived off.

3.2 Licensed banks may also consider providing rebates for such early settlements, on a case-by-case-basis.

3.3 Any borrower who is willing for an early settlement of credit facilities shall make a request to the respective licensed bank on or before 30.09.2022.

4 Concessions for Non-performing Credit Facilities

4.1 Licensed banks may consider providing appropriate concessions, including rescheduling for existing non-performing credit facilities over a longer period, on a case-by-case basis, considering the future repayment capacity/viability of such individuals and businesses/ projects.

4.2 Licensed banks shall devise a suitable mechanism to structure the repayment plan.

4.3 In the case of Rupee facilities, interest rate applicable for concessions granted to non-performing credit facilities, shall not exceed the latest contracted rate of interest or the current Standard Lending Facility Rate applicable as at the Circular date (15.5%), whichever is higher¹. In the case of foreign currency facilities, licensed banks may charge a concessionary rate of interest rate as mutually agreed with the customer.

4.4 Licensed banks shall suspend recovery actions including parate execution and forced repossession of leased assets against all credit facilities that have been classified as non-performing on or after 01.01.2020, until 31.12.2022 in order to enable the borrowers to arrange timely repayments.

4.5 In the case of recovery actions against SME paddy millers, banks may suspend recovery actions including parate execution against any non-performing credit facilities, until 31.12.2022, provided that an agreement is reached between the borrower and the licensed bank on diverting sales proceeds of the upcoming harvesting season directly to the banks via a suitable mechanism to settle the existing pledge loans in full and/ or existing non-performing credit facilities (part or full settlement).

4.6 In case where a licensed bank has commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 04 of 1990 or Mortgage Act. No. 06 of 1949, as amended, or Finance Leasing Act, No. 56 of 2000, or any other relevant Act, in this regard, such recovery actions shall be suspended until 31.12.2022, on condition that the concerned licensed bank and the borrower reach a debt repayment agreement.

4.7 Licensed banks shall defer passing new resolutions under the above Acts, for recovery of such loans and advances until 31.12.2022, on condition that the concerned licensed bank and the borrower reach a debt repayment agreement. In instances where resolutions for recovery actions have already been passed, auctioning of assets shall be suspended until 31.12.2022.

4.8 In instances where there are on-going litigations in Courts relating to recovery, the borrower shall enter into an agreement in the Courts to avail these concessions.

¹ The explanation on non-performing loans provided in the attached Guidelines of CASL states that "the revised interest rate cannot exceed 14.5%". However, licensed banks should adhere with Section 4.3 of this Circular.

- 4.9 However, willful defaulters, defaults due to diversion of funds, defaults due to mismanagement and/ or frauds in the business and unviable projects shall not be considered for any of the above concessions.
- 4.10 Licenced banks may continue the routine collection procedure/ recovery follow up without excessively contacting, visiting, or forcing the borrower.

5 Reporting to the Credit Information Bureau

- 5.1 Licensed banks shall not decline new loan applications from borrowers solely based on adverse CRIB records.
- 5.2 Licensed banks shall develop a reporting modality, in consultation with CRIB, to report concessions granted to affected borrowers, if necessary.

6 Accounting Treatment and Impairment

- 6.1 Licensed banks shall adhere to Sri Lanka Accounting Standards and the attached Guidelines read with the Addendum issued by the Institute of Chartered Accountants of Sri Lanka (CASL) with regard to accounting for the facilities considered for concessions.
- 6.2 Licensed banks may seek advice from CASL and Auditors for additional guidance/ clarifications in this regard.

7 Transparency of the Concessions

- 7.1 Eligible borrowers may request for the above concessions on or before 31 July 2022 in writing or through electronic means.
- 7.2 Licensed banks shall make the decision on whether to accept or decline the request made by the borrower within one month of the receipt of the request and duly inform the borrower of such decision.
- 7.3 In the case of a rejection of request, licensed banks shall inform the borrower the reasons for such rejection and shall advise the borrower by and through the same letter that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department of the Central Bank of Sri Lanka.
- 7.4 Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities and the applicable interest rate prior to approval and the consent of the borrower shall be obtained in writing or through electronic means.

8 Reporting Requirement

Licensed banks shall report the details of concessions availed by their borrowers to the Bank Supervision Department, as at each month end, within 15 working days, commencing from 31 July 2022. A reporting format will be issued in due course.

Dr P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Attachments of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_2_of_2022_e.pdf

Banking Act Order No. 01 of 2022

26 August 2022

BANKING (OFF-SHORE BANKING BUSINESS SCHEME) ORDER DESIGNATED FOREIGN CURRENCIES

Order made by the Monetary Board of the Central Bank of Sri Lanka with the approval of the Minister, under Sections 23, 25 and 26 of the Banking Act, No. 30 of 1988, as amended.

- | | |
|----------------------------------|---|
| 1. Designated Foreign Currencies | 1.1 The foreign currencies set out in the Schedule below in this Order are determined as the Designated Foreign Currencies under the Banking (Off-Shore Banking Business Scheme) Order. |
| | 1.2 The Schedule in this Order, replaces the Schedule in the Banking (Off- Shore Banking Business Scheme) Order No. 01 of 2021, dated 18.06.2021. |

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Schedule

Designated Foreign Currencies

1. Australian Dollar	9. New Zealand Dollar
2. Canadian Dollar	10. Norwegian Kroner
3. Chinese Renminbi	11. Pound Sterling
4. Danish Kroner	12. Singapore Dollar
5. Euro	13. Swedish Kroner
6. Hongkong Dollar	14. Swiss Franc
7. Indian Rupee	15. Thai Baht
8. Japanese Yen	16. United States Dollar

Banking Act Directions No. 07 of 2022

29 August 2022

MANDATORY RECORDING OF THE UNIQUE IDENTIFICATION NUMBERS OF DEPOSITORS BY LICENSED BANKS

The Central Bank of Sri Lanka with a view to strengthening the soundness and integrity of the information management process of the licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), hereby issues the following Directions to licensed banks on mandating the recording of Unique Identification Numbers (UINs) of depositors by licensed banks in the respective banking systems.

- | | | |
|---|-----|--|
| 1. Empowerment | 1.1 | In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| | 1.2 | In terms of Section 76J(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| 2. Scope and Applicability | 2.1 | These Directions shall be applicable to all licensed banks including operations conducted through agents and third-party service providers. |
| 3. Mandatory Recording of UINs of Depositors | 3.1 | All licensed banks shall mandatorily record the identification number given in Annex I to these Directions as the UIN for each type of depositor. |
| 4. Implementation | 4.1 | Licensed banks shall comply with the requirements of these Directions with effect from 01.10.2022 for all new depositors. |
| | 4.2 | Licensed banks shall complete recording of UINs of the existing depositors in the systems by 31.12.2023. |

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex I

TABLE 1: UNIQUE IDENTIFICATION NUMBERS (UINs) FOR EACH CATEGORY OF DEPOSITORS

Type of Depositor	Type of Identification Number	Remarks
Individuals		
Sri Lankan Citizens	National Identity Card (NIC) Number	Licensed banks can accept the driving licence or passport of the customer to open accounts. However, it is compulsory to record the NIC number in the banks' systems.

Sri Lankan Citizen (residing outside Sri Lanka/PR holders/TR holders) Sri Lankan Dual Citizens (residing in SL), Sri Lankan Dual Citizens (residing outside Sri Lanka)	National Identity Card (NIC) Number	Sri Lankan Passport Number can be used only when NIC has been temporarily surrendered by a depositor.
Non-Sri Lankan Citizens	Foreign Passport Number	Including Foreign Nationals of Sri Lankan origin (residing outside Sri Lanka), Foreign Nationals on temporary visit to Sri Lanka or intending to visit Sri Lanka, Foreign Diplomats.
Minor Depositors	Date of Birth + Birth Certificate Number E.g.: Date of Birth — 07th January 2005 (2005.01.07) Birth Certificate Number - 0325 UIN — 200501070325	Date of birth followed by the Birth Certificate Number in the same field to create a 12-digit number
Institutions	-	-
Companies registered under the Companies Act	Company Registration Number	-
Non-Governmental Organizations	Registration Number issued by the National Secretariat for Non-Governmental Organizations	-
Institutions registered under divisional/local government bodies such as Proprietorships/Partnerships/Joint Ventures, etc.	Business Registration Number	-
All other entities such as clubs, associations, societies, etc.	Registration Number issued by the relevant Authorities	-

Banking Act Directions No. 08 of 2022

18 November 2022

REGULATORY REQUIREMENTS ON LIQUIDITY RATIOS

The Monetary Board, considering the extraordinary circumstances caused by the current macroeconomic conditions, issues the following Directions to licensed commercial banks and licensed specialised banks.

1. **Empowerment**
 - 1.1 In terms of Section 21(1) of the Banking Act, every licensed commercial bank (LCB) shall maintain liquid assets in such amount as may from time to time be determined by the Monetary Board having regard to the nature of the business carried on by such bank provided that the percentage determined by Monetary Board shall not be less than 20 per cent and not more than 40 per cent.
 - 1.2 In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.3 In terms of Section 76J(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
2. **Statutory Liquid Assets Ratio (SLAR)**
 - 2.1 Commencing from December 2022, licensed commercial banks are required to maintain liquid assets of an amount not less than 20% of total adjusted liabilities, on a consolidated basis for the overall bank, until further notice.
 - 2.2 The requirement to maintain SLAR separately for Domestic Banking Unit (DBU) and Off-shore Banking Unit (OBU) as stipulated under the Circulars dated 21 January 2003, 08 October 2003 and 20 May 2004 is temporarily deferred.

- 2.3 Licensed commercial banks shall continue the reporting of separate SLAR for DBU and OBU to the Bank Supervision Department for monitoring purposes.
3. **Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)**
- 3.1 Licensed commercial banks and licensed specialised banks are permitted to maintain an LCR and NSFR at a level not less than 90% up to 31.12.2022, as a short-term measure to allow further time to adjust the liquidity profiles of licensed banks, with enhanced supervision and frequent reporting.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Determination No. 01 of 2022

05 December 2022

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(l) and 76D (6) of the Banking Act No. 30 of 1988, 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 2023 to the Central Bank of Sri Lanka on or before 31st January 2023, based on the total assets of such bank as per regulatory reporting as at the end of 2022, as set out in the Table below.

Annual licence fee for the year 2023

Total Assets as at the end 2022 (Rs. Bn)	Licence Fee (Rs. Mn)
Above 2,000	38.0
Above 1,000 to 2,000	35.0
Above 500 to 1,000	28.5
Above 200 to 500	25.0
Above 125 to 200	18.5
Above 75 to 125	12.5
25 to 75	6.5
Less than 25	3.3

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

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

No. - 2263/41- FRIDAY, JANUARY 21, 2022
 (Published by Authority)

**PART I : SECTION (I) — GENERAL
 Central Bank of Sri Lanka Notices
 MONETARY LAW ACT, No. 58 OF 1949**

Rules made under section 10(c) read with section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Central Bank of Sri Lanka
 Colombo,
 21 January, 2022

ACCEPTANCE OF FOREIGN EXCHANGE WITHIN SRI LANKA BY HOTEL SERVICE PROVIDERS

1. These Rules shall be cited as the "Acceptance of foreign exchange within Sri Lanka by Hotel Service Providers Rules, No. 01 of 2022", and shall be effective from 21 January 2022.
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the Acceptance of foreign exchange within Sri Lanka by hotel service providers.
3. Hotel service providers registered with and licensed by the Sri Lanka Tourism Development Authority are hereby required to accept payments in respect of services rendered to persons resident outside Sri Lanka only in foreign exchange with effect from the date of these Rules.
4. Foreign currency so accepted in terms of Rule 3 above shall be sold to a licensed commercial bank or to a permitted licensed specialized bank or credited into a Business Foreign Currency Account of the hotel service provider within three business days from the date of acceptance of such foreign currency.
5. All payments made through electronic fund transfer cards in terms of Rule 3 above shall forthwith be credited into a Business Foreign Currency Account of the hotel service provider.
6. Without prejudice to Rule 3 above, a hotel service provider may accept payments in respect of services rendered to a person resident outside Sri Lanka in Sri Lanka Rupees provided that such person submits original documentary evidence to the effect that such Sri Lanka Rupees represent the foreign currency brought into Sri Lanka by persons resident outside Sri Lanka and converted through an authorized dealer or restricted dealer.
7. A hotel service provider shall endorse the original documents provided to him by a person resident outside Sri Lanka and retain copies of such documentary evidence for a period of six years or such other record keeping period imposed by law as may be applicable, from the date of acceptance such Sri Lanka Rupees.
8. All hotel service providers shall submit reports and/or statements to the Sri Lanka Tourism Development Authority with copies to the Department of Foreign Exchange of the Central Bank of Sri Lanka as may be required from time to time, by the Director General of the Sri Lanka Tourism Development Authority and/or the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka.
9. All hotel service providers shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorized by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained for the purposes of these Rules, and review all actions taken by such hotel service providers in ensuring full and strict compliance with these Rules.
10. The Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any hotel service provider.
11. For purposes of these Rules -

"authorized dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Electronic Fund Transfer Card" 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 Directions issued under the Foreign Exchange Act, No. 12 of 2017 in respect of Electronic Fund Transfer Cards;

"Foreign exchange" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017 provided that any such payments in foreign exchange shall be made in designated foreign currency as identified under the Regulations issued under the Foreign Exchange Act, No. 12 of 2017 and the Offshore Banking Order issued under the Banking Act, No. 30 of 1988;

"hotel service provider" shall mean Tourist enterprises including hotels, villas, bungalows, guest houses, home stays or any other entity connected thereto, and Tourist services registered with and licensed by Sri Lanka Tourism Development Authority in terms of provisions of the Tourism Act, No. 38 of 2005;

"Person resident outside Sri Lanka" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 01 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Personal Foreign Currency Accounts (PFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 4 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on PFCAs (the Directions), is hereby amended, as follows.

- I. In addition to the **Permitted Debits** specified in the **Paragraph 1.4** of the Directions, following shall be included and read as item (t) thereof.
 - (t) where account holder is a Sri Lankan employed abroad (other than an emigrant), transfers to Business Foreign Currency Accounts of the Local Educational Institutions being payment of course or tuition fees in respect of immediate family members who have been enrolled as students of such Educational Institutions.

Director-Department of Foreign Exchange
24 February 2022

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 02 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 5 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on BFCAs (the Directions), is hereby amended, and read as follows.

- I. In addition to the **Permitted Credits** specified in the **Paragraph 1.3.** of the Directions, following shall be included and read as **item (y)** thereof.
 - (y) in the event where account holder is a local educational institution; transfers from the Personal Foreign Currency Accounts of Sri Lankans employed abroad (other than emigrants) being receipts of course or tuition fees in respect of their immediate family members enrolled as students.

Director-Department of Foreign Exchange
24 February 2022

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

No. 2270/66 - FRIDAY, MARCH 11, 2022
(Published by Authority)

**PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, NO. 58 OF 1949**

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Central Bank of Sri Lanka
Colombo,
11th March, 2022.

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as the “Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2022”.
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka Rupees.
3. Every exporter of goods and/ or services shall;
 - (i) mandatorily receive the export proceeds in Sri Lanka, in respect of all goods exported and/ or services provided outside Sri Lanka, within one hundred and eighty (180) days from the date of shipment or provisioning of services, as the case may be; and,
 - (ii) immediately upon all and every receipt/s of export proceeds being received, forthwith submit all related documentary evidence on each and every receipt of export proceeds, in respect of every export of goods and/ or services to the respective Licensed Commercial Bank or a permitted Licensed Specialized Bank (hereinafter referred to as a “licensed bank”), that receives such proceeds, in Sri Lanka.
4. Every exporter of goods and/ or services, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned authorized payments, on or before the seventh (7th) day of the following month,
 - i. outward remittances for current transactions related to the particular export of goods and/ or services including one-month commitments therein;
 - ii. withdrawal in foreign currency notes or transfer of funds for travel purposes related to export of goods and/ or services;
 - iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods and/ or services, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended, including one-month loan commitments;
 - iv. payments of dividends declared to non-resident investors and/ or payments of salaries to expatriate employees who are foreign nationals or dual citizens as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017;
 - v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received and;
 - vi. payments to local suppliers permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017 for the purchases related to the particular export of goods and/ or services.
5. Such date of conversion mentioned in Rule 4 above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than one hundred and eighty (180) days from the date of shipment or provisioning of services).
6. Every local supplier, who receives payments in foreign currency out of the export proceeds in terms of Rule 4 (vi) above, shall mandatorily convert the residual of such receipts into Sri Lanka Rupees, upon utilizing the same only in respect of the authorized payments as stipulated in items (i) to (v) of the Rule 4 above, on or before the seventh (7th) day of the following month.
7. The Monetary Board may, at its discretion, grant exemptions to any or all of the requirements under these Rules only in respect of exporters of goods and/ or services registered as ‘Strategic Development Projects’ with the Board of Investment of Sri Lanka under the Strategic Development Projects Act, No. 14 of 2008, as amended, on a case-by-case basis.
8. All licensed banks shall be required to strictly and mandatorily monitor the receipts of exports proceeds in Sri Lanka, within the period stipulated in Rule 3 above and the conversion of such proceeds as required in Rules 4 and 6 above and shall at all times, maintain all necessary documentary evidence relating to, or in connection therewith.
9. All licensed banks shall submit reports and/or statements to the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka, as may be required from time to time and shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorized by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 8 above, and review all actions taken by such licensed banks in ensuring full and strict compliance with these Rules.

10. The Director of the Department Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any exporter/ local supplier or licensed bank, in respect of the export of goods and/ or services, in terms of these Rules.
11. These Rules shall apply in respect of all and every export of goods and/ or services, made on or after the effective date of these Rules, and shall also apply to the export of goods and/ or services, made prior to the effective date of these Rules, where the hundred and eightieth (180th) date from the date of the shipment of such goods or provisioning of services falls on any date after these Rules come into force.
12. For the avoidance of any doubt, and for the purposes of these Rules, "Export Proceeds" shall include such proceeds required to be repatriated into Sri Lanka, under and in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021, published in the *Gazette (Extraordinary)* Notification No. 2213/37, dated 03 February 2021, as amended, proceeds of export bills purchases (bill discounting), payments received through local agents/ intermediaries for the goods and/ or services exported by local service providers/ local manufacturers and payments received in foreign exchange by a person resident in Sri Lanka for the services provided including professional, vocational, occupational or business services provided to a person resident outside Sri Lanka.
13. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialized Bank", shall have the meaning assigned to them in terms of the provisions of the Banking Act, No. 30 of 1988, as amended.
14. For the purposes of these Rules, the term "current transactions" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
15. For the purposes of these Rules, the term "withdrawal of foreign currency notes or transfer of funds for travel purposes" shall be in terms of the Directions issued to the licenced banks by the Central Bank of Sri Lanka, under the Section 9 of the Foreign Exchange Act, No.12 of 2017, in that behalf.
16. The Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2251/42, dated 28 October 2021, is hereby repealed.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 03 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Designation of Thai Baht

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 1 of 2021, Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021, Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021, Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 and Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the *Gazette (Extraordinary)* Notification Nos. 2213/34, 2213/35, 2213/36, 2213/37 and 2213/38, respectively, dated 03.02.2021 (the Regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers are hereby informed that,

designated foreign currencies shall also include 'Thai Baht' for the purposes of the Regulations and Directions issued under FEA.

Director-Department of Foreign Exchange
11 March 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
No. 2273/06 - MONDAY, MARCH 28, 2022
(Published by Authority)

PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017

1. The Regulations published in the Gazette Extraordinary No. 2170/4 on 8 April, 2020 as amended by the Regulations published in the Gazette Extraordinary No. 2202/7 on 17 November, 2020 and Gazette Extraordinary No 2222/37 on 07 April, 2021, are hereby further amended as follows :-
 - (a) The words “Twenty-Four months” appearing in paragraph 1 are hereby repealed and replaced by the words “Thirty-Six months”.
2. The Regulations published in the Gazette Extraordinary No. 2182/32 on 1 July, 2020 as amended by the Regulations published in the Gazette Extraordinary No. 2202/7 on 17 November, 2020 and Gazette Extraordinary No 2222/37 on 07 April, 2021, are hereby further amended as follows :-
 - (a) The words “Twenty-Four months” appearing in paragraph 1 and paragraph 2 are hereby repealed and replaced by the words “Thirty-Six months”.

BASIL RAJAPAKSA,
Minister of Finance,

Colombo,
28 March , 2022

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS NO. 04 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017
Directions issued to Authorized Dealers on the Special Deposit Accounts**

In terms of the Regulations published in the Gazette Extraordinary No. 2170/4 dated 08 April 2020, the subsequent Regulations published in the Gazette Extraordinary No. 2182/32 dated 01 July 2020, No. 2196/22 dated 06 October 2020, No. 2202/7 dated 17 November 2020, No. 2222/37 dated 07 April 2021, No. 2234/19 dated 30 June 2021 and No. 2273/06 dated 28 March 2022 (the regulations) and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), the Directions No. 25 of 2021 are amended as follows.

2. Directions No. 25 of 2021

2.1. The word “Twenty-four” appearing in the paragraph 3 (a) and 7 (b) is hereby repealed and replaced by the word “Thirty-six”.

**Director-Department of Foreign Exchange
07 April 2022**

**The Gazette of the Democratic Socialist Republic of Sri Lanka
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No. 2282/27 - WEDNESDAY, JUNE 01, 2022
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**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017**

Order under section 4

By virtue of the powers vested in me by Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017, I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies, hereby repeal the “Order under Section 4” published in the *Gazette (Extraordinary)* Notification No. 2220/69 dated 26 March 2021.

RANIL WICKREMESINGHE,
**Minister of Finance, Economic Stabilization
and National Policies.**

Colombo,
31st May, 2022.

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

No. 2282/59 - FRIDAY, JUNE 03, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017**

REGULATIONS made by the Minister of Finance under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017

RANIL WICKRAMASINGHE,
**Minister of Finance, Economic Stabilization
and National Policies**

Colombo,
31st May, 2022

Regulations

1. These regulations may be cited as the Foreign Exchange (Investments in Colombo Port City) Regulations No. 1 of 2022.
2. Permission is hereby granted for any person resident outside Sri Lanka or any company incorporated in Sri Lanka which is fully owned by persons resident outside Sri Lanka or joint venture registered/incorporated in Sri Lanka (i.e. investor), to make investments in Colombo Port City out of inward remittances received from overseas being the funds to finance the investments in Colombo Port City, subject to the permission granted under the provisions of Colombo Port City Economic Commission Act, No. 11 of 2021.
3. The investor shall open "Colombo Port City Investment Account - Investor" with an authorized dealer in Sri Lanka, subject to the directions issued to authorized dealer by the Central Bank, to route the proceeds of investments in Colombo Port City and repatriate any income or capital proceeds of such investment which is payable to the nonresident investor.
4. The investee established in the Colombo Port City under the provisions of Colombo Port City Economic Commission Act, No. 11 of 2021 shall receive the investment proceeds to the credit of "Colombo Port City Investment Account - Investee" opened with an authorized dealer in Sri Lanka, subject to the directions issued to authorized dealers by the Central Bank.
5. For the purpose of these regulations –
"authorized dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
"joint ventures" means a company incorporated under the Companies Act, No. 7 of 2007 owned by resident and nonresident shareholders or any joint venture agreement entered into between resident and nonresident persons, for the purpose of investment in Colombo Port City.

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

No. 2282/60 - FRIDAY, JUNE 03, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017**

REGULATIONS made by the Minister of Finance under Section 29 read with Sections 5,7 and 8 of the Foreign Exchange Act, No. 12 of 2017.

RANIL WICKRAMASINGHE,
**Minister of Finance, Economic Stabilization
and National Policies**

Colombo,
31st May, 2022

Regulations

The Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette Extraordinary Notification No. 2213/38 dated 03 February 2021 issued under the Foreign Exchange Act, No. 12 of 2017 (the regulations), are hereby amended as follows.

Following is inserted as sub-paragraph (3) of Paragraph 2 of the Schedule of the regulations.

- (3) “The following persons resident in Sri Lanka who earn foreign exchange from an authorized person who is permitted to engage in business in and from the Area of Authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.
- (a) An employee of an authorized person;
 - (b) Any person who is engaged in business with an authorized person for the purpose of provisioning of goods or services”.

The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY

No. 2284/34 - THURSDAY, JUNE 16, 2022
(Published by Authority)

PART I : SECTION (I) — GENERAL Government Notifications FOREIGN EXCHANGE ACT, No. 12 of 2017

Order under Section 8

BY virtue of the powers vested in me by Paragraphs (a) and (b) of subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies do by this Order, amend the Order issued under Section 8 of the Act as published in the Gazette Extraordinary Notification No. 2213/39 dated February 03, 2021 (the Order) as follows;

- I. The words “USD 15,000” appearing in sub-paragraph (1) of paragraph 1 and item (b) of sub-paragraph (2) of paragraph 2 of Part II of the Schedule are hereby repealed and replaced by the words “**USD 10,000**”.
- II. The followings are inserted and read as **Part III** of the Schedule to the Order.
 - (1) Notwithstanding the time period and value limits mentioned in paragraph 1 and paragraph 2 of Part II of the Schedule herein, any person in, or resident in, Sri Lanka who holds foreign currency notes which have been legally acquired and so retained in his possession, may;
 - a. deposit such foreign currency into a Personal Foreign Currency Account or to a Business Foreign Currency Account opened and maintained, as the case may be, with an authorized dealer, in the name of such person; or
 - b. sell such foreign currency to an authorized dealer.

within the amnesty period of fourteen (14) working days from the effective date of this Order and no later, upon furnishing necessary evidence relating to the lawful acquisition of such foreign currency, to the satisfaction of the respective authorized dealer.
 - (2) Any person in, or resident in, Sri Lanka, who holds foreign currency notes in his possession which have been acquired otherwise than as contemplated in clause II (1) above, shall be mandatorily required to sell such foreign currency so retained, to an authorized dealer, **within the amnesty period of fourteen (14) working days from the effective date of this Order and no later.**
 - (3) The Central Bank of Sri Lanka shall have and exercise the right to forthwith initiate actions against any violation or transgression of the Order, by all such persons who hold foreign currency notes in his possession, beyond the period of retention of foreign exchange as stipulated in the Order, in terms of the provisions of Section 11 of the Act.

RANIL WICKREMESINGHE,
**Minister of Finance, Economic Stabilization
and National Policies**

Ministry of Finance
Colombo 01,
13 June 2022.

For the purpose of this Order -

“Act” means the Foreign Exchange Act, No. 12 of 2017;

“authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“person” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“resident in Sri Lanka” shall have the same meaning in terms of the Order issued under Section 31 of the Foreign Exchange Act, No. 12 of 2017 as published in the Gazette (Extraordinary) Notification No. 2213/40 dated 03.02.2021, as amended.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 05 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

**Directions issued to Restricted Dealers who are solely engaged in money changing business
(Money Changers) on Buying, Selling and Exchanging Foreign Currencies**

In terms of the section 9 read with section 4(2) of the Foreign Exchange Act, No. 12 of 2017 (FEA), the Directions No. 11 of 2020 dated 15.12.2020 issued to Restricted Dealers (RDs) on buying, selling, and exchanging foreign currencies (the Directions), is hereby amended to read as follows.

In addition to the **General Conditions** specified in the **Paragraph 2** of the Directions, the following shall be included and read as **items (2.14), (2.15) and (2.16)** thereof.

- (2.14) Money Changer **shall not offer** higher exchange rates to customers than the exchange rates offered to the Money Changers by Authorized Dealers with whom the Money Changers maintain accounts to deposit foreign currencies.
- (2.15) Every Money Changer shall take necessary precautions and timely actions to make sure continuous and uninterrupted operations of the Closed-Circuit Television (CCTV) System.
- (2.16) Every Money Changer shall maintain CCTV recordings for a minimum period of 30 days and shall provide the same upon the request of the Director of the Department of Foreign Exchange.

**Director-Department of Foreign Exchange
15 June 2022**

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2284/40 - THURSDAY, JUNE 16, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

MONETARY LAW ACT, No. 58 OF 1949

Rules made under section 10(c) read with section 68 of the Monetary Law Act, No. 58 of 1949

P. NANDALAL WEERASINGHE

**Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
Colombo,
16 June, 2022

ACCEPTANCE OF FOREIGN EXCHANGE WITHIN SRI LANKA BY HOTEL SERVICE PROVIDERS

The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby repeals the “Acceptance of foreign exchange within Sri Lanka by Hotel Service Providers Rules, No. 01 of 2022” published in the Gazette (Extraordinary) Notification No. 2263/41 dated 21 January 2022, with immediate effect.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 06 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

**Directions issued to Authorized Dealers on the Colombo Port City Investment
Account – Investor (CPCIA - Investor)**

In terms of the Foreign Exchange (Investments in Colombo Port City) Regulations No. 1 of 2022 published in the Gazette (Extraordinary) Notification No.2282/59 dated 03 June 2022 and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to open and maintain Colombo Port City Investment Account- Investor (CPCIA- Investor) subject to the following.

2. Eligible Persons

Any person resident outside Sri Lanka or any company incorporated in Sri Lanka which is fully owned by persons resident outside Sri Lanka or joint venture for the purpose of making investments in the Colombo Port City.

3. Opening and Maintaining the Accounts

CPCIA-Investor may be opened and maintained in the form of savings accounts in any designated foreign currency.

4. Permitted Credits

- (a) Any inward remittances being funds for financing the investments in the Colombo Port City which have been permitted under the provisions of the Colombo Port City Economic Commission Act, No 11 of 2021.
- (b) Any income or capital proceeds payable to the non-resident investor on the investments in the Colombo Port City.
- (c) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Transfers to Colombo Port City Investment Account - Investee on the investments in the Colombo Port City.
- (b) Local disbursements in Sri Lanka Rupees
- (c) Any transfer as permitted by the Colombo Port City Economic Commission.

6. Other Conditions

- (a) When proceeding any permitted credit, under no circumstance funds shall be credited to CPCIA- Investor by conversion of Sri Lanka Rupees.
- (b) ADs shall obtain adequate documentary evidence, at the time of opening CPCIA- Investor to determine the applicant's eligibility in terms of the requirement of the account.
- (c) ADs shall exercise due diligence in exercising the transactions permitted in foreign exchange through CPCIA- Investor in terms of these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through CPCIA- Investor, up to a period of 6 years period from the closure of CPCIA- Investor or such other period as may be specified in any other written law applicable to for such ADs, as the case may be.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining of CPCIA- Investor under these Directions in a format as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department.
- (b) ADs are required to implement a system within the bank to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

8. Closure of the CPCIA-Investor

- (a) ADs shall close the CPCIA-Investor with approval of the Colombo Port City Economic Commission.
- (b) ADs shall inform such closure to the D/DFE via an email (including details on Name of accountholder, account No, reasons to closure) to dfem@cbsl.lk within one week from the date of the closure.

9. For the Purpose of these Directions

"designated foreign currency" shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.

“joint ventures” means a company incorporated under the Companies Act No 7 of 2007 owned by resident and nonresident shareholders or any joint venture agreement entered into between resident and nonresident persons, for the purpose of investment in Colombo Port City.

Director-Department of Foreign Exchange
28 June 2022

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS NO. 07 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017
Directions issued to Authorized Dealers on the Colombo Port City Investment
Account – Investee (CPCIA - Investee)

In terms of the Foreign Exchange (Investments in Colombo Port City) Regulations No. 1 of 2022 published in the Gazette (Extraordinary) Notification No.2282/59 dated 03 June, 2022 and Section 9 read with Section 7 and 6 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to open and maintain Colombo Port City Investment Account- Investee (CPCIA- Investee) to facilitate the investments in the Colombo Port City, subject to the following.

2. Eligible Persons

An authorized person under the provisions of Colombo Port City Economic Commission Act No. 11 of 2021.

3. Opening and Maintaining the Accounts

- (a) The CPCIA-Investee may be opened and maintained in the form of savings accounts in any designated foreign currency.
- (b) Eligible persons shall open CPCIA – Investee as a sole account.

4. Permitted Credits

- (a) Transfers from the Colombo Port City Investment Account – Investor.
- (b) Income earned or other receivable, in foreign currency of the accountholder.
- (c) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Local disbursements in Sri Lanka Rupees.
- (b) Transfers to the Colombo Port City Investment Account – Investor, being any income or capital proceeds payable to the non-resident investor on the investment made.
- (c) Any transfer/payment on transaction as permitted by the Colombo Port City Economic Commission.

6. Other Conditions

- (a) When proceeding any permitted credit, under no circumstances shall funds be credited to CPCIA- Investee by conversion of rupees.
- (b) ADs shall obtain adequate documentary evidence at the time of opening CPCIA- Investee to determine the applicant’s eligibility in terms of the requirement of the account.
- (c) ADs shall exercise due diligence in exercising the transactions permitted in foreign exchange through CPCIA- Investee in terms of these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through this CPCIA- Investee, up to a period of 6 years from the closure of CPCIA- Investee or such other period as may be specified in any other written law applicable to for such ADs, as the case may be.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining of CPCIA- Investee under these Directions in a format as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department.
- (b) ADs are required to implement a system within the bank to generate or extract the relevant information from banks’ books of accounts, as per the above reporting requirement.

8. Closure of the CPCIA-Investor

- (a) ADs shall close the CPCIA-Investee with the permission of the Colombo Port City Economic Commission.
- (b) ADs shall inform such closure to the D/DFE via an email (including details on Name of accountholder, account number, reasons for closure) to dfem@cbsl.lk within one week from the date of the closure.

9. For the Purpose of these Directions

- (a) **“designated foreign currency”** shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.

Director-Department of Foreign Exchange**28 June 2022****The Gazette of the Democratic Socialist Republic of Sri Lanka****EXTRAORDINARY**

NO. 2286/27- THURSDAY, JUNE 30, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL**Central Bank of Sri Lanka Notices****FOREIGN EXCHANGE ACT, NO. 12 OF 2017****Order under Section 22**

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies, do by this Order,

- i. Suspend the repatriation of funds under the migration allowance out of funds received as monetary gifts by an emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets), under the general permission granted in the Part I of the Schedule of the Regulations No. 3 of 2021 published in the *Extraordinary Gazette Notifications* No. 2213/36 dated 03 February 2021 (herein after referred to as “Regulations No. 3 of 2021”).
- ii. Limit the repatriation of funds under the migration allowance through Capital Transactions Rupee Accounts by the emigrants who have already claimed migration allowance under the general permission stated in the Regulations No. 3 of 2021, by the date of this Order, up to a maximum of USD 10,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- iii. Limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time under the general permission stated in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- iv. Limit the repatriation of any current income or accumulated current income (including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits) by the emigrants through the Capital Transaction Rupee Accounts or Emigrant’s Remittable Income Accounts, under the general permission granted in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- v. Limit the outward remittances or issuance of foreign exchange for any Sri Lankan individual who resides in or outside Sri Lanka and has obtained Temporary Residence Visa of another country, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Regulations No. 3 of 2021.
- vi. Limit the issuance of foreign exchange for any person resident in Sri Lanka who intends to leave Sri Lanka under the Temporary Residence Visa of another country up to a maximum of USD 10,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Schedule of the Regulations No. 4 of 2021 published in the *Extraordinary Gazette Notifications* No. 2213/37 dated 03 February 2021.
- vii. Suspend making payments through Outward Investment Accounts for the purpose of making investments in overseas by persons resident in Sri Lanka under general permission granted in the Schedule of the Regulations No. 1 of 2021 published in the *Extraordinary Gazette Notifications* No. 2213/34 dated 03 February 2021, (herein after referred to as “Regulations No. 1 of 2021”) excluding:

- a. investments to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Act, or
- b. an additional investment to be made to fulfill the regulatory requirements in the investee's country applicable on the investment already made in compliance with the provisions of the Act or repealed Exchange Control Act, in a company or a branch office in that country, or
- c. an additional investment/infusion of funds (as applicable) to be made by eligible resident companies in already established subsidiaries or branch offices in overseas incorporated/established subject to the provisions of the Act or repealed Exchange Control Act, up to a maximum of USD 15,000 or equivalent in any other designated foreign currency, for the purpose of working capital requirements of the investee, or
- d. the remittances for the purpose of maintenance of liaison, marketing, agency, project, representative or any other similar offices already established in overseas subject to the provisions of the Act or repealed Exchange Control Act, by eligible resident companies, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency;

provided that, the Head of Department of Foreign Exchange is satisfied with the fulfillment of such requirement.

- viii. Suspend making outward remittances by a company incorporated under the Companies Act, No. 7 of 2007, being a subsidiary or branch office of a company incorporated overseas, on behalf of its employees for the purpose of contributing to an Employee Share Ownership Plan or Employee Share Option Scheme, under general permission granted in the paragraph 6 of the Part I of Schedule of the Regulations No. 1 of 2021.
- ix. Limit the outward remittances on capital transactions through Business Foreign Currency Accounts or/and Personal Foreign Currency Accounts held by a person resident in Sri Lanka, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- x. The Monetary Board shall have the authority to grant permission in terms of the Section 7(10) of the Act for the investments on case-by-case basis which exceeds the limits specified in the general permission granted in the Regulations No. 1 of 2021 provided that,
 - a. the proposed investment is to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Act, or
 - b. the proposed investment is to be made to fulfill the regulatory requirement in the investee's country applicable on the investment already made in a company or branch office in that country in compliance with the provisions of the Act or repealed Exchange Control Act.

This Order is valid for a period of six months from the date of this Order.

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
29 June, 2022.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 08 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Personal Foreign Currency Accounts (PFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No.2282/60 dated 03.06.2022 and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 4 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on PFCAs (the Directions), is hereby amended, as follows.

- I. In addition to the **Permitted Credits** specified in the **Paragraph 1.3** of the Directions, following shall be included and read as **item (v)** thereof.

- (v) Earnings/ Payments in foreign exchange received by the account holder from a foreign currency account of an authorized person who is permitted to engage in business in and from the area of authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.

Director-Department of Foreign Exchange
30 June 2022

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS NO. 09 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No. 2282/60 dated 03.06.2022 (the regulations) and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 5 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on BFCAs (the Directions), is hereby amended, and read as follows.

- I. In addition to the **Permitted Credits** specified in the **Paragraph 1.3.** of the Directions, the following shall be included and read as **item (z)** thereof.
- (z) Earnings/ Payments in foreign exchange received by the account holder who is an eligible person to open and maintain BFCAs in terms of the sub-paragraph (3) of Paragraph 2. of the Schedule of the regulations from a foreign currency account of an authorized person who is permitted to engage in business in and from the area of authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.

Director
Department of Foreign Exchange
30 June 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
NO. 2287/16 - TUESDAY, JULY 05, 2022
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PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Order under Section 8

BY virtue of the powers vested in me by Paragraphs (a) and (b) of Subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies do by this Order, further amend the Order issued under Section 8 of the Act as published in the Gazette Extraordinary Notification No. 2213/39 dated February 03, 2021, as amended by the Order issued under section 8 of the Act, published in the Gazette Extraordinary Notification No. 2284/34 dated June 16, 2022 as follows;

The amnesty period of fourteen (14) working days granted under paragraph (1) and (2) of Part III of the Schedule of the Order shall be extended for a further period of fourteen (14) working days from the expiration of the period of fourteen (14) working days granted under the Gazette Extraordinary Notification No. 2284/34 dated June 16, 2022, and no later.

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
05 July 2022.

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

NO. 2292/50 - FRIDAY, AUGUST 12, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL**Central Bank of Sri Lanka Notices****MONETARY LAW ACT, NO. 58 OF 1949****RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949**

P. NANDALAL WEERASINGHE

**Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.**Central Bank of Sri Lanka
Colombo 01,
12 August, 2022**REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA**

1. These Rules shall be cited as "Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2022".
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2022 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2270/66 dated 11th March 2022, are hereby amended by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rule.

"4. Every exporter of goods, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned authorized payments, on or before the seventh (7th) day of the following month,

- i. outward remittances for current transactions related to the particular export of goods including one-month commitments therein;
- ii. withdrawal in foreign currency notes or transfer of funds for travel purposes related to export of goods;
- iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended, including one-month loan commitments;
- iv. payments of dividends declared to non-resident investors and/ or payments of salaries to expatriate employees who are foreign nationals or dual citizens as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017;
- v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received; and
- vi. payments to local suppliers who are permitted to receive payments in foreign currency in terms of the Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 for the purchases related to the particular export of goods.

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

NO. 2293/07 - MONDAY, AUGUST 15, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, NO. 12 OF 2017****Order under Section 8**

BY virtue of the powers vested in me by Paragraphs (a) and (b) of subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies do by this Order,

amend the Order issued under Section 8 of the Act as published in the Gazette Extraordinary Notification No. 2213/39 dated February 03, 2021 (the Order) by inserting the followings as Part III of the Schedule to the Order.

- (1) Notwithstanding the time period and value limits mentioned in paragraph 1 and paragraph 2 of Part II of the Schedule herein, any person in, or resident in, Sri Lanka who holds foreign currency notes which have been legally acquired and so retained in his possession, may;
 - a. deposit such foreign currency into a Personal Foreign Currency Account or to a Business Foreign Currency Account opened and maintained, as the case may be, with an authorized dealer, in the name of such person; or
 - b. sell such foreign currency to an authorized dealer.

within the amnesty period of one (1) month from the effective date of this Order and no later, upon furnishing necessary evidence relating to the lawful acquisition of such foreign currency, to the satisfaction of the respective authorized dealer.
- (2) Any person in, or resident in, Sri Lanka, who holds foreign currency notes in his possession which have been acquired otherwise than as contemplated in clause II (1) above, shall be mandatorily required to sell such foreign currency so retained, to an authorized dealer, **within the amnesty period of one (1) month from the effective date of this Order and no later.**
- (3) The Central Bank of Sri Lanka shall have and exercise the right to forthwith initiate actions against any violation or transgression of the Order, by all such persons who hold foreign currency notes in his possession, beyond the period of retention of foreign exchange as stipulated in the Order, in terms of the provisions of Section 11 of the Act.

RANIL WICKREMESINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
15 August 2022.

For the purpose of this Order -

“Act” means the Foreign Exchange Act, No. 12 of 2017;

“authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“person” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“resident in Sri Lanka” shall have the same meaning in terms of the Order issued under Section 31 of the Foreign Exchange Act, No. 12 of 2017 as published in the Gazette (Extraordinary) Notification No. 2213/40 dated 03.02.2021, as amended.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 10 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Designation of Indian Rupees (INR)

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 1 of 2021, Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021, Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021, Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 and Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021, published in the Gazette (Extraordinary) Notification Nos. 2213/34, 2213/35, 2213/36, 2213/37 and 2213/38, respectively, dated 03.02.2021, any amendments thereto (the Regulations), and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers are hereby informed that, **designated foreign currencies** shall also include ‘**Indian Rupees (INR)**’ for the purposes of the Regulations and Directions issued under the FEA.

**Additional Director
Department of Foreign Exchange
26 August 2022**

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO.2296/12 - THURSDAY, SEPTEMBER 08, 2022

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PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

FOREIGN EXCHANGE ACT, NO. 12 OF 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

The Regulations published in the *Gazette Extraordinary* No. 2234/19, dated 30 June, 2021, are hereby amended as follows;

- (a) The words "Twenty – Four months" appearing in the Regulations are hereby repealed and replaced by the words "Thirty – Six months".

RANIL WICKRAMASINGHE,
**Minister of Finance, Economic Stabilization
and National Policies**

Ministry of Finance
Colombo 01,
08 September, 2022

DEPARTMENT OF FOREIGN EXCHANGE

CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 11 OF 2022 UNDER THE FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on the Golden Paradise Visa Programme - Special Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the *Gazette (Extraordinary)* Notification No. 2213/38 dated 03.02.2021 and section 9 read with sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are hereby permitted to open and maintain **Golden Paradise Foreign Currency Accounts (GPFCA)** in the names of foreign nationals who wish to stay in Sri Lanka on 10 years resident visas under the '**Golden Paradise Visa Programme**' implemented by the Department of Immigration and Emigration (Implementing Agency), subject to the following.

2. Opening and Maintaining the Accounts

- (a) Applicants shall open GPFCA upon submission of written requests made by the Controller General of Immigration and Emigration (CGIE) with a minimum initial deposit of **USD 200,000** or its equivalent in any other designated foreign currency.
- (b) GPFCA shall be maintained as savings or term deposit accounts in any designated foreign currency in the domestic banking units.
- (c) Applicants may withdraw up to 50% of the initial deposit amount so referred to in paragraph 2 (a) of these Directions for the purposes of local expenditure and for remittances in respect of current transactions, only after completion of the first year from the date of issuance of visas under the Golden Paradise visa programme.
- (d) Any balance funds upon withdrawals as referred to in paragraph 2 (c) above shall be held as a deposit in the GPFCA throughout the validity period of the visas under this programme.

3. Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka through the banking channel in favour of the account holder.
- (b) Foreign exchange brought into Sri Lanka by the account holder upon declaration.
- (c) Interest earned in foreign currency on the funds held in the account.

4. Permitted Debits

- (a) Remittances for payments in respect of current transactions of the account holder, spouse and dependents accompanying the account holder, who are residing in Sri Lanka under the Golden Paradise visa programme, subject to the paragraphs 2(c) and 2(d) above.

- (b) Disbursements in Sri Lanka in Sri Lanka Rupees subject to the paragraphs 2(c) and 2(d) above.
- (c) Repatriation of funds to an account maintained outside Sri Lanka in the name of the account holder, upon lapse of the 10-year resident visas under the Golden Paradise visa programme or as per a written request made by the CGIE upon cancellation of the resident visas, under the subject programme.
- 5. Other Conditions**
- (a) ADs shall ensure that transactions/ transfers under the permitted debits specified in paragraphs 4(a) to 4(c) are carried out by the account holder subject to the requirements specified in paragraphs 2(c) and 2(d) of these Directions.
- 6. Monthly Returns**
- (a) ADs are required to submit the information on the accounts opened under these Directions in a format prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department on or before the 15th day of the following month, by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank to generate or extract the relevant information from their books of accounts, as per the above reporting requirement.
7. ADs shall require prior permission of the D/DFE with the concurrence of the Implementing Agency of the scheme, for any transaction/transfer to/from GPFCA for any purpose which falls outside the purview of these Directions.
- 8. For the purpose of these Directions**
- (a) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
- (b) **“Declaration”** shall refer to the declaration to the Department of Customs where foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to an AD where such foreign exchange is less than or equal to USD 15,000 or its equivalent in other foreign currencies;
- (c) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
9. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director

Department of Foreign Exchange

03 November 2022

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EXTRAORDINARY

NO. 2308/51 - FRIDAY, DECEMBER 02, 2022

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PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

FOREIGN EXCHANGE ACT, NO. 12 OF 2017

REGULATIONS made by the Minister of Finance under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017 (the Act).

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
02 December, 2022

Regulations

1. These regulations may be cited as the Foreign Exchange (Short Term Foreign Currency Loans from a Company Incorporated Outside Sri Lanka) Regulations No. 2 of 2022.

2. Permission is hereby granted for companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, which import raw materials for manufacturing of their products which have a domestic value addition of at least 30% (borrower), to obtain foreign currency loans with a tenure of less than three (3) years including a minimum grace period of one (1) year, from the parent company or a company within the same group of companies incorporated outside Sri Lanka (lender), for the purpose of financing the payments of such imports, subject to the following terms and conditions, and in accordance with the directions issued by the Central Bank of Sri Lanka under the provisions of the Act.
 - i. The borrower shall obtain a recommendation from the Secretary, Ministry of Industries that the final product manufactured by the company using such raw materials to be imported, has a domestic value addition of at least 30%.
 - ii. The borrower shall open and maintain a "Special Foreign Currency Account - Short Term Loans", to receive the proceeds of such loan and to service and repay the loan, subject to the directions issued by the Central Bank.
 - iii. The rate of interest of such loan shall be at a reasonably concessional rate comparative to the prevailing market interest rates in Sri Lanka.
 - iv. Repayments of the loan (including interest) shall be amortized over the rest of the tenure after the grace period.
 - v. Payments for import of raw materials shall be in accordance with the prevailing trade laws of the country.

These regulations are valid for a period of one (1) year from the date of these regulations.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 12 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Special Foreign Currency Account – Short Term Foreign Currency Loans from Overseas (SFCA – Short Term Loans)

In terms of the Foreign Exchange (Short Term Foreign Currency Loans from a Company Incorporated Outside Sri Lanka) Regulations No. 2 of 2022 published in the Gazette (Extraordinary) Notification No. 2308/51 dated 02.12.2022 (the regulations) and section 9 read with sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are hereby permitted to open and maintain **SFCA - Short Term Loans**, in order to facilitate payments for import of raw materials for manufacturing of products, by the companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (i.e., borrower), out of the proceeds of the foreign currency (FCY) loans obtained for a tenure of less than 3 years including a minimum grace period of 1 year (i.e., short-term), from the Parent Company or a Company within the same Group of Companies, incorporated outside Sri Lanka (i.e., lender), subject to the following.

2. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, which import raw materials for manufacturing of their products, subject to the recommendation obtained from the Secretary, Ministry of Industries that the final product manufactured by the company using imported raw materials has a domestic value addition of at least 30%, with a letter of authorization obtained from the Controller General of Imports and Exports, where necessary.

3. Opening and Maintaining the Accounts

- (a) The SFCA – Short Term Loans may be opened and maintained as a sole account in the form of current (without overdraft facility and cheque drawing facility) or saving accounts in any designated foreign currency, out of the proceeds of the short term FCY loan received.
- (b) Eligible persons shall open an SFCA – Short Term Loans in respect of receiving the proceeds of the short-term loan from each lender, and all repayments including interest payments of such loans shall be made through the same SFCA – Short Term Loans.
- (c) Opening of SFCA – Short Term Loans under these Directions shall be valid only within the period of one (1) year as permitted in the regulations and the same account shall be maintained until completion of servicing/ repayment of the said loan.

4. Permitted Credits

- (a) Remittances/transfers of proceeds of the loan obtained by the accountholder from the lender, from an account maintained outside Sri Lanka or an Inward Investment Account (IIA) or an account maintained in the Off-shore Banking Unit (OBU), of such lender.

- (b) Transfers from a Sri Lankan Rupee account of the accountholder, for the purpose of servicing the loan.
- (c) Transfers from another SFCA – Short Term Loans of the same accountholder for the purpose of making payments in respect of paragraph 5 (a) of these Directions.
- (d) Interest earned on the funds held in the account, if any.

5. Permitted Debits

- (a) Outward remittances in respect of payments for imports of raw materials required for manufacturing of products.
- (b) Remittance/transfers of funds to an account maintained outside Sri Lanka or an IIA or an account maintained in the OBU, of the lender, for the purpose of servicing and repayment of the loan obtained under the regulations, in terms of the loan agreement.
- (c) Bank charges, fees, commissions, etc. payable with respect to the short-term loan.
- (d) Transfers to another SFCA – Short Term Loans of the same accountholder for the purpose of making payments in respect of paragraph 5 (a) of these Directions.

6. Other Conditions

- (a) ADs shall obtain adequate documentary evidence to establish the eligibility of the accountholder and the bona-fide of transactions made through the SFCA – Short Term Loans and ensure compliance with the regulations and these Directions.
- (b) ADs shall ensure that inward remittances which are subject to other regulatory requirements such as export proceeds or other inward remittances subject to any other statutory requirements are not qualified to be credited to an SFCA – Short Term Loans.
- (c) ADs shall exercise all due diligence in executing the transactions in foreign exchange through the SFCA – Short Term Loans, including efficient monitoring of the utilization of the loans as per the regulations in respect of payments for import of goods as raw materials only for manufacturing, value addition and re-export purposes; subject to the trade and tax laws (i.e., import payment term regulations, transfer pricing regulations etc.) of the country.
- (d) ADs may enter into appropriate derivative instruments (in compliance with the relevant Directions issued under the provisions of the Banking Act No. 30 of 1988, as amended) upon the request of the borrower in order to mitigate probable exchange rate risks that may arise from the transactions permitted under these Directions.
- (e) ADs shall maintain the documentary evidence (either in hard copy or in electronic/digital form), in respect of all transactions made through the SFCA – Short Term Loans during the maintenance of the account and up to the statutory record keeping requirements after the closure of such account.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining the SFCA – Short Term Loans under these Directions in a format, as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department on or before the 15th day of the following month, by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract all the required information from the books of accounts of their respective banks, as per the above reporting requirement.

8. Closure of the Account

- (a) ADs shall close the SFCA – Short Term Loans, in the event the borrower has fully settled the respective loan.
- (b) In the event the borrower requests for a closure of the SFCA – Short Term Loans before the full settlement of the respective loan, for the purpose of continuing the future repayments via an SFCA – Short Term Loans to be opened with another AD, the AD with whom the original SFCA – Short Term Loans is held, may close the account only after forwarding the relevant information/ documents (i.e., confirmation on the details of the receipt of the loan, all documentary evidences collected etc.) for the satisfaction of the AD that wishes to open the new SFCA – Short Term Loans.
- (c) ADs shall inform such closure to the D/DFE via an email to dfem@cbsl.lk within one week from the date of closure.

9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/from SFCA – Short Term Loans for any purpose which falls outside the purview of these Directions.

10. For the purpose of these Directions;

- a. "Designated Foreign Currency" shall include United States Dollar (USD), Euro, Sterling Pound, Australian Dollar, Singapore Dollars, Swedish Kroner, Swiss Franc, Canadian Dollar, Hong Kong Dollar, Japanese Yen, Danish Kroner, Norwegian Kroner, Chinese Renminbi, New Zealand Dollars Thai Baht and Indian Rupees;
- b. "Remittances" shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.

11. Nothing required by these Directions, shall be construed as exempting or absolving ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director

Department of Foreign Exchange

09 December 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No.2311/38 - THURSDAY, DECEMBER 22, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

Order under Section 22

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies do by this Order, extend the period of validity of the Order under Section 22 of the Act published in the *Extraordinary Gazette Notification* No. 2286/27 dated 30th June 2022, for a further six months from 30th December 2022.

RANIL WICKRAMASINGHE,
**Minister of Finance, Economic Stabilization
and National Policies**

Ministry of Finance
Colombo 01,
22 December 2022

Operating Instructions No: 01 of 2022

02 February 2022

To: All Dealer Direct Participants

**OPERATING INSTRUCTIONS PERTAINING TO THE PROVISION OF THE INTRA-DAY LIQUIDITY FACILITY
(ILF) AGAINST SCRIPLESS GOVERNMENT SECURITIES ON LANKASETTL SYSTEM**

You are hereby informed that the Domestic Operations Department Circular No. 35/01/005/0006/36 issued with effect from 12 April 2018 on the above is revoked and reissued with amendments to the 'participants' who are eligible to use ILF provided by the Central Bank of Sri Lanka.

Accordingly, Operating Instructions No. 01 of 2022 shall come into effect from 02 February 2022 and all Dealer Direct Participants are required to comply with the same.

Dr. P K G Harischandra
Director / Domestic Operations

Operating Instructions No: 01 of 2022

01 February 2022

To: All Dealer Direct Participants**OPERATING INSTRUCTIONS PERTAINING TO THE PROVISION OF THE INTRA-DAY LIQUIDITY FACILITY (ILF) AGAINST SCRIPLESS GOVERNMENT SECURITIES ON LANKASETTLE SYSTEM**

These Operating instructions (OI) shall come into effect on 02 February 2022 and may be amended or varied by the Central Bank of Sri Lanka (CBSL) from time to time with reasonable notice to the Dealer Direct Participants (DDPs). OI pertaining to the provision of the ILF by the CBSL against eligible collateral are outlined below.

As provided for in the LankaSettle System Rules, the CBSL may, at its discretion, provide funds under the Intra-day Liquidity Facility (ILF) to DDPs of the LankaSettle System with a view to facilitating the smooth operation of the Real Time Gross Settlement (RTGS) System.

1. Ordinarily, all DDPs on LankaSettle, other than Designated Non-Dealer Bidders, are eligible for using the ILF. For the purposes of these OI;
 - i. LankaSettle System Rules (hereinafter referred to as the System Rules) are the rules issued by the CBSL for the operations of the LankaSettle System in terms of the Monetary Law Act, which may be amended from time to time.
 - ii. DDPs are the participants as defined under the general provisions of the System Rules. In order to become eligible for using the ILF, DDP shall sign an ILF Agreement in a prescribed form with the CBSL as required in rule 7.1 of volume 2 of the System Rules; and
 - iii. Eligible securities shall have the same meaning as defined in section 7.2 of volume 2 of the System Rules.
2. No encumbered security or a security owned by a third party shall be used by a DDP as collateral to avail the ILF. In the event a DDP was found to have used such security, the payments applicable to such use as specified in section 11.3 of volume 3 of the System Rules will be imposed.
3. Funds under the ILF are provided free of interest upon the DDP transferring eligible securities to the CBSL in accordance with these OI on the condition that the said securities shall be repurchased by the DDP by repaying the outstanding amount obtained under the ILF on or before the time specified for repayment of such amount in the daily operating schedule in the System Rules.
4. Substitution of securities provided as collateral for the ILF shall not be permitted.

Procedure to drawdown funds under the ILF

5. The CBSL will provide funds under the ILF only to the extent of the value of the Eligible Securities available in the ILF account of the DDP at a given time. The value of Eligible Securities, calculated based on the Official Prices determined by the CBSL for such purpose, will be credited to each DDP's Settlement Account in the RTGS.
6. Eligible Securities available in the ILF account of the DDP at the end of the previous business day will be automatically transferred to the CBSL's ILF account at the time of opening of the System for business.
7. DDPs may carry out multiple ILF drawdowns and repayments at their discretion within a business day, as and when an Intra-day liquidity requirement arises, by initiating a request through the System. DDP, who wishes to obtain funds under the ILF, shall reposition a sufficient quantity of Eligible Securities in its ILF account in the LankaSecure in order to avail the ILF.

Official Prices of Securities

8. The Official Prices of Eligible Securities shall be determined by the CBSL on a daily basis, based on the latest available current market prices and market developments. A haircut is applied in arriving at the Official Prices, depending on the type of the security and tenor. Such Official Prices are recorded in the LankaSecure System and in the Online Electronic Bidding System (OEBS) used for Open Market Operations (OMO).

Settlement of funds obtained under the ILF at the end of the business day

9. DDPs may return the funds borrowed under the ILF fully or partially and regain whole or part of the securities used as collateral before the time specified for repayment of funds borrowed under the ILF in the daily operating schedule issued in terms of the System Rules.
10. All outstanding ILF balances should be settled by the DDPs before the close of business as specified in the daily operating schedule, issued in terms of the System Rules. For this purpose, DDPs must ensure that sufficient funds are available in their Settlement Accounts in the RTGS at the time of reversal of ILF balances to enable the CBSL to recover any outstanding ILF balances.

11. The process of recovery of outstanding ILF balances is initiated through the system at the time specified for the same in the daily operating schedule issued in terms of the System Rules. A settlement request will be submitted to RTGS on Delivery vs Payment (DVP) terms, which will transfer securities from the CBSL's ILF Account to the ILF Account of the DDP, subject to availability of funds in the respective RTGS account. The reversal of ILF balances will be done at the original price and the original transaction value.

Default of funds borrowed under the ILF

12. If a DDP fails, for any reason whatsoever, to settle in full to the CBSL, the amount outstanding under the ILF at the time specified in clause 10 above, the DDP shall be deemed to be in default for the full sum so outstanding and shall become liable to pay default interest as set out in clause 16 below. Such default interest shall be debited to the DDP's Settlement account with the CBSL on the next business day.
13. Where a DDP is deemed to be in default as set out above, such DDP should repay in full, the amount in default and the default interest before the close of business on the next business day.
14. The system will revalue the securities in the custody of the CBSL and generate the reversal payment amount on the next business day based on the official prices relevant for the next business day. If the revalued amount is higher than the total amount of default and default interest, the CBSL will repay the excess amount to the credit of the DDP's settlement account in the RTGS. If the revalued amount is lower than the total amount of default and the default interest, the CBSL will charge the difference by debiting the DDP's settlement account in the RTGS.
15. The DDP should ensure the availability of sufficient funds in its Settlement Account in the RTGS for the repayment of the revalued amount in default and the default interest on or before the close of business on the next business day. In the event the DDP fails to settle the amount set out above before the end of business on the next business day, the CBSL shall retain the securities against which such funds were provided and deal with them as the CBSL deems fit.
16. On the first occasion of default of ILF, a DDP shall be charged default interest at a rate of 5 per cent per month or part thereof. On each succeeding occasion of default during a calendar year, such default interest rate shall be increased by 100 basis points, provided that where such default occurs more than once within a 30 day period from the preceding default, the CBSL shall have the right to retain the securities against which ILF was granted and to deal with them as the CBSL deems fit, in addition to the right to charge default interest as stipulated in this clause. In the event of repeated default, the CBSL may withdraw the availability of the ILF to the DDP for a period of time determined by the CBSL.
17. Notwithstanding the other provisions of the ILF agreement or Operating Instructions and notwithstanding the fact that default has not occurred more than once within the preceding 30-day period, the CBSL may, at its sole discretion, taking into consideration the circumstances of a default, decide to retain the securities, and to deal with them as the CBSL deems fit.
18. As set out in clause 2 above, if a DDP is found to have used third party securities for availing of ILF, such DDP will be considered to have violated both the System Rules and these OI. Following payments specified in the said rules shall be imposed for such violations.

Table 1: Payments for violation of rules relating to the ILF

Amount borrowed against third party securities (Rs. million)	Rates charged per day (%)
Up to 1,000	2.0
Above 1,000	2.5

19. Notwithstanding the other provisions of these OI, the CBSL may at its sole discretion, taking into consideration the circumstances of a default or use of third-party securities, withdraw the availability of the ILF to a DDP permanently or for a period of time determined by the CBSL.
20. Operating Instructions issued in terms of circular captioned 'Operating Instructions on provision of Intra-Day Liquidity Facility (ILF) Against Scripless Government Securities on LankaSettle' bearing no. 35/01/005/0006/36, dated 12 April 2018, are hereby rescinded.
21. In the event of any discrepancy between these operating instructions and the ILF agreement, the ILF agreement prevails.

Dr. P K G Harischandra
Director / Domestic Operations

Circular No. 01 of 2022

19 May 2022

To: All Licensed Commercial Banks

ORDER MADE BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA IN TERMS OF THE PROVISIONS OF SECTION 103 OF THE MONETARY LAW ACT, NO. 58 OF 1949 ON MAINTAINING A CASH MARGIN DEPOSIT REQUIREMENT AGAINST LETTERS OF CREDIT

1. Licensed Commercial Banks (LCBs) are hereby directed that with immediate effect, Letters of Credit (LCs) shall not be opened by LCBs for the importation of goods specified in the Schedule attached hereto, unless such LCs are covered by a non-interest-bearing cash margin deposit requirement of 100 per cent maintained at the respective LCBs at the time of opening the LC.
2. LCBs are further directed that the following conditions shall also be applicable for the importation of goods covered by this Order.
 - a) The cash margin deposit requirements shall be on the total value of the invoice, notwithstanding the fact that the same invoice includes goods which are not covered by this Order.
 - b) In the case of existing LCs covering the importation of goods covered by this Order, no increase in the value of such LCs shall be permitted by LCBs unless such increase is covered by the cash margin deposits as required in (1) above.
 - c) LCBs shall not grant any advances to their customers for the purpose of enabling such customers to meet the cash margin deposit requirement imposed by this Order.
 - d) LCBs shall endorse the relevant invoice certifying whether the cash margin deposit as per this Order has been maintained.
 - e) The margin deposit shall be released on the production of documentary evidence on payments through the banking channels in Sri Lanka and the Customs documents relating to clearance of imports.
3. The provisions of this Order shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Dr. R A Anil Perera
Director/ Domestic Operations

Annex 1: List of HS Codes subjected to Margin Requirement

No.	HS code	No.	HS code	No.	HS code	No.	HS code
1	030441	20	08023190	39	081400	58	180620
2	030449	21	08028090	40	090121	59	180631
3	030451	22	08041010	41	090122	60	180632
4	030461	23	08041020	42	09022019	61	180690
5	030462	24	08051010	43	09022093	62	190211
6	030469	25	08052110	44	09022099	63	190219
7	030474	26	080610	45	100490	64	190220
8	04029990	27	080620	46	110412	65	190230
9	040310	28	080810	47	110419	66	190240
10	040390	29	080830	48	110422	67	190410
11	040510	30	080940	49	110423	68	190420
12	040620	31	081050	50	110429	69	200799
13	040630	32	08109090	51	110430	70	200811
14	040690	33	081120	52	110510	71	20081910
15	060311	34	081190	53	110520	72	20081920
16	060490	35	081320	54	110710	73	20081990
17	08011190	36	081330	55	110720	74	20083090
18	08011990	37	08134090	56	110814	75	200860
19	08021190	38	081350	57	110900	76	200870

No.	HS code	No.	HS code	No.	HS code	No.	HS code
77	200897	121	24031990	165	40169510	209	570292
78	20089910	122	24039190	166	40169590	210	570299
79	20089990	123	24039990	167	40169990	211	570320
80	20091110	124	33030010	168	420100	212	570330
81	20091190	125	33030021	169	420211	213	57039090
82	200912	126	33030022	170	420212	214	57049090
83	200949	127	33030029	171	420219	215	570500
84	200969	128	330410	172	420221	216	610120
85	200971	129	330420	173	420222	217	610130
86	200979	130	330430	174	420229	218	610190
87	200981	131	330491	175	420231	219	610210
88	20098990	132	330499	176	420232	220	610220
89	200990	133	330510	177	420239	221	610230
90	220210	134	330520	178	420291	222	610290
91	220291	135	330530	179	420292	223	610310
92	22029910	136	330590	180	420299	224	610322
93	22029930	137	330610	181	420310	225	610323
94	22029940	138	330690	182	420321	226	610329
95	22029951	139	330710	183	420329	227	610331
96	22029959	140	330720	184	420330	228	610332
97	22029961	141	330730	185	420340	229	610333
98	22029969	142	330749	186	42050010	230	610339
99	22029970	143	33079090	187	42050090	231	610341
100	22029991	144	34011920	188	430400	232	610342
101	22029999	145	34012010	189	441911	233	610343
102	22030010	146	34013020	190	441990	234	610349
103	22030020	147	34029010	191	442090	235	610413
104	22030090	148	340510	192	44219190	236	610419
105	220410	149	340520	193	44219990	237	610422
106	220421	150	340530	194	480300	238	610423
107	220510	151	34054010	195	48181010	239	610429
108	220710	152	34054090	196	48181090	240	610431
109	220820	153	340590	197	481820	241	610432
110	220830	154	340600	198	481830	242	610433
111	22084010	155	38070010	199	48185090	243	610439
112	220850	156	38140010	200	48189020	244	610442
113	220860	157	38140090	201	48189090	245	610443
114	220870	158	381900	202	570110	246	610444
115	22089010	159	39262020	203	57019090	247	610449
116	240210	160	39262090	204	57022010	248	610452
117	24022020	161	401519	205	570231	249	610453
118	24022050	162	401590	206	570232	250	610459
119	24022060	163	401691	207	570241	251	610461
120	24031920	164	401694	208	570249	252	610462

No.	HS code	No.	HS code	No.	HS code	No.	HS code
253	610463	297	611595	341	62042290	385	621050
254	610469	298	611596	342	62042390	386	621111
255	610510	299	611599	343	62042990	387	621112
256	610520	300	611610	344	620431	388	621120
257	610590	301	611691	345	62043290	389	62113290
258	610610	302	611692	346	62043390	390	62113390
259	610620	303	611693	347	62043990	391	62113990
260	610690	304	611699	348	620441	392	62114219
261	610721	305	611710	349	62044219	393	62114292
262	610729	306	61178010	350	62044290	394	62114299
263	610791	307	61178020	351	62044390	395	62114319
264	610799	308	620111	352	62044419	396	62114392
265	610831	309	620112	353	62044490	397	62114399
266	610832	310	620113	354	62044990	398	62114919
267	610839	311	620119	355	62045290	399	62114992
268	610891	312	620192	356	62045390	400	62114999
269	610892	313	620193	357	62045990	401	62132090
270	610899	314	620199	358	620461	402	62139090
271	610910	315	620211	359	62046219	403	62141090
272	610990	316	620212	360	62046290	404	62144090
273	611011	317	620213	361	62046390	405	62149090
274	611012	318	620219	362	62046919	406	621510
275	611019	319	620291	363	62046990	407	621520
276	611020	320	620292	364	62052090	408	621590
277	611030	321	620293	365	62053090	409	621600
278	611090	322	620299	366	62059090	410	630110
279	611120	323	620311	367	62061090	411	630120
280	611130	324	62031290	368	620620	412	630130
281	611190	325	62031990	369	62063090	413	630140
282	611211	326	62032290	370	62064019	414	630190
283	611212	327	62032390	371	62064090	415	630210
284	611219	328	62032990	372	62069090	416	63022190
285	611231	329	620331	373	62072290	417	63022290
286	611239	330	62033290	374	62082190	418	63022990
287	611241	331	62033390	375	62082290	419	63023190
288	611249	332	62033990	376	62082990	420	63023290
289	611300	333	620341	377	62089190	421	63023990
290	611420	334	62034290	378	620920	422	630240
291	611430	335	62034390	379	620930	423	63025190
292	611490	336	62034911	380	620990	424	63025990
293	611510	337	62034990	381	621010	425	63026090
294	611529	338	62041290	382	621020	426	63029190
295	611530	339	62041390	383	621030	427	63029390
296	611594	340	62041990	384	621040	428	63029990

No.	HS code	No.	HS code	No.	HS code	No.	HS code
429	630312	473	640359	517	701890	561	84151021
430	630319	474	640391	518	732111	562	84151022
431	630391	475	640399	519	732112	563	84151023
432	630392	476	640411	520	732119	564	84151024
433	630399	477	640419	521	732181	565	84151029
434	630411	478	640420	522	732182	566	84151032
435	63041990	479	640510	523	732189	567	84151033
436	630420	480	640520	524	732310	568	84151034
437	630491	481	640590	525	732391	569	84151035
438	63049290	482	650100	526	732392	570	84151039
439	63049390	483	650200	527	732393	571	84158190
440	63049990	484	650400	528	732394	572	84158290
441	63051010	485	65050010	529	732399	573	84158390
442	63051090	486	65050090	530	73241010	574	84159019
443	630520	487	65061090	531	73241090	575	84159029
444	630532	488	65069110	532	732421	576	84181090
445	630533	489	65069190	533	732429	577	84182190
446	630539	490	65069910	534	732490	578	84182920
447	630590	491	65069990	535	74181090	579	84182990
448	630612	492	650700	536	741820	580	84231020
449	630619	493	660110	537	76151020	581	84501110
450	630622	494	660191	538	76151090	582	84501131
451	630629	495	660199	539	76152090	583	84501132
452	630630	496	670300	540	821000	584	84501133
453	630640	497	670411	541	821110	585	84501134
454	630690	498	670419	542	821191	586	84501139
455	630710	499	670420	543	821192	587	84501141
456	630720	500	670490	544	821194	588	84501142
457	630790	501	691110	545	82121010	589	84501143
458	63079090	502	69120010	546	82121090	590	84501144
459	640110	503	69120090	547	82122090	591	84501149
460	640199	504	69139090	548	821300	592	84501210
461	640212	505	701310	549	821410	593	84501231
462	64021910	506	701322	550	821420	594	84501232
463	64021919	507	701328	551	821490	595	84501233
464	640220	508	701333	552	821510	596	84501234
465	640291	509	701337	553	821520	597	84501239
466	640299	510	701341	554	821599	598	84501910
467	640312	511	701342	555	830300	599	84501931
468	64031910	512	701349	556	830621	600	84501932
469	64031919	513	701391	557	830629	601	84501933
470	640320	514	70139990	558	830630	602	84501934
471	640340	515	701810	559	841451	603	84501939
472	640351	516	701820	560	841459	604	850811

No.	HS code	No.	HS code	No.	HS code	No.	HS code
605	850940	649	85287233	693	910219	737	940592
606	850980	650	85287234	694	910221	738	94059910
607	851010	651	85287235	695	910229	739	94059990
608	851020	652	85287236	696	910291	740	95030010
609	851030	653	85287239	697	910299	741	95030030
610	85131010	654	85287241	698	910511	742	95030050
611	85131090	655	85287249	699	910519	743	95030070
612	851610	656	85287291	700	910521	744	95030080
613	851621	657	85287299	701	910529	745	95030090
614	851629	658	85287320	702	910700	746	950420
615	851631	659	85287390	703	920110	747	950440
616	851632	660	85291010	704	920120	748	950450
617	851633	661	85291030	705	920190	749	95049090
618	851640	662	85291090	706	920210	750	950510
619	851650	663	852990	707	920290	751	950590
620	85166010	664	853910	708	920510	752	95062910
621	85166090	665	85392110	709	920590	753	95062920
622	851671	666	85392190	710	920600	754	95062990
623	851672	667	85392210	711	920710	755	950631
624	85167910	668	85392220	712	920790	756	950651
625	85167920	669	85392290	713	920890	757	950659
626	85167990	670	853929	714	94012090	758	950661
627	851680	671	85392910	715	94013090	759	950662
628	851711	672	85392990	716	94017190	760	950669
629	85171210	673	85393110	717	94019090	761	950691
630	85171220	674	85393190	718	94032090	762	950699
631	85171290	675	853932	719	94039090	763	950720
632	851718	676	853939	720	94051010	764	950790
633	85258090	677	853941	721	94051020	765	950890
634	852712	678	853949	722	94051090	766	960340
635	852713	679	853950	723	94052010	767	960400
636	852719	680	853990	724	94052020	768	960500
637	852721	681	900410	725	94052090	769	961310
638	852729	682	900490	726	940530	770	961320
639	852791	683	900510	727	94054010	771	961390
640	852792	684	900580	728	94054020	772	961511
641	852799	685	910111	729	94054030	773	961519
642	85285990	686	91011990	730	94054040	774	961590
643	852869	687	910121	731	94054090	775	96161010
644	85287120	688	910129	732	94055010	776	96161090
645	85287190	689	910191	733	94055020	777	96170090
646	85287210	690	910199	734	94055090	778	961800
647	85287231	691	910211	735	940560	779	962000
648	85287232	692	910212	736	940591		

Circular No. 01 of 2022

03 November 2022

To: All Licensed Commercial Banks

CENTRAL BANK'S RATE OF INTEREST ON ADVANCES (BANK RATE)

Licensed Commercial Banks (LCBs) are hereby informed that with effect from 03 November 2022, the Bank Rate, which is an administratively determined rate that could be used in periods of emergency for the Central Bank to grant extraordinary loans or advances to LCBs will commensurately be adjusted in line with the latest available Average Weighted New Deposit Rate (AWNDR) published by the Central Bank of Sri Lanka with a margin of +700 basis points.

Dr. R A Anil Perera
Director/ Domestic Operations

Circular – 01/2022

January 10, 2022

Ref No: 037/06/008/0006/020

To: CEOs / General Managers / Managing Directors of All Financial Institutions,

Dear Sir/Madam,

**AMENDMENT TO THE GUIDELINES FOR FINANCIAL INSTITUTIONS ON CCTV OPERATIONS FOR
AML/CFT PURPOSES, NO. 2 OF 2021**

Further to the Guidelines issued dated July 20, 2021, on the above.

Clause 15 of the above guidelines is amended as below.

15. FIs should maintain all information captured in the CCTV system for a minimum period of 90 days.

Yours faithfully
D R Karunaratne
Director
Financial Intelligence Unit

Cc: Director, Bank Supervision Department of the Central Bank of Sri Lanka
Director, Department of Supervision of Non - Bank Financial Institutions of the Central Bank of Sri Lanka
Director General, Securities and Exchange Commission of Sri Lanka
Compliance Officers, all Financial Institutions

Circular – 02/2022

March 22, 2022

Ref No: 037/05/002/0005/022

To: GMs/CEOs of the Financial Institutions,

FURTHER INFORMATION REQUESTED ON SUSPICIOUS TRANSACTION REPORTS (STRS)

The Financial Intelligence (FIU) has observed some delay in obtaining responses to the 'call for information' reports requested from Financial Institutions (FIs) relating to STRs. Therefore, FIs are required to adhere to the following specified time periods when submitting additional information requests on STRs.

- For 'Extremely Urgent' information requests, FIs are required to provide information within 24 hours or as specified in the request.
- For 'Urgent' information requests, FIs are required to provide information within three working days from the date of the letter.
- For other information requests, FIs are required to provide information within two weeks from the date of the letter.

You are hereby requested to strictly comply with the above mentioned timelines when responding to the 'call for information' requests made by the FIU to ensure compliance with the Financial Transactions Reporting Act, No 06 of 2006 (FTRA), Financial Institutions (Customer Due Diligence) Rules, No 1 of 2016 and other rules, regulations and guidelines issued thereunder.

Yours faithfully
Director
Financial Intelligence Unit

Cc: Compliance Officers

Circular – 03/2022

August 25, 2022

Ref No: 037/06/006/0005/022

To: CEOs/GMs/MDs of Licensed Commercial Banks & Licensed Specialised Banks

Dear Sir/Madam,

PROVISION OF EFFICIENT BANKING SERVICES TO SRI LANKAN EXPATRIATES

Considering the current economic state of the country, it is of utmost importance to attract foreign exchange to Sri Lanka while adhering to the national laws and rules, regulations, circulars and directives issued under such laws.

It has come to our notice that complaints have been received by the Central Bank of Sri Lanka (CBSL) and by the Financial Intelligence Unit (FIU) on the difficulties faced by Sri Lankan expatriates when opening accounts from overseas and making fund transfers through accounts maintained with Licensed Commercial Banks and Licensed Specialised Banks.

Many of the complaints referred to;

1. Unreasonable length of time taken to complete the services offered by the staff,
2. Delays and long duration taken to credit funds to relevant local accounts when executed from overseas,
3. Bank staff misinterpreting the CBSL /FIU circulars and misinforming the customers.

Much of these complaints were concentrated on the conduct of branches at regional and outstations.

Accordingly, your attention is drawn to streamline the processes of attracting remittances by regional and outstation branches.

Yours faithfully
(Mrs.) E H Mohotty

Director
Financial Intelligence Unit

Cc: Director, Bank Supervision Department, Central Bank of Sri Lanka
Compliance Officers of Licensed Commercial Banks & Licensed Specialised Banks

Circular: 04/2022

November 21, 2022

Ref: 037/05/003/0005/022

To: All General Managers/Chief Executive Officers of Financial Institutions

Dear Sir/Madam,

AUTHENTICATING CUSTOMER IDENTIFICATION DETAILS THROUGH THE DEPARTMENT OF IMMIGRATION AND EMIGRATION

The Department of Immigration and Emigration has agreed to provide the service of authenticating customer identification details as required by the Financial Institutions Customer Due Diligence Rules, No. 1 of 2016.

If your institution is interested in obtaining the above service, you may send a request to Mr. I. S. H. J. Ilukpitiya, Controller General of the Department of Immigration and Emigration. Please note that your institution will be required to sign a Memorandum of Understanding with the Department of Immigration and Emigration similar to the current arrangement with the Department of Persons Registration in obtaining the service.

Yours faithfully
Director,
Financial Intelligence Unit

Cc: Mr. I. S. H. J. Ilukpitiya, Controller General of the Department of Immigration and Emigration
Compliance Officer

Our Ref: 69/02/002/0002/001

19th January 2022

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON “REIMBURSEMENT OF THE TRANSACTION COST OF WORKERS’ REMITTANCES”

With an objective of encouraging more workers’ remittances to the country through formal fund transferring channels, the Central Bank of Sri Lanka (CBSL) has decided to grant an incentive for Sri Lankans working abroad by reimbursing the transaction cost (TC) incurred on account of inward workers’ remittances as a fixed payment of Rs.1,000 per transaction.

Accordingly, all Licensed Banks (LBs) are hereby instructed to adhere to the following Operating Instructions in operationalizing the mechanism with effect from 01.02.2022.

1. Eligible Transactions

The foreign currency income earned through employment by Sri Lankan nationals who are working abroad/have worked abroad and/or their beneficiaries will qualify for this incentive upon the conversion of such foreign currency into Sri Lankan rupees through LBs in Sri Lanka.

The CBSL will reimburse the TC of workers remittances subject to the following conditions:

- (i) Each migrant worker or his/her beneficiary is eligible to receive this incentive only for two transactions per month.
- (ii) Direct fund transfers to Personal Foreign Currency Accounts are not eligible to receive this incentive.
- (iii) A Sri Lankan national who resides in Sri Lanka and earns foreign currency income through rendering services in nature of employment abroad will not be eligible to receive this incentive.

2. Operating Framework

- (i) LBs are required to credit or disburse Rs.1,000 per eligible transaction to the beneficiaries.
- (ii) In the case of remittances received through an intermediary LB, Rs.1,000 shall be credited or disbursed by the final receiving bank which maintains beneficiaries’ LKR account or makes the end rupee payment to the beneficiary.
- (iii) LBs are required to submit the claim for reimbursement on quarterly basis to the Foreign Remittances Facilitation Department (FRFD) of the CBSL as per the format given in Annex I within 15 days after the end of each quarter.
- (iv) All reimbursement claims shall be audited by the LB’s Internal Audit Department to verify that the claims are in conformity with the instructions issued by the CBSL prior to the submission of the claim.

3. Accounting and Record Keeping

LBs are required to maintain separate accounts and records in respect of the reimbursement of the TC with all necessary supporting documents.

4. All LBs are advised to notify the contents of the above scheme amongst all the overseas entities that has home remittance related arrangements with the respective LB in order to promote awareness about the scheme among the migrant workers.

For further information or clarifications, you may contact the Foreign Remittances Facilitation Department of the CBSL on 0112477448, 0112398754 or 0112477426.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Annex I

----- Corporate Letterhead -----

Name of Bank :

Reporting Period: Quarter Ending

Reimbursement of "Transaction Cost of the Worker Remittances"

(a) Date	(b) Total remittance inflow equivalent in USD*	(c) Total Number of Transactions	(d) Number of eligible transactions directly routed to the LB and credited/ disbursed to final beneficiaries in LKR	(e) Number of eligible transactions routed through other LBs and credited/dispursed to final beneficiaries in LKR	(f) Total Number of eligible transactions for reimbursement (d+e)	(g) Total remittances inflow equivalent in USD* corresponding to Total Number of eligible transactions(f)	(h) Total amount to be claimed (Rs)

*LBs shall use the available indicative exchange rate published by CBSL

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer lists/records maintained at the bank.

Signature	.....	.....	.....
Name	.....	.....	.....
Designation	Chief Executive Officer	Chief Compliance Officer	Chief Financial Officer
Date	.....	.....	Head of Internal Audit

Our Ref: 69/02/002/0002/002

27 January 2022

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "REIMBURSEMENT OF THE TRANSACTION COST OF WORKERS' REMITTANCES"

This is with reference to the Operating Instructions on "Reimbursement of the Transaction Cost of Workers' Remittances" (Ref. 69/02/002/0002/001) issued on 19.01.2022.

This is to inform you that following amendments are made to the Operating Instructions :

a) 1 (i) is replaced with the following:

Each migrant worker or his/her beneficiary is eligible to receive this incentive only for inward remittance transactions amounting to Rs.20,000 or above.

b) 1 (iii) is repealed.

All other conditions and instructions in the Operating Instructions issued on 19.01.2022 remain unchanged.

For further information or clarifications, you may contact the Foreign Remittances Facilitation Department of the CBSL on 0112477448, 0112398754 or 0112477426.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0012/001

31 January 2022

To : Chief Executive Officers of All Licensed Banks

EXTENSION OF THE EFFECTIVE PERIODS OF OPERATING INSTRUCTIONS ON "ADDITIONAL INCENTIVE SCHEME ON INWARD WORKERS' REMITTANCES" AND "INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND"

This has reference to the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on 01.12.2021 (Ref: 33/04/012/0011/014) on "Additional Incentive Scheme on Inward Workers' Remittances" and on 27.12.2021 (Ref: 33/04/012/0011/017) on Amendments to the OIs on "Incentive Scheme on Inward Worker Remittances", "Repatriation of Export Proceeds into Sri Lanka", "Additional Incentive Scheme on Inward Workers' Remittances" and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency Held in Hand".

Considering the financial advantages to the beneficiaries of the Sri Lankans working abroad and to the Sri Lankans residing in Sri Lanka and earning foreign currency income from an employment abroad and resultant improvement expected in terms of foreign exchange inflows to the country through formal channels and to promote foreign currency notes of the country to be channeled through the formal banking system, the CBSL has decided to extend the effective periods of the above OIs on "Additional Incentive Scheme on Inward Workers' Remittances" and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency Held in Hand", until further notice.

Accordingly, all Licensed Banks (LBs) are hereby informed that the incentives offered under the above OIs are extended until further notice and LBs are required to submit relevant claim applications on monthly basis by 15th day of the following month to the CBSL, accordingly. Further, LBs are hereby requested to sell to the CBSL, on a weekly basis, in US dollars, twenty-five per centum (25%) of foreign currency held in hand by the general public, which are converted into Sri Lankan rupees, until further notice.

All other requirements specified in the previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398708.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

08 March 2022

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

**POLICY PACKAGE TO SUPPORT GREATER MACROECONOMIC STABILITY:
ALLOWING FLEXIBILITY IN THE EXCHANGE RATE**

The Monetary Board of the Central Bank of Sri Lanka has decided on 07 March 2022 to allow greater flexibility in the exchange rate with immediate effect, and the Central Bank is of the view that foreign exchange transactions would take place at levels which are not more than Rs. 230.00 per US dollar and the equivalent cross currency rates. In light of the above decision of the Monetary Board, the formally agreed exchange rate range as requested by then Governor on 06 September 2021 will not be applicable from 08 March 2022 onwards.

As greater flexibility in the exchange rate is now allowed, effective from 09/03/2022, the Central Bank will discontinue the incentive of Rs. 8.00 per US dollar offered by the Central Bank on the conversion of workers' remittances and the incentive of Rs. 10.00 per US dollar on the conversion of foreign currency notes held in hand, as per the Operating Instructions issued on the "Additional Incentive Scheme on Inward Workers' Remittances" and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency", respectively.

The requirement of the sale of 25% of converted workers' remittances and mandatorily converted export proceeds by Banks to the Central Bank will continue.

The recent decision of the Government to provide a new incentive to expatriate workers who convert remittances would be clarified by the Government in due course.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0012/002

22 March 2022

To : Chief Executive Officers of All Licensed Banks

**AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "INCENTIVE SCHEME ON INWARD WORKER
REMITTANCES" AND "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"**

In accordance with the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) to Licensed Banks (LBs) on 27 December 2021, all LBs have been selling foreign exchange (FX) to the CBSL, on a weekly basis, in US dollars of **twenty-five per centum (25%)** of inward workers' remittances (received in various currencies), which are converted into Sri Lankan rupees (LKR) and the residual of export proceeds, which is mandatory to convert into LKR. These FX purchases have supported the CBSL to provide FX required to finance essential imports of the country.

In this regard, taking recent developments into consideration as well as the need to further improve the foreign reserves of the country and to ensure the uninterrupted supply of essential imports, (particularly, fuel, gas, coal and medicine) the CBSL hereby directs all LBs to sell to the CBSL, on a weekly basis, in US dollars, **fifty per centum (50%)** of inward workers' remittances (received in various currencies), which are converted into LKR and the residual of export proceeds, which is mandatory to convert into LKR, from the week commencing from 21.03.2022, until the week ending on 29.07.2022.

Other requirements specified in previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Our Ref: 33/04/012/0012/003

11 April 2022

To : Chief Executive Officers of All Licensed Banks

**AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "INCENTIVE SCHEME ON INWARD WORKER
REMITTANCES" AND "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"**

Reference to the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on "Incentive Scheme on Inward Worker Remittances" and "Repatriation of Export Proceeds into Sri Lanka".

Considering the prevailing condition in the domestic foreign exchange (FX) market and taking into consideration the FX commitments of Licensed Banks (LBs), the CBSL has decided to reduce the weekly mandatory FX sales requirement to the CBSL on account of converted

workers' remittances and mandatorily converted export proceeds from **fifty per centum (50%) to twenty-five per centum (25%)**, effective from 11.04.2022.

Accordingly, the CBSL hereby requests all LBs to sell **twenty-five per centum (25%)** of inward workers' remittances (received in various currencies), which are converted into Sri Lankan Rupees (LKR) and the residual of export proceeds, which is mandatory to convert into LKR, to the CBSL, on a weekly basis, in US dollars, from the week commencing from 11.04.2022, until further notice.

Other requirements specified in previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Our Ref: 33/04/012/0012/004

12 May 2022

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON MANAGING INTRADAY VOLATILITY OF THE EXCHANGE RATE

Considering the prevailing condition in the domestic foreign exchange (FX) market and excessive volatility in the exchange rate, the Monetary Board has decided to introduce following measures to facilitate orderly behaviour of foreign exchange market/exchange rate.

Accordingly, all Licensed Banks (LBs) are hereby informed that, with effect from 13 May 2022, the Central Bank of Sri Lanka (CBSL) will announce a middle rate of the USD/LKR exchange rate applicable for interbank transactions, based on the previous day's weighted average spot exchange rate prevailed in the interbank market. Further, the CBSL will also announce the permitted USD/LKR variation margin on a daily basis, before opening of the market. The rates applicable to other currencies shall be determined by LBs based on the announced USD/LKR rate and the variation margin.

The variation margin of the intraday exchange rate of the interbank market shall be within the permitted range and shall be applied as plus or minus of the weighted average interbank USD/LKR spot exchange rate announced. LBs are requested to apply only reasonable margins in determining the rates applicable for customer transactions. Forward rates of the LBs shall also be consistent with the interbank market spot rates.

The fees/commission structure of LBs shall be reasonable, transparent and shall not exceed three percent (3%) of the equivalent rupee value of the transaction.

All LBs are required to strictly adhere to these Operating Instructions.

Our Ref: 33/04/012/0012/005

25 August 2022

To : Chief Executive Officers of All Licensed Commercial Banks and National Savings Bank

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

All Licensed Commercial Banks and National Savings Bank (Licensed Banks/ LBs) are hereby informed that the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on the above are amended, to effect the requirement of mandatory foreign exchange sale of converted receipts/proceeds in relation to the service exports to the CBSL, following the Gazette Extraordinary No. 2292/50 dated 12.08.2022, which terminated mandatory requirement of the conversion of service export receipts/proceeds with effect from 12.08.2022 (Annexure I).

Accordingly, the CBSL hereby requests all LBs to sell **twenty-five per centum (25%)** of the service export receipts/proceeds converted into Sri Lanka rupees (LKR) to the CBSL, with effect from 12.08.2022.

Further, all LBs are required to continue selling of **twenty-five per centum (25%)** of residual of export proceeds of goods, which are mandatorily converted into LKR, to the CBSL.

All other requirements specified in previously issued OIs on the above scheme shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Dr. Nandalal Weerasinghe
Governor
Central Bank of Sri Lanka

Annexure I

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

No. 2292/50 - FRIDAY, AUGUST 12, 2022
(Published by Authority)

**PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949**

RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

P. NANDALAL WEERASINGHE,
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka.
Colombo,
12 August, 2022

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as “Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2022”.
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2022 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2270/66 dated 11th March 2022, are hereby amended by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rule.

“4. Every exporter of goods, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned **authorized payments**, on or before the seventh (7th) day of the following month,

- i. outward remittances for current transactions related to the particular export of goods including one-month commitments therein;
- ii. withdrawal in foreign currency notes or transfer of funds for travel purposes related to export of goods;
- iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or the Banking Act, No. 30 of 1988, as amended, including one-month loan commitments;
- iv. payments of dividends declared to non-resident investors and/ or payments of salaries to expatriate employees who are foreign nationals or dual citizens as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017;
- v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received; and
- vi. payments to local suppliers who are permitted to receive payments in foreign currency in terms of the Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 for the purchases related to the particular export of goods

Our Ref: 33/04/012/0012/006

30 December 2022

To : Chief Executive Officers of All Licensed Banks

**OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON “INCENTIVE SCHEME ON INWARD WORKERS’
REMITTANCES”**

This is with reference to the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) to Licensed Banks (LBs) on “Incentive Scheme on Inward Workers’ Remittances” dated 22.12.2020 and subsequently amended on 01.01.2021.

The Secretary to the Treasury has requested the CBSL to instruct all LBs to terminate the incentive of LKR 2.00 per US dollar paid on conversion of inward workers’ remittances with immediate effect. Accordingly, please be informed that the OIs issued by the CBSL on 22.12.2020 and related amendments issued on 01.01.2021 under reference numbers 33/04/012/0011/004 and 33/04/012/0011/005, respectively, are hereby revoked with effect from 01.01.2023.

Dr. P Nandalal Weerasinghe
**Governor
Central Bank of Sri Lanka**

Ref. No.: 08/21/007/047/002

23 March 2022

To: Chief Executive Officers of all Designated Agents in Sri Lanka Development Bonds (SLDBs)

OPERATING INSTRUCTIONS ON 'INCENTIVE SCHEME FOR THE DIRECT ISSUANCE WINDOW FOR SLDBS'

With the objective of further encouraging investments in Sri Lanka Development Bonds (SLDBs), the Central Bank of Sri Lanka (CBSL) introduced a Direct Issuance Window (DIW) for SLDBs. In this connection, an incentive scheme has also been introduced where promotion and/ or handling fees equivalent to 0.5 per cent (50 basis points) on the SLDB investment brought in through the DIW shall be provided as an incentive to Arrangers of investments through Designated Agents (DAs) in Sri Lankan Rupees (LKR). An Arranger is defined as any individual or an entity including DAs, who brings in investment in SLDBs. Accordingly, all DAs are hereby instructed to adhere to the following Operating Instructions in operationalizing the mechanism for the eligible investments in SLDBs through the DIW from 1st February 2022.

1. Eligible Investments

Investments in SLDBs through the DIW brought in by the DAs.

2. Operating Framework

- i. DAs are required to promote the SLDBs among the existing clientele and prospective investors.
- ii. Any promotional or handling fees equivalent to 0.5 per cent (50 basis points) on the SLDB investment brought in through the DIW shall be provided as an incentive to Arrangers through DAs in LKR by the CBSL. For the LKR conversion, the indicative US dollar exchange rate published by the CBSL on the date of settlement of the SLDB investment shall be considered by the CBSL.
- iii. The DAs are required to submit their claim for such incentives on monthly basis to the Front Office of the Public Debt Department (FO-PDD) of the CBSL via the fopdd@cbsl.lk email as per the format given in Annex I. The claims related to the period 01st February 2022 to 28th February 2022, shall be submitted no later than 31st March 2022. From March 2022 onwards, claims for the month concerned shall be submitted by the DAs within seven working days after the end of each month.
- iv. Upon receipt, the CBSL shall verify the claim, and inform the DA of any discrepancy within 7 working days from the date of the claim. If no discrepancy arises, the CBSL shall pay the incentive within 14 working days from the receipt of the claim.
- v. Where applicable, the DA shall share the incentive paid with the Arranger, as per the terms agreed between the Arranger and the DA. The CBSL shall not compensate the Arranger directly of an SLDB investment through the DIW.

3. Accounting and Record Keeping

The DAs are required to maintain records in respect of the incentive scheme and settlement of such incentives of promoting and handling fees to Arranger.

For further information or clarifications, you may contact FO-PDD of the CBSL on 0112398611, 0112398877, 0112477574, 0112477316 or 0112477011.

**Superintendent Public Debt
Central Bank of Sri Lanka**

Encl/-

Annex I

.....Corporate letterhead.....

Name of the DA:

Reporting Period: Month Ending

Incentive Claim for 'Investments in SLDBs via the DIW'

Date of Application	Date of Settlement	Name of the Investor	Investment Amount in US dollars

Total for the Period			

Account Details of the DA for the Receipt of the Incentive

Account Name :

Account Number :

Bank :

Branch :

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer/ lists records maintained with us.

Signature	.....	.....	.....
Name	.....	.....	.....
Designation	Chief Dealer/ Head of Treasury	Chief Compliance Officer	Chief Financial Officer
Date	.....	.....	.....

Payment and Settlement Systems General Direction No. 01 of 2022**Payment and Settlement Systems Act No. 28 of 2005**

General Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 44 of the Payment and Settlement Systems Act No. 28 of 2005

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
 28 February 2022

General Direction

This Direction is issued in terms of section 44 of the Payment and Settlement Systems Act No. 28 of 2005, for the proper and efficient implementation, administration and enforcement of the provisions of the aforesaid Act. This Direction may be cited as the General Direction on Sri Lanka Interbank Payment System No. 01 of 2022 and shall replace the General Direction on Sri Lanka Interbank Payment System No. 01/2011. This Direction shall apply to LankaClear (Pvt) Ltd. (LCPL) and the participants of the Sri Lanka Interbank Payment System (SLIPS) and shall come into operation on 28 February 2022.

This Direction is in addition to and not in derogation of any other written law, rules, regulations and terms and conditions to which LCPL and participants of SLIPS are subject to and/or may be subject to from time to time.

Without prejudice to the generality of the above paragraph, this Direction shall not be construed to limit any obligation or responsibility imposed by the Payment and Settlement Systems Act, No. 28 of 2005.

Introduction

SLIPS is an electronic system which processes payment orders to facilitate money transactions. SLIPS was introduced by the CBSL in 1993 as an off-line Interbank Payment System. In 2002, the CBSL divested the clearing operations of Cheques and SLIPS to LCPL. The objectives of the SLIPS are to establish a uniform and common electronic retail payment system and to promote payment system safety and efficiency while promoting cooperation among all SLIPS participants in the evolution of the country's retail payment systems. SLIPS was upgraded to an on-line Interbank Payment System by LCPL in September 2010 to facilitate settlement of transactions on the same business day.

A. Definitions

1. **"Beneficiary"** shall mean any legal or natural person named as the beneficiary of Monetary Value in a Payment Order and/or such person's nominee agent or representative.
2. **"Business Day"** shall mean any day of the calendar year on which the SLIP System shall operate, unless declared as a non-business day by LCPL in concurrence with Sri Lanka Banks' Association (Guarantee) Limited (SLBA) and the CBSL.
3. **"Clearing Cycle"** shall mean the time duration from one settlement time to the next immediate settlement time.
4. **"Customer"** shall mean any legal or natural person, who issues, directs or authorizes a Payment Order on his own behalf or on behalf of some third party and who, towards such end, authorizes the SLIPS Participant to debit an account or tenders Monetary Value to the extent of the value of the Payment Order.
5. **"CBSL"** shall mean the Central Bank of Sri Lanka as established under the Monetary Law Act (Chapter 422).
6. **"Digital Certificate"** shall mean the certification issued by LCPL, in the capacity of the certificate service provider to the financial sector, to each SLIPS Primary Participant and/or Secondary Participant for the purposes of maintaining the non-repudiation, authenticity, and integrity of the SLIPS Messages.
7. **"Electronic Information"** shall mean information generated, sent, received, or stored by electronic, magnetic, optical, or similar capacities regardless of the medium.
8. **"Electronically"** shall mean by means of either on-line telecommunications including over the internet or email, or the physical delivery of tapes, diskettes, or similar devices off-line.
9. **"Funds"** shall mean and include cash, deposits, monetary value, and any other credit available for withdrawal held in an account.
10. **"Licensed Commercial Bank"** or **"Licensed Specialized Bank"** or **"Bank"** shall mean a public company duly incorporated in Sri Lanka or abroad or a body corporate established under a written law which has received a banking license from the Monetary Board of Central Bank of Sri Lanka with the approval of the Minister in charge of the subject of Finance, under Banking Act No. 30 of 1988 as may be amended.
11. **"LCPL"** shall mean LankaClear (Private) Limited incorporated under the Companies Act No.17 of 1982 and re-registered under Companies Act No.07 of 2007 and who shall be the lawful authority to operate the SLIP System in Sri Lanka.
12. **"Money Transmission"** shall mean issuing money value and/or receiving money or monetary value either from the Customer or Remitter or for a Beneficiary and includes the provisions of a facility for the withdrawal of money, for the transfer of monetary value between accounts or for the payment of monetary value to third parties. The term includes the taking part in any transaction or arrangement involved in carrying out the transmission from the Customer or Remitter to the Beneficiary even if neither the Customer, Remitter nor the Beneficiary is a party or direct Participant to such transaction or arrangement. Money Transmission under the SLIP System shall be within Sri Lanka, in domestic currency.
13. **"Monetary Value"** shall mean a medium of exchange, whether or not redeemable in money, including in the form of stored value, payment instrument or credit to an account.
14. **"Payment Order"** shall mean a writing issued or generated by a Customer directing or instructing a SLIPS Primary Participant or SLIPS Secondary Participant to effect and execute a payment of Monetary Value to a named Beneficiary through a named SLIPS Participant.
15. **"Net Remittances"** shall mean the net Monetary Value of all Payment Orders received and Payment Orders effected by a SLIPS Participant under the SLIP System such that the SLIPS Participant is either a net debtor or net creditor to another SLIPS Participant at the end of each Clearing Cycle.
16. **"Operational Procedure Manual"** shall mean the document containing the procedures laid down for the guidance of LCPL and SLIPS Participants as regards to operations of the SLIP System.
17. **"Remitter"** shall mean a SLIPS Participant who initiates and generates a SLIPS transaction authorizing the Receiver to effect a payment.

18. **“Receiver”** shall mean a SLIPS Participant who receives a SLIPS Transaction from a Remitter and who is authorized by the SLIPS Data contained therein to effect a payment.
19. **“RTGS System”** shall mean the Real Time Gross Settlement system, which is a fully automated systematically important payment system owned and operated by the CBSL. The RTGS system is a component of the LankaSettle System.
20. **“SLIPS”** shall mean “Sri Lanka Inter Bank Payment System” an electronic system, process or arrangement maintained and/or centrally controlled by LCPL for and on behalf of the CBSL and facilitating the communication and processing of Payment Orders and other messages, effecting, ordering, enabling, authorizing or facilitating money transactions, money withdrawals or transfers of monetary value, and shall include LCPL systems, processes and procedures for the electronic transfer and transmission of payment sought to be effected by a SLIPS Participant.
21. **“SLIPS Data”** shall mean unique identification codes and all other information derived from data generated by SLIPS, SLIPS Participants, and LCPL, including both outward data and inward data.
22. **“SLIPS File”** shall mean a SLIPS Data file generated by a SLIPS Participant containing its outward SLIPS Transactions and transmitted to LCPL through the SLIP System for clearing.
23. **“SLIPS Transaction”** shall mean the electronic transaction generated by a SLIPS Participant and/or the CBSL through the SLIP System to effect, communicate or execute a Payment Order.
24. **“SLIPS Record”** shall mean SLIPS related information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.
25. **“SLIP System”** shall mean systems and processes operated and maintained by LCPL and SLIPS participants relating to SLIPS including without any limitation, systems for dispatching, receiving, processing and archival of SLIPS Data.
26. **“SLIPS Participant”** shall mean SLIPS Primary Participant and/or SLIPS Secondary Participant.
27. **“SLIPS Primary Participant”** shall mean the CBSL or any Licensed Commercial Bank or any Licensed Specialized Bank operating in Sri Lanka and being a participant in the RTGS System with the CBSL and authorized by the CBSL and LCPL to participate in the SLIP System.
28. **“SLIPS Secondary Participant”** shall mean any legal entity authorized by a SLIPS Primary Participant to execute transactions on the SLIP System and to settle net balances through the RTGS account maintained by the said Primary Participant, and authorized by the CBSL & the LCPL to participate in the SLIP System.
29. **“Settlement Day”** shall mean a day on which Banks are open for business in Sri Lanka (as declared by the SLBA in concurrence with the CBSL) and a day on which multilateral net- settlement/s would take place through the RTGS System.
30. **“Settlement Time”** shall mean times specified from time to time by CBSL, at which times the net settlement among the SLIPS Participants is determined by RTGS System.
31. **“SLBA”** shall mean Sri Lanka Banks’ Association (Guarantee) Limited.
32. **“Transaction Limits”** shall mean the maximum value assigned per transaction within the SLIP System as agreed upon by and among the CBSL, LCPL, and SLIPS Primary Participants.
33. **“User Agreement”** shall mean an agreement entered into by LCPL with each SLIPS Primary Participant and/or SLIPS Secondary Participant relating to the SLIP System.
34. **“User Password”** shall mean the secret code assigned to each SLIPS Primary Participant and/or Secondary Participant by LCPL to grant them access to the SLIP System.
35. **“Value Date”** shall mean the date stipulated by the Remitter or Customer in his Payment Order on which date the Beneficiary shall be entitled to receive the Monetary Value stated in the Payment Order.

B. Responsibilities of LCPL and SLIPS Participants

1. Each SLIPS Participant and LCPL shall enter into a User Agreement relating to participation in and operation of the SLIP System.
2. SLIPS Participants and LCPL shall adhere to the specifications set out by LCPL with the concurrence of the CBSL in respect of the SLIP System to ensure clarity and standards.
3. LCPL shall issue to each SLIPS Participant, Digital Certificates and User Passwords, which the SLIPS Participants shall treat with utmost secrecy.

4. SLIPS Participants and LCPL shall adhere to the arrangements between them in respect of electronic fund transfers, including those in the form of rules, procedures or such other arrangements prescribed by LCPL from time to time with the concurrence of the CBSL.
5. SLIPS Participants and LCPL shall agree to follow the stipulations and guidelines stated in the Operational Procedure Manual and its addenda and related notices, listed in the Schedules annexed to the Operational Procedure Manual.
6. LCPL and SLIPS Secondary participants shall make arrangements to clear and settle payment orders of such participants only through SLIPS Primary Participants.

C. Responsibilities of LCPL

1. LCPL shall be the sole operator of the SLIP system.
2. LCPL shall be responsible for operating SLIPS daily on business days, at its registered office announced with the concurrence of the CBSL or at its Disaster Recovery Site (DRS), in the event of a critical operational failure at the primary site.
3. LCPL shall be responsible for installation, set-up, maintenance, operation, security and access control of the SLIPS and any other systems necessary to establish and maintain connectivity between the SLIPS and the SLIPS communication network.
4. LCPL shall operate the SLIP System, facilitating the clearing and settlement of transactions for SLIPS Participants according to the principle of multilateral clearing, by calculating net claims and liabilities on the basis of the Payment Orders submitted by SLIPS participants.
5. LCPL shall treat all sensitive or restricted information, including participants' payment information, technical and organizational information, as confidential, unless the participant consents to disclosure in writing, or unless the disclosure of data and information is required by any written law.
6. LCPL shall make available to the CBSL, the SLIPS multilateral settlement batch files setting out net clearing position of each SLIPS Primary Participant on or before the Settlement Times of each Clearing Cycle set out by the CBSL and such other aggregated statistical information that the CBSL may require in respect of the operation of the SLIP System.
7. LCPL shall develop and issue the SLIP System Rules with the concurrence of the CBSL and an Operational Procedure Manual for the SLIP system. Such rules and operational procedures of SLIP System shall be laid down clearly and comprehensively. System Rules and Operational Procedure Manual issued by LCPL shall govern the operations and administration of the SLIP system and shall be binding between LCPL and SLIPS participants.
8. LCPL shall amend the System Rules with the concurrence of the CBSL and/or Operational Procedure Manual as and when necessary and inform such amendments to SLIP system participants by way of circulars.
9. LCPL shall ensure that all transactions transmitted through the SLIPS are:
 - i. Compliant with security measures to ensure secure and authenticated transmission; and
 - ii. Archived in accordance with the Financial Transaction Reporting Act No. 6 of 2006.
10. LCPL shall be responsible for observing and performing its duties, obligations and undertakings in respect of SLIPS operations in accordance with the standard of competence, skill and knowledge, and the standard of prudence, care and diligence.
11. LCPL shall establish and maintain a Help Desk at LCPL to assist SLIP System participants to address any service difficulties encountered. The Help Desk shall be available throughout the business day and contact details shall be given in the Operational Procedure Manual.
12. The Board of Directors of LCPL represented by all commercial banks and the CBSL, shall reserve the right to revise the fees from time to time.
13. A schedule containing penalties and fines in respect of non-conformity and breach of rules shall be determined by the Board of Directors of LCPL in consultation with the CBSL and shall be communicated to SLIPS participants from time to time.
14. LCPL shall conduct training, awareness and education programmes on SLIP system on continuous basis to SLIPS participants and the general public.

D. Responsibilities of SLIPS Participants

Every SLIPS Participant shall;

1. not operate or participate in any national level inter-bank payment and clearing system which centrally clears retail payments, other than the retail payments and clearing systems operated by the LCPL.
2. be responsible for procuring their own hardware, software, and network infrastructure.
3. ensure that the hardware and software procured is available to receive and execute transactions under the SLIP System with provisions to future enhancements and take all necessary steps to maintain such hardware and software in good working order.
4. be responsible for the compliance of file format and defined transaction flows, and for the correct and accurate submission and finalization of the payment orders of Customers and SLIPS Participants in a timely manner, and for the authenticity of all payment orders.
5. be responsible to safeguard the SLIP System and conform to and observe all security features and instructions issued by LCPL to SLIPS Participants and ensure that any act/s or omission/s do not threaten or cause prejudice to the security of the overall SLIP System or to the security of the system of any other SLIPS Participant.
6. ensure that unauthorized access (hacking, traffic generating, sniffing etc.) and other activities that effect change/damage and corrupt the SLIP System are prevented.
7. inform the CBSL and LCPL of any change in its legal status and capacity to participate in the SLIP System.
8. ensure that adequate funds are available in their RTGS settlement accounts to settle SLIPS multilateral net settlement batch in the RTGS System at the end of each Settlement Cycle.
9. set up a procedure and/or mechanism to acknowledge the completion or non-completion of a Money Transmission through the SLIP System to the Customer.
10. adhere to technical, legal, administrative, security and other requirements specified by LCPL from time to time in respect of the SLIP System.
11. ensure crediting of the account of the Beneficiary or tendering Monetary Value to the Beneficiary, to the extent of the value of the Payment Order, on the receipt of relevant SLIPS Data from LCPL, on Value Date of the Payment Order.
12. set up service norms and standards and maintain infrastructure to provide facilities stated in 11 above.
13. be responsible for making regular backups of databases and all its information and data relating to SLIP System.
14. reconcile the daily transaction reports and inform the LCPL Help Desk in writing of any discrepancies not later than one Business Day from the time of the original transaction.
15. comply with applicable laws, instructions and procedures specified by LCPL or any other direction issued by the CBSL in relation to the operations of the SLIP System.
16. notify the Financial Intelligence Unit (FIU) of the CBSL if there is any unusual increase in the number and value of payment orders received for execution through the SLIP system from a particular customer, in terms of the Financial Transactions Reporting Act No.06 of 2006 and act according to the instructions of FIU.

E. Business Continuity Planning

1. LCPL and SLIPS participants shall have well defined business continuity plans for SLIP System operations endorsed by the respective Board of Directors to ensure a very high level of system availability which is required for a system-wide important payment system.
2. LCPL and SLIPS participants shall have fully equipped disaster recovery sites and well trained disaster management and business recovery teams for SLIP System to resume business operations immediately after a disruption, to continue and complete the ongoing SLIPS operations.

3. LCPL shall have a skilled and trained backup staff in respect of core functionalities of the SLIPS to be deployed in contingency situations, including labour disputes in order to ensure carrying out SLIPS operations without any interruption.
4. If LCPL experiences any technical or operational problem that prevents from performing its functions in the SLIPS, such problem shall be conveyed to the CBSL within 15 minutes of becoming aware of the problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform the CBSL and commence SLIPS operations at DRS and submit the SLIPS multilateral net settlement batch file to the CBSL. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform the CBSL immediately and shall use alternative methods to derive the SLIPS multilateral net settlement for the time period from the last statement cycle to the time of the failure of the system and shall make available the same to the CBSL.
5. SLIPS participants shall be responsible for making regular backups of its databases and all its information and data relating to SLIPS and for establishing and maintaining data redundancy and recovery procedures in the event of system failure or data corruption or loss, in order to meet cut-off times.

F. Confidentiality of the SLIPS data and records

1. SLIPS participants shall maintain confidentiality in respect of all SLIPS records, including information relating to transactions, accounts and any instructions issued to SLIPS participants and shall ensure that its officers, employees, agents and/or any person employed in any capacity, at all times maintain confidentiality in accordance with this direction and applicable laws.
2. LCPL and all SLIPS participants shall subject themselves jointly and severally to the control, supervision, regulation and oversight of the CBSL in the exercise of any or all its functions and powers from time to time vested by law or otherwise, on the operations of SLIPS and shall comply with all orders and directions of the CBSL thereto.
3. In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LCPL and SLIPS participants to provide such information in respect of SLIP system, and LCPL and SLIPS participants shall be bound to provide such information to the CBSL.
4. All reports and information from LCPL and SLIPS participants to the CBSL in respect of SLIPS pursuant to the provisions of this direction shall deem to be accurate and complete.

G. Dispute Resolution

1. LCPL and SLIPS participants shall make every endeavor to resolve any dispute arising between the LCPL and the SLIPS participants and/or between SLIPS participants in relation to operations of the SLIPS, through mutual discussions, negotiations or mediation.
2. Dispute resolution by way of arbitration or litigation before a Court of Law shall be resort to only if such mutual discussions, negotiations or mediation have failed to resolve the dispute in question.
3. The procedure for such mutual discussions, negotiations or mediation and arbitration shall be laid down clearly and comprehensively in the SLIP System Rules.

H. Offences

Any person who fails to comply with this direction or any directive, instruction or rule made hereunder shall be guilty of an offence under the Payment and Settlement Systems Act No. 28 of 2005.

Payment and Settlement Systems General Direction No. 02 of 2022 - Operations of the Common ATM Switch

Payment and Settlement Systems Act, No. 28 of 2005

General Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
28 February 2022

General Direction No. 02 of 2022 - Operations of the Common ATM Switch

This direction may be cited as the General Direction No. 02 of 2022 - Operations of the Common ATM Switch and shall replace the General Direction No. 01 of 2013 - Operations of the Common ATM Switch. This Direction shall apply to LankaClear (Pvt.) Ltd. (LCPL) and the Members of the Common ATM Switch and shall come into operation on 28 February 2022.

2. Definitions

In this Direction, unless the context otherwise requires:

- 2.1 **"ATM" or "Automated Teller Machine"** means a cardholder activated terminal that uses PIN verification and is online for all transactions.
- 2.2 **"CBSL"** means the Central Bank of Sri Lanka established under the Monetary Law Act, No. 58 of 1949 (Chapter 422).
- 2.3 **"CAS" or "Common ATM Switch"** means an electronic payment system operated by LCPL, which facilitates the communication and processing of cash withdrawals, balance inquiries and any other ATM services and shall include LCPL systems, processes, and procedures for the electronic data transfer and authorization of payments sought to be effected by a CAS Member.
- 2.4 **"CAS Member"** means a Primary Member and a Secondary Member of CAS.
- 2.5 **"Clearing Cycle"** means the time duration from one settlement time to the next immediate settlement time which are predefined by LCPL.
- 2.6 **"Operational Procedure Manual"** means the document prepared by LCPL containing the procedures laid down for the guidance of LCPL and CAS Members as regards to the operations of CAS.
- 2.7 **"Primary Member"** means any licensed commercial bank or any licensed specialized bank which is a participant in the RTGS System and approved by CBSL and LCPL to be a CAS Member.
- 2.8 **"RTGS System"** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.
- 2.9 **"Secondary Member"** means any legal entity authorized by a Primary Member to execute CAS transactions and to settle net balances through the RTGS account of such Primary Member and approved by CBSL and LCPL to be a CAS Member.
- 2.10 **"Membership Agreement"** means an agreement entered into by a CAS Member with LCPL.

3. Responsibilities of LCPL and a CAS Member:

- 3.1 Every CAS Member and LCPL shall enter into a Membership Agreement relating to participation in and operations of CAS.
- 3.2 Every CAS Member and LCPL shall adhere to the arrangements between them in respect of operations of CAS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.
- 3.3 Every CAS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.
- 3.4 Every CAS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CAS transactions.

4. Responsibilities of LCPL

- 4.1 LCPL shall be the sole operator of CAS.
- 4.2 LCPL shall be responsible for;
 - 4.2.1 operating CAS on around the clock basis every day;
 - 4.2.2 granting Primary and Secondary Memberships in CAS to eligible entities with the approval of CBSL;
 - 4.2.3 setting out clear and comprehensive System Rules with the approval of the Director, Payments and Settlements (D/PSD) of CBSL. The System Rules issued by LCPL shall stipulate, among other things, powers, rights, duties and obligations of LCPL and CAS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information;

- 4.2.4 defining the specifications, standards, security features and audit compliances which are applicable to the operations of CAS;
- 4.2.5 making available to CBSL, CAS multilateral net settlement batch files setting out the net position of every CAS Member on or before the cut-off times set out by CBSL;
- 4.2.6 entering into and termination of agreements and contracts with any service provider relating to the operations of CAS;
- 4.2.7 adopting a uniform fees and penalties structure which may be amended by LCPL from time to time subject to the clause 3.4 hereof;
- 4.2.8 complying with reporting requirements of CBSL in respect of the operations of CAS and related matters.

5. Responsibilities of CAS Members

Every CAS Member shall;

- 5.1 be responsible for procuring hardware, software and network infrastructure that are fully compliant with LCPL specifications;
- 5.2 be responsible for proper maintenance of its ATMs and ensuring that sufficient cash is available in each of its ATMs at all times;
- 5.3 be responsible to safeguard CAS system and conform to and observe all security features and instructions issued by LCPL;
- 5.4 adhere to technical, administrative and other requirements specified by LCPL from time to time;
- 5.5 ensure that adequate funds are available in its RTGS settlement account to settle CAS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL;
- 5.6 be responsible for making regular backups of databases and all its information and data relating to the operations of CAS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss;
- 5.7 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
- 5.8 adhere to the System Rules of CAS set out by LCPL;
- 5.9 comply with fees and penalties structure notified by LCPL.

6. Business Continuity Planning

- 6.1 LCPL and CAS Members shall have a well defined business continuity plan for the operations of CAS approved by the respective Boards of Directors to ensure availability of CAS service at all times.
- 6.2 LCPL and CAS Members shall have a fully equipped Disaster Recovery Site (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3 LCPL shall have a skilled and trained backup staff in respect of core functionalities of CAS to be deployed in contingency situations, including labour disputes, in order to ensure carrying out operations without any interruption.
- 6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CAS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CAS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall use alternative methods to derive the CAS multilateral net settlement for the time period from the last clearing cycle to the time of the failure of the system and shall make available the same to CBSL.

7. Confidentiality

- 7.1 LCPL and CAS Members shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity at all times maintain confidentiality in accordance with applicable laws.

- 7.2 LCPL and CAS Members shall subject themselves jointly and severally to the control, supervision, regulation and oversight of CBSL in the exercise of any or all of its functions and powers from time to time vested by law or otherwise, on the operations of CAS and shall comply with all instructions, orders and directions of CBSL.
- 7.3 In furtherance of and without prejudice to the foregoing, D/PSD of CBSL may from time to time and at any time require LCPL and CAS Members to provide such information in respect of the operations of CAS and LCPL and CAS Members shall provide such information to D/PSD of CBSL.
- 7.4 All reports and information from LCPL and CAS Members to D/PSD of CBSL in respect of the operations of CAS shall be accurate and correct.

8. General

- 8.1 This direction is in addition to and not in derogation of any other written law, and rules, regulations, terms and conditions to which LCPL and CAS Members are subject to and/or may be subject to from time to time.
- 8.2 Without prejudice to the generality of the above paragraph, this direction shall not be construed to limit any obligation or responsibility imposed by the Payment and Settlement Systems Act, No. 28 of 2005.

Payment and Settlement Systems General Direction No. 03 of 2022 - Operations of the Common Electronic Fund Transfer Switch

Payment and Settlement Systems Act, No. 28 of 2005

General Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
28 February 2022

General Direction No. 03 of 2022 - Operations of the Common Electronic Fund Transfer Switch

This direction may be cited as the General Direction No. 03 of 2022 - Operations of the Common Electronic Fund Transfer Switch and shall replace the General Direction No. 01 of 2018 - Operations of the Common Electronic Fund Transfer Switch. This Direction shall apply to LankaClear (Pvt.) Ltd. (LCPL) and Members of the Common Electronic Fund Transfer Switch (CEFTS) and shall come into operation on 28 February 2022.

2. Definitions

In this Direction, unless the context otherwise requires:

- 2.1 **“Common Electronic Fund Transfer Switch”** or **“CEFTS”** means an electronic system operated by LCPL, which facilitates domestic interbank real-time fund transfers and shall include systems, processes, and procedures for switching and clearing of fund transfers between CEFTS members.
- 2.2 **“CEFTS Member”** means a Primary Member or a Secondary Member of CEFTS.
- 2.3 **“CEFTS System”** means systems and processes operated and maintained by LCPL for CEFTS including without any limitation, systems for dispatching, receiving, processing and archival of CEFTS data.
- 2.4 **“Clearing Cycle”** means the time period predefined by LCPL with the concurrence of Director, Payments and Settlements (D/PSD) of the Central Bank of Sri Lanka (CBSL) for netting of transactions for settlement.
- 2.5 **“Customer”** means any legal or natural person, who issues or directs a payment order and authorizes the CEFTS member to debit the respective account or tenders monetary value to the extent of the value of the payment order to the respective CEFTS member.
- 2.6 **“Operational Procedure Manual”** means the document prepared by LCPL containing the procedures laid down for the guidance of CEFTS Members as regards to the operations of CEFTS.
- 2.7 **“Primary Member”** means any licensed commercial bank or any licensed specialized bank which is a participant in the RTGS System and approved by the CBSL and LCPL to be a CEFTS Member.
- 2.8 **“RTGS System”** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.

- 2.9 **“Secondary Member”** means any legal entity approved by CBSL and LCPL to be a CEFTS Member and which has made arrangements with a Primary Member to settle net balances through the RTGS account of such Primary Member.
- 2.10 **“Member Agreement”** means an agreement entered into by a CEFTS Member with LCPL relating to CEFTS.

3. Responsibilities of LCPL and a CEFTS Member:

- 3.1 Every CEFTS Member and LCPL shall enter into a Member Agreement relating to participation in and operations of CEFTS.
- 3.2 Every CEFTS Member and LCPL shall adhere to the arrangements between them in respect of operations of CEFTS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.
- 3.3 Every CEFTS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.
- 3.4 Every CEFTS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CEFTS transactions.

4. Responsibilities of LCPL

- 4.1 LCPL shall be the sole operator of CEFTS.
- 4.2 LCPL shall be responsible for;
- 4.2.1 operating CEFTS on around the clock basis every day;
- 4.2.2 granting Primary and Secondary Memberships in CEFTS to eligible entities with the approval of D/PSD;
- 4.2.3 setting out clear and comprehensive System Rules with the approval of D/PSD of CBSL. The System Rules issued by LCPL shall stipulate, among other things, powers, rights, duties and obligations of LCPL and CEFTS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information. LCPL shall amend System Rules as and when necessary with the concurrence of D/PSD of CBSL;
- 4.2.4 defining the specifications, standards, security features and audit compliances which are applicable to the operations of CEFTS;
- 4.2.5 making available to CBSL, CEFTS multilateral net settlement batch files setting out the net position of every CEFTS Member on or before the cut-off times set out by CBSL;
- 4.2.6 entering into agreements and contracts properly with any service provider relating to the operations of CEFTS;
- 4.2.7 adopting a uniform fees and penalties structure which may be amended by LCPL from time to time subject to the clause 3.4 hereof;
- 4.3 LCPL shall comply with reporting requirements of CBSL in respect of the operations of CEFTS and related matters;
- 4.4 LCPL shall conduct training, awareness and education programmes on CEFTS, as and when necessary, to CEFTS Members and the general public.

5. Responsibilities of CEFTS Members

- 5.1 A CEFTS Member shall not engage in any national level interbank clearing and settlement system, other than the clearing systems operated by LCPL.
- 5.2 Every CEFTS Member shall;
- 5.2.1 adhere to the System Rules of CEFTS set out by LCPL;
- 5.2.2 adhere to technical, administrative and other requirements for the smooth operations of CEFTS specified by LCPL from time to time;
- 5.2.3 establish a procedure and/or mechanism to acknowledge the completion or non completion of the transaction through CEFTS to the customer in real time;
- 5.2.4 ensure that adequate funds are available in its RTGS settlement account to settle CEFTS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL;
- 5.2.5 be responsible for making regular backups of databases relating to the operations of CEFTS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss at the primary site;

- 5.2.6 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
- 5.2.7 adhere to transaction limits specified by LCPL with the approval of CBSL with regard to CEFTS;
- 5.2.8 comply with reporting requirements of CBSL in respect of the operations of CEFTS and related matters;
- 5.2.9 report transactions effected through CEFTS to the Financial Intelligence Unit (FIU) of CBSL as per the regulations issued in terms of the Financial Transaction Reporting Act, No. 06 of 2006 and act according to the instructions of FIU.

6. Business Continuity Planning

- 6.1 LCPL and CEFTS Members shall have a well defined business continuity plan for the operations of CEFTS approved by the respective Boards of Directors to ensure availability of CEFTS service at all times.
- 6.2 LCPL and CEFTS Members shall have a fully equipped Disaster Recovery Site (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3 LCPL shall have a skilled and trained backup staff in respect of core functionalities of CEFTS to be deployed in contingency situations in order to ensure carrying out operations without any interruption.
- 6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CEFTS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CEFTS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall adopt alternative methods to derive the CEFTS multilateral net settlement for the time period from the end of the last settled Clearing Cycle to the time of the failure of the system and shall make available the same to CBSL.

7. Confidentiality

LCPL and every CEFTS Member shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity maintain confidentiality, at all times.

8. General

- 8.1 In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LCPL and CEFTS Members to provide such information in respect of the operations of CEFTS and LCPL and CEFTS Members shall provide such information to CBSL.
- 8.2 This direction is in addition to and not in derogation of any other written law, and rules, regulations, directions, terms and conditions to which LCPL and CEFTS Members are subject to and/or may be subject to from time to time.
- 8.3 Without prejudice to the generality of the above paragraph, this direction shall not be construed to limit any obligation or responsibility imposed on the CEFTS Members by the Payment and Settlement Systems Act, No. 28 of 2005 or any rule, regulation, instruction, directive or order issued or given thereunder or any other written law.

Payment and Settlement Systems General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales Switch

Payment and Settlement Systems Act, No. 28 of 2005

General Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
 28 February 2022

General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales Switch

This Direction may be cited as the General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales Switch and shall apply to Members of the Common Point-of-Sales Switch (CPS) and LankaClear (Pvt.) Ltd. (LCPL). CPS is an electronic system operated by LCPL that links Point-of-Sales (POS) switches of its members to facilitate switching and clearing of not-on-us POS transactions. This Direction shall replace the General Direction No. 02 of 2018 - Operations of the Common Point-of-Sales Switch and shall come into operation on 28 February 2022.

2. Definitions

In this Direction, unless the context otherwise requires:

- 2.1 **"CPS Member"** means a Primary Member or a Secondary Member of CPS.
- 2.2 **"Clearing Cycle"** means the time period determined by Director, Payments and Settlements (D/PSD) of the Central Bank of Sri Lanka (CBSL) for netting of transactions for settlement.
- 2.3 **"Not-on-Us POS Transaction"** means a transaction originated at a CPS Member's POS terminal by a customer of another CPS Member.
- 2.4 **"Operational Procedure Manual"** means the document prepared by LCPL containing the procedures laid down for the guidance of CPS Members as regards to the operations of CPS.
- 2.5 **"Primary Member"** means any licensed commercial bank or any licensed specialized bank which is a participant in the RTGS System and approved by CBSL and LCPL to be a CPS Member.
- 2.6 **"RTGS System"** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.
- 2.7 **"Secondary Member"** means any legal entity approved by CBSL and LCPL to be a CPS Member and which has made arrangements with a Primary Member to settle net balances through the RTGS account of such Primary Member.
- 2.8 **"Member Agreement"** means an agreement entered into by a CPS Member with LCPL relating to CPS.

3. Responsibilities of LCPL and a CPS Member:

- 3.1 Every CPS Member and LCPL shall enter into a Member Agreement relating to participation in and operations of CPS.
- 3.2 Every CPS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.
- 3.3 Every CPS Member and LCPL shall adhere to the arrangements between them in respect of operations of CPS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.
- 3.4 Every CPS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CPS transactions.

4. Responsibilities of LCPL

- 4.1 LCPL shall be the sole operator of CPS.
- 4.2 LCPL shall be responsible for;
 - 4.2.1 operating CPS on around the clock basis every day;
 - 4.2.2 granting Primary and Secondary Membership in CPS to eligible entities with the approval of D/PSD of CBSL;
 - 4.2.3 setting out clear and comprehensive System Rules with the approval of D/PSD of CBSL. The System Rules issued by LCPL shall stipulate, among other things, responsibilities of LCPL and CPS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information. LCPL shall amend System Rules as and when necessary with the approval of D/PSD of CBSL;
 - 4.2.4 making available to CBSL, CPS multilateral net settlement batch files for settlement of CPS transactions, on or before the cut-off times set out by CBSL; and
 - 4.2.5 adopting a uniform structure for fees and charges which may be amended by LCPL from time to time subject to the limits imposed by CBSL, if any, on fees chargeable in respect of CPS transactions.
- 4.3 LCPL shall comply with reporting requirements of CBSL in respect of the operations of CPS and related matters.

5. Responsibilities of CPS Members

- 5.1 Every CPS Member shall;
 - 5.1.1 adhere to the System Rules of CPS set out by LCPL;
 - 5.1.2 adhere to technical, administrative and other requirements for the smooth operations of CPS specified by LCPL from time to time;
 - 5.1.3 be responsible for making regular backups of databases relating to the operations of CPS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss at the primary site;
 - 5.1.4 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
 - 5.1.5 comply with reporting requirements of CBSL in respect of the operations of CPS and related matters;
- 5.2 Every CPS Primary Member shall ensure that adequate funds are available in its RTGS settlement account to settle CPS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL. In the event a CPS Primary Member does not comply with this clause, CBSL may take action in accordance with the LankaSettle System Rules.

6. Business Continuity Planning

- 6.1 LCPL and CPS Members shall have well defined business continuity plans for the operations of CPS approved by the respective Boards of Directors to ensure availability of CPS service at all times.
- 6.2 LCPL and CPS Members shall have fully equipped Disaster Recovery Sites (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3 LCPL shall have skilled and trained backup staff in respect of core functionalities of CPS to be deployed in contingency situations in order to ensure carrying out operations without any interruption.
- 6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CPS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CPS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall adopt alternative methods to derive the CPS multilateral net settlement amounts for the time period from the end of the last settled Clearing Cycle to the time of the failure of the system and shall make available the same to CBSL.

7. Confidentiality

LCPL and every CPS Member shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity maintain confidentiality, at all times.

8. General

- 8.1 In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LCPL and CPS Members to provide such information in respect of the operations of CPS and LCPL and CPS Members shall provide such information to CBSL.
- 8.2 This Direction is in addition to and not in derogation of any other written law, and rules, regulations, directions, terms and conditions to which LCPL and CPS Members are subject to and/or may be subject to from time to time.
- 8.3 Without prejudice to the generality of the above paragraph, this Direction shall not be construed to limit any obligation or responsibility imposed on the CPS Members by the Payment and Settlement Systems Act, No. 28 of 2005 or any rule, regulation, instruction, directive or order issued or given thereunder or any other written law.

Ref. 34/07/029/0001/002

10 May 2022

Payment and Settlement Systems Circular No. 02 of 2022

To: All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM ON 11.05.2022

The following Daily Operating Schedules will be followed on 11.05.2022.

Schedule 1: For Value date 10.05.2022

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business for 10.05.2022	System opens for effecting transactions of 10.05.2022.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	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.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. (of 10.05.2022) SLIPS Cycles 1 & 2 (of 10.05.2022)
0830 hrs.	Primary Auction Settlement/ Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of Primary Auction, OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycles 1& 2 (of 10.05.2022) Common Electronic Fund Transfer Switch (CEFTS) Cycles 1& 2 (of 10.05.2022) Common POS Switch (CPS) Cycles 1& 2 (of 10.05.2022)
0900 hrs.	MLNS Batch from LankaClear	CAS Cycles 3& 4 (of 10.05.2022) CEFTS Cycles 3& 4 (of 10.05.2022) CPS Cycles 3& 4 (of 10.05.2022)
0900 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF. (to be matured on 10.05.2022)
0915 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3(of 10.05.2022) Settlement Clearing and Adjustment Clearing (of 10.05.2022)
0925 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX) series. (for 10.05.2022)
0930 hrs.	MLNS Batch from LankaClear	CAS Cycle 5 (of 10.05.2022) CEFTS Cycle 5 (of 10.05.2022) CPS Cycle 5 (of 10.05.2022)
0930 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 0930 hrs.
0940 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 0940 hrs.
0945 hrs.	SDF	Settlement of first leg of SDF
1045 hrs.	SLF	Settlement of first leg of SLF.
1050 hrs.	ILF Repayment	Repayment of ILF.
1100 hrs.	Final Cut-off Time Closure of System 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.
1100 hrs. to 1115 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1115 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Note: Forex transactions value dated 10.05.2022 done with the Central Bank should be settled by 1000 hrs. on 11.05.2022

Schedule 2: For value date 11.05.2022

TIME	EVENT	ACTIVITIES /TRANSACTIONS
1200 hrs. to 1215 hrs.	System start-up	Start-up of RTGS/SSS applications.
1215 hrs. to 1230 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
1230 hrs.	LankaSettle System opens for business for 11.05.2022	System opens for effecting transactions of 11.05.2022.
1230 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
1245 hrs.	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.
1300 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. (of 11.05.2022) SLIPS Cycles 1 & 2 (of 11.05.2022)
1315 hrs.	MLNS Batch from LankaClear	CAS Cycles 1 & 2 (of 11.05.2022)
1330 hrs.	MLNS Batch from LankaClear	CEFTS Cycles 1 & 2 (of 11.05.2022) CPS Cycles 1 & 2 (of 11.05.2022)
1345 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF. (to be matured on 11.05.2022)
1400 hrs.	MLNS Batch from LankaClear	CAS Cycle 3 (of 11.05.2022) CEFTS Cycle 3 (of 11.05.2022) CPS Cycle 3 (of 11.05.2022)
1430 hrs	Short Term Repos/ Rev.Repo (Auction)	Settlement of First Log of Short Term Repos/ Revers Repos under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing. (of 11.05.2022)
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX) series. (for 11.05.2022)
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3 (of 11.05.2022) CAS Cycle 4 (of 11.05.2022)
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4 (of 11.05.2022) CPS Cycle 4 (of 11.05.2022)
1530 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1530 hrs.
1545 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1545 hrs.	MLNS Batch from LankaClear	CAS Cycle 5 (of 11.05.2022) CEFTS Cycle 5 (of 11.05.2022) CPS Cycle 5 (of 11.05.2022)
1545 hrs.	SDF	Settlement of first leg of SDF
1600 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System 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.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

M R Wijewardene
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

20 June 2022

Payment and Settlement Systems Circular No. 03 of 2022

To : All Primary Members of Common ATM Switch and Common Electronic Fund Transfer Switch and LankaClear (Pvt) Ltd

LIABILITY MANAGER (LM) LIMITS IN LANKAPAY COMMON ATM SWITCH (CAS) AND LANKAPAY COMMON ELECTRONIC FUND TRANSFER SWITCH (CEFTS)

The Central Bank of Sri Lanka (CBSL) has decided to revise the multi-tiered Liability Manager (LM) limit structure for CAS and CEFTS given in the Payment and Settlement Systems Circular No. 19 of 2020 issued on 27 November 2020, in order to include the National Savings Bank (NSB) who has obtained the participant status in the LankaSettle system and the Primary Membership of CAS and CEFTS. The amended categorization of Primary Members of CAS and CEFTS for the purpose of defining LM limits is given in Annex I.

2. Minimum LM limits applicable for CAS and CEFTS shall be as follows;

i. Minimum LM Limits for CAS

	Category A	Category B	Category C
Category A	Rs. 200 Mn	Rs. 150 Mn	Rs. 100 Mn
Category B	Rs. 150 Mn	Rs. 150 Mn	Rs. 100 Mn
Category C	Rs. 100 Mn	Rs. 100 Mn	Rs. 100 Mn

ii. Minimum LM Limits for CEFTS

	Category A	Category B	Category C
Category A	Rs. 500 Mn	Rs. 350 Mn	Rs.250 Mn
Category B	Rs. 350 Mn	Rs. 350 Mn	Rs.250 Mn
Category C	Rs. 250 Mn	Rs. 250 Mn	Rs.250 Mn

- Primary Members may allow LM limits higher than the minimum limits defined by CBSL, through mutual arrangements to any Primary Member in any category.
- LankaClear (Pvt) Ltd. shall implement and maintain the minimum LM limits defined by CBSL in CAS and CEFTS systems and accommodate requests made by Primary Members to set LM limits higher than the minimum LM limits defined by CBSL.
- Minimum LM limits assigned for any or all category/ies and categorization of Primary Members would be periodically reviewed by CBSL and revised, if necessary.
- Primary Members were categorized in this manner for the sole purpose of defining minimum LM limits and shall not be used for any other purpose.
- This Circular shall replace the Payment and Settlement Systems Circular No. 19 of 2020 and shall be effective from 27 June 2022.

Yours sincerely,
M. R. Wijewardane
Director/ Payments and Settlements

Annex I

Primary Members of Common ATM Switch and/or Common Electronic Fund Transfer Switch

• **Category A**

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Hatton National Bank PLC
Seylan Bank PLC
National Development Bank PLC

• **Category B**

DFCC Bank PLC
Nations Trust Bank PLC
The Hongkong & Shanghai Banking Corporation Ltd
Pan Asia Banking Corporation PLC
Standard Chartered Bank
Amana Bank
Union Bank of Colombo PLC
Cargills Bank Ltd

• **Category C**

National Savings Bank
Deutsche Bank AG
Citibank N A
MCB Bank Ltd
State Bank of India
Habib Bank Ltd
Public Bank Berhad
Indian Bank
Bank of China Ltd
Indian Overseas Bank

This categorization is for the sole purpose of imposing the multi-tiered LM limit structure and shall not be used for any other purpose.

Ref. 34/01/024/0106/06

18 July 2022

Payment and Settlement Systems Circular No. 04/2022

To : All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE (DRS)
ON 22 JULY 2022**

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and the LankaSecure System) and other related systems from its DRS on 22 July 2022 (Friday) for the purpose of testing the business continuity arrangements.

The computers of your institution which have been connected to the CBSLNet have already been configured to access the CBSL DRS. However, you are requested to contact the Information Technology (IT) Department of CBSL and test the connectivity before 21 July 2022 to ensure the readiness. The following officers of CBSL IT Department will act as points of contact for IT matters during this BCP exercise.

- Mr. Bilesh Koggalahewa – 011-2398841 (bilesh@cbsl.lk)
- Mr. Nipuna Samaradiwakara- 011-2398887 (nipunas@cbsl.lk)

Please instruct all operational officers of your institution to contact above officers through the nominated BCP officer of your institution.

K V K Alwis
Director
Payments and Settlements

Copy: Secretary General – Sri Lanka Banks' Association } for information, please
President- Association of Primary Dealers }
CEO- LankaClear Pvt. Ltd. } For necessary support for
CEO- Lanka Financial Services Bureau Ltd. } Participants if required

Regional Development Department

Operating Instructions No: RDD/PR/2010/03 (A-7)

Regional Development Department
Central Bank of Sri Lanka
P.O. Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
20 May 2022

To: All Participating Financial Institutions (PFIs)

AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE PROSPERITY LOAN SCHEME (SAUBAGYA) – INCREASE OF THE INTEREST RATE APPLIED FOR SUB-LOANS

This refers to the Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the Prosperity Loan Scheme (Saubagya).

Considering the significant increase of interest rates in the market and current economic content, the CBSL decided to amend above OIs as follows.

Inclusion of a new section

3.2 Loan Limits : PFIs shall be ensured that 80% of the new loans in minimum are related to the agriculture, livestock, fisheries, and related activities from the date of this OIs which shall be calculated in half yearly basis.

Amendment to the Existing Section

3.6 Rate of interest on refinance loans to PFIs : 4 per cent per annum (4% p.a.)

3.7 Rate of interest for sub – loans : 9 per cent per annum (9% p.a.)

The above amendments will be effective from 20 May 2022 and all other clauses of OIs remain unchanged.

Please bring the contents of this amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

M.S.K Dharmawardhana
Director/Regional Development

Operating Instructions No: RDD/STaRR-IS/2019/01-(Amendment 1)

Regional Development Department
 Central Bank of Sri Lanka
 No. 30, Janadhipathi Mawatha
 Colombo 01
 Tel : 2477452, 2398748
 Fax : 2477724
 27th May 2022

To: All PFIs

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF “SMALLHOLDER TEA AND RUBBER
 REVITALIZATION (STARR) INTEREST SUBSIDY SCHEME”**

All Participating Financial Institutions (PFIs) of the STaRR Interest Subsidy Scheme are hereby informed that the Operating Instructions No. RDD/STaRR-IS/2019/01 dated 13.11.2019, (herein after referred to as “**Principal Operating Instructions**”), issued by the Director, Regional Development Department of the Central Bank of Sri Lanka are amended as follows;

1. **Clause 1** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:

1. Introduction

With the main objective of revitalizing the smallholder tea and rubber industry in Sri Lanka by encouraging replanting of tea, new planting of rubber and related activities, the Government of Sri Lanka (GOSL) has made arrangements with the International Fund for Agricultural Development (IFAD) to implement Smallholder Tea and Rubber Revitalization (STaRR) Project.

STaRR Project which is jointly funded by GOSL and IFAD, is implemented by the Project Management Unit (PMU) of the STaRR Project. The implementation period of the STaRR Project is 2016 to 2022.

STaRR Interest Subsidy Scheme (the Scheme) implemented by the Central Bank of Sri Lanka (CBSL), is introduced under the “Component C: Inclusive Rural Finance” of the STaRR Project and is effective from 15.10.2019 to 31.12.2025.

2. **Clause 6.5** of Principal Operating Instructions is hereby repealed, and the following clause is substituted therefor: -

Interest Subsidy to PFIs - 4.0 per cent per annum for the period from 01.11.2021 to 31.05.2022 and 7.0 per cent per annum for the period from 01.06.2022 to 31.12.2022 PFIs will be provided with interest subsidy quarterly by the GOSL through CBSL, as specified in the Section 12.3 in the Operating Instructions.

3. **Clause 11.2** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

“The PFIs shall not grant Sub — loans under the scheme after 31.12.2022. However, interest subsidy for the loans granted under the STaRR Interest Subsidy Scheme will be provided until settle all the interest subsidy claims of PFIs”.

This amendment to the Operating Instructions of the STaRR Interest Subsidy Scheme will be effective from 01.11.2021 All other terms and conditions of Principal Operating Instructions of the Loan Scheme will remain unchanged.

Please bring the contents of this Amendment of the Operating Instructions to the notice of the relevant officers.

Yours faithfully,
 M S K Dharmawardane
Director/Regional Development

Operating Instructions No: RDD/NCRCS/2011/2022/01

13 June 2022

To: All Participatory Financial Institutions (PFIs)

Dear Sir/ Madam

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

All PFIs are hereby informed that the Operating Instructions No. RDD/NCRCS/2011 dated 23 September 2011, subsequently amended on 10 January 2016, 06 July 2015, 22 August 2016, 08 April 2020, 05 April 2021 and 20 April 2021 are amended as follows.

1. Rate of Interest

Subsidized interest rate portion paid by the GOSL	Interest rate applicable to the end borrower	Effective rate applicable to the PFI
7%	8%	15%

2. Scale of Finance - As per the Annex I

The above amendments shall be applicable with effect from 15 June 2022 and all other terms and conditions stipulated in the Operating Instructions of the NCRCS will remain unchanged.

Please bring the contents of the amendments to the notice of the officers of the relevant departments/ branches of your bank

M S K Dharmawardane
Director, Regional Development

Annexure I

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS Scales of Finance for the Eligible Crops

Crop & Code	"Land Preparation Rs."	"Seed Nursery and Planting Rs."	"Fertilizer Rs."	"Chemical (Pest/Weed/fungus) Rs."	"Others Rs."	"Total Cost Rs."	"Maximum-Loan Limit per Acre Rs."	Extend of Land Units (Acres)	
								Min	Max
Paddy									
Irrigated (PI)	45,268.67	14,335.22	15,449.89	20,568.78	37,710.78	133,333.33	100,000.00	0.25	20
Rainfed (PR)	39,887.47	27,678.47	16,222.47	16,972.47	40,572.47	141,333.33	106,000.00	0.25	
Chillies (C)	54,715.49	37,904.54	39,121.99	69,082.49	151,175.49	352,000.00	264,000.00	0.125	4
Onion (O)	45,552.70	328,132.20	42,221.20	37,713.20	106,380.70	560,000.00	420,000.00	0.125	4
Pulses									
Cowpea (M1)	21,072.08	16,679.90	7,562.10	9,063.64	29,622.28	84,000.00	63,000.00	0.125	10
Green Gram (M2)	27,119.80	19,881.98	14,434.76	18,814.42	27,749.06	108,000.00	81,000.00	0.125	
Black Gram (M3)	17,236.36	8,434.66	24,574.66	20,987.66	12,766.66	84,000.00	63,000.00	0.125	
Soya beans (M4)	13,387.56	9,615.04	30,156.52	23,148.30	11,692.58	88,000.00	66,000.00	0.125	
Kurakkan (M5)	28,326.50	5,939.20	20,702.56	13,379.40	7,652.34	76,000.00	57,000.00	0.125	
Maize (M)	44,969.77	12,097.68	20,875.76	30,954.70	27,102.08	136,000.00	102,000.00	0.125	20
Oil Seeds									
Ground Nut (L1)	26,027.30	33,454.30	12,754.30	16,059.30	35,704.80	124,000.00	93,000.00	0.125	10
Gingelly (L2)	24,971.06	11,286.98	7,550.98	7,550.98	24,639.98	76,000.00	57,000.00	0.125	
Sun Flower (L3)	12,973.75	11,361.25	10,555.00	8,136.25	12,973.75	56,000.00	42,000.00	0.125	
Root & Tuber									
Potato (T)	154,370.59	377,166.66	143,918.62	148,252.65	184,291.50	1,008,000.00	756,000.00	0.125	4

	Sweet Potato (T1)	31,115.40	22,990.40	10,705.40	22,573.40	48,615.40	136,000.00	102,000.00	0.125	10
	Manioc (T2)	32,604.51	24,652.45	30,847.05	13,861.99	26,034.01	128,000.00	96,000.00	0.125	
	Kiri Ala (T3)	52,937.50	40,037.50	28,750.00	20,687.50	33,587.50	176,000.00	132,000.00	0.125	
Vegetable										
	Brinjal (V1)	48,898.00	13,548.00	17,858.00	45,898.00	113,798.00	240,000.00	180,000.00	0.125	4
	Ladies fingers (V2)	22,238.00	6,388.00	5,398.00	13,438.00	76,538.00	124,000.00	93,000.00	0.125	
	Beet Root (V3)	82,596.20	50,215.20	22,996.20	27,396.20	96,796.20	280,000.00	210,000.00	0.125	
	Beans (V4)	39,906.00	46,506.00	21,526.00	31,956.00	136,106.00	276,000.00	207,000.00	0.125	
	Cabbage (V5)	113,298.00	82,048.00	61,658.00	81,898.00	137,098.00	476,000.00	357,000.00	0.125	
	Carrot (V6)	97,512.80	71,608.80	62,612.80	53,552.80	142,712.80	428,000.00	321,000.00	0.125	
	Capsicum (V7)	101,130.00	74,480.00	47,130.00	69,530.00	155,730.00	448,000.00	336,000.00	0.125	
	Tomato (V8)	81,854.40	61,182.40	53,054.40	81,554.40	178,354.40	456,000.00	342,000.00	0.125	
	Leeks (V9)	74,685.00	96,560.00	30,385.00	32,585.00	97,785.00	332,000.00	249,000.00	0.125	
	Radish (V10)	49,084.00	24,084.00	14,564.00	4,384.00	55,884.00	148,000.00	111,000.00	0.125	
	Knoh Khol (V11)	59,467.80	30,648.80	10,147.80	9,467.80	54,267.80	164,000.00	123,000.00	0.125	
	Luffa (V12)	9,856.00	8,776.00	3,756.00	21,556.00	172,056.00	216,000.00	162,000.00	0.125	
	Bitter Gourd (V13)	1,108.80	36,607.80	25,880.80	55,464.80	170,137.80	228,000.00	171,000.00	0.125	
	Snake Gourd(V14)	14,452.00	13,192.00	8,352.00	9,652.00	178,352.00	224,000.00	168,000.00	0.125	
	Pumpkin (V15)	33,802.00	29,862.00	26,682.00	22,352.00	39,302.00	152,000.00	114,000.00	0.125	
Other										
	Ginger (W1)	38,600.00	127,050.00	41,500.00	32,800.00	40,050.00	280,000.00	210,000.00	0.250	4
	Sugarcane (W2)	30,898.00	28,311.75	40,206.75	30,380.50	70,203.00	200,000.00	150,000.00	1.00	10
	Turmeric (Tu)	112,000.00	295,000.00	91,320.00	12,000.00	461,000.00	971,320.00	728,490.00	0.125	1
Maximum amount for Home Gardening is Rs. 100,000/-										
Maximum amount for nurseries (including seed production) is Rs. 500,000/-										

Note : The PFIs are authorized to release cultivation loans according to the requirements of the borrower subject to a maximum of 60% limit of the total loan amount for the first instalment for land preparation, seeds, plants, fertilizer, fungicide, insecticide etc. and the balance could be released in one or two instalments for purchasing fertilizer or harvesting as recommended by the field officer. The Branch Managers are requested to release only the amount required by each farmer considering his capacity to meet above cost components given in the above table by his own means. The Branch Managers are entitled to decide loan amounts to be granted to each farmer according to the cultivation pattern, irrigated or rainfed the cultivation season, the crop mixture and the farmers' repaying capacity etc. within the above maximum loan amounts per acre.

Operating Instructions No: RDD/STaRR-IS/2019/01-(Amendment 2)

Regional Development Department
Central Bank of Sri Lanka
P O Box 590
No. 30, Janadhipathi Mawatha
Colombo 01.
20th June 2022

To: All PFIs

AMENDMENT TO THE OPERATING INSTRUCTIONS OF "SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) INTEREST SUBSIDY SCHEME"

All Participating Financial Institutions (PFIs) of the STaRR Interest Subsidy Scheme are hereby informed that the Operating Instructions No. RDD/STaRR-IS/2019/01 dated 13.11.2019, (herein after referred to as "**Principal Operating Instructions**"), subsequently amended on 27.05.2022 issued by the Director, Regional Development Department of the Central Bank of Sri Lanka are amended as follows;

- Clause 1** of Principal Operating Instructions which was amended on 27.05.2022 is hereby repealed and the following clause is substituted therefor:-

1. Introduction

"With the main objective of revitalizing the smallholder tea and rubber industry in Sri Lanka by encouraging replanting of tea, new planting of rubber and related activities, the Government of Sri Lanka (GOSL) has made arrangements with the International Fund for Agricultural Development (IFAD) to implement Smallholder Tea and Rubber Revitalization (STaRR) Project."

STaRR Project which is jointly funded by GOSL and IFAD, is implemented by the Project Management Unit (PMU) of the STaRR Project operated under the Ministry of Plantation Industries (MPI) which is the Lead Programme Agency. The implementation period of the STaRR Project is 2016 to 2022.

STaRR Interest Subsidy Scheme (the Scheme) implemented by the Central Bank of Sri Lanka (CBSL), is introduced under the "Component C: Inclusive Rural Finance" of the STaRR Project and is effective from 15.10.2019 to 31.12.2025.

2. **Clause 5.9** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"**Funds Provided by the MoF**" means the funds allocated and payment made to CBSL by the MOF through the MPI for granting interest subsidy under the STaRR Interest Subsidy Scheme.

3. **Clause 8.5** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"Maintain the interest subsidy payment records"

4. **Clause 9.3** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"Make arrangements for timely payment of interest subsidy to the PFIs through CBSL, based on the instructions & recommendations of CBSL"

5. **Clause 12.3 (C)** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"The Head Offices of the PFIs should submit the interest subsidy applications through the PMU and/or the MPI by end of the months of January, April, July, October each year for the loans disbursed in the preceding four quarters".

6. **Clause 14** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"PFIs should prepare Financial Statements of the STaRR Interest Subsidy Scheme for auditing purpose".

This amendment to the Operating Instructions of the STaRR Interest Subsidy Scheme will be effective from 01.11.2021, All other terms and conditions of Principal Operating Instructions (as amended on 27.05.2022) of the Loan Scheme will remain unchanged.

Please bring the contents of this Amendment of the Operating Instructions to the notice of the relevant officers.

Yours faithfully,
M.S.K. Dharmawardane
Director Regional Development
Central Bank of Sri Lanka

Operating Instructions No: RDD/STaRR-IS/2019/01-(Amendment 3)

Regional Development Department
Central Bank of Sri Lanka
PO Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
08 th July 2022

To: All PFIs

AMENDMENT TO THE OPERATING INSTRUCTIONS OF "SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) INTEREST SUBSIDY SCHEME"

All Participating Financial Institutions (PFIs) of the STaRR Interest Subsidy Scheme are hereby informed that the Operating Instructions No. RDD/STaRR-IS/2019/01 dated 13.11.2019, (herein after referred to as "**Principal Operating Instructions**"), subsequently amended on 27.05.2022 and 20.06.2022, issued by the Director, Regional Development Department of the Central Bank of Sri Lanka are amended as follows;

1. **Clause 6.4** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

Interest Rate to Eligible Borrowers: 9.0 per cent per annum

This amendment to the Operating Instructions of the STaRR Interest Subsidy Scheme will be effective from 08.07.2022. All other terms and conditions of Principal Operating Instructions (as amended on 27.05.2022 and 20.06.2022) of the Loan Scheme will remain unchanged.

Please bring the contents of this Amendment of the Operating Instructions to the notice of the relevant officers.

Yours faithfully,
Chatura Ariyadasa
Additional Director For Director

Ref No: 32/04/034/0001/001

16.08.2022

To: CEO/GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

GRANTING OF CONCESSIONS FOR THE LOANS DISBURSED UNDER THE LOAN SCHEMES IMPLEMENTED BY THE REGIONAL DEVELOPMENT DEPARTMENT OF THE CENTRAL BANK OF SRI LANKA

Having identified the challenges faced by the businesses and individuals due to the prevailing economic situation in the country, the Central Bank of Sri Lanka (CBSL) decided to grant the following concessions as an amendment to the Operating Instructions (OIs) of the following refinance schemes;

- a. RDD/PR/2010/03 dated 22.03.2010 (Saubagya Loan Scheme – Prosperity),
- b. RDD/PR-COVID19/2020/01 dated 01.04.2020, RDD/PR-COVID19/2020/03 dated 19.06.2020, (Saubagya Covid-19 Renaissance Facility),
- c. RDD/DAD-PP/2021/01 dated 04.05.2021 (Pilot Phase of the Domestic Agriculture Development Programme),
- d. RDD/SAPP/4P/2019/01, and RDD/SAPP/RF/2019/01 dated 06.08.2019 (Smallholder Agribusiness Partnership Programme) and as amended.

2. Background

- 2.1. In line with the Monetary Board (MB) Circular No. 02 of 2022 dated 07.07.2022 (MB circular) issued by the Monetary Board of the CBSL (Annex A), it has been decided to grant concessions for the loan schemes implemented by the Regional Development Department (RDD) of the CBSL.
- 2.2. Concessions could be provided for capital or interest or both capital and interest or part of the capital or interest of the respective loans, on a case-by-case basis, as requested by the borrower, as defined in the MB Circular referred in Section 2.1.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs by 15.09.2022. PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFIs are requested to accept the requests from the eligible borrowers who wish to avail the concessions and report the details separately for each schemes/phases as per the attached format (Annex I) to the Director of RDD by 30.09.2022. Please send the Soft copy (excel) of the Saubagya Loan Scheme and Saubagya Covid-19 Renaissance Facility to sehan@cbsl.lk, lansakara@cbsl.lk and other schemes to gihan@cbsl.lk

3. Concessions Granted

3.1. Refinance schemes

- 3.1.1. Repayments by borrowers to PFIs regard to the concessionary period,
 - a. Borrowers can apply for concessionary period up to 31 December 2022 and extension of repayment period by six (06) months.
 - b. Computation and payment of interest regard to the period of concession;
 - i. PFIs shall compute the interest during the concessionary period in conformity with the interest rates given in the respective OIs issued by the Director, RDD of the CBSL for each scheme.

- ii. If any borrower has opted not to pay interest during the concessionary period, the accumulated interest shall be equally distributed among the remaining loan installments or recovered as mutually agreed with the borrower. In any circumstances PFIs cannot charge interest or compound interest on accumulated interest during the concessionary period.
- c. PFIs shall adhere to the MB Circular for the repayment of accumulated capitals during the concessionary period and compute the interest on accumulated capital at the interest rates given in b (i) above.

3.1.2 Repayment plans of PFIs to CBSL regard to the concessionary period

- a. PFIs shall inform all the details of each loan that applied for concessions to the CBSL as per Annex I.
- b. If the concessionary period of the loan is;
 - i. less than or equal to 03 months, PFIs shall repay the CBSL as per the existing repayment schedule.
 - ii. greater than 03 months,
 - PFIs are provided with 6 months extension for the repayment.
 - interest accumulated during the concessionary period shall be paid at the end of the concessionary period or be equally distributed among the remaining loan installments
 - new repayment schedules will be provided accordingly.

3.2. Interest Subsidy (IS) and Credit Guarantee (CG) schemes

- 3.2.1. PFIs may provide necessary concessions for the borrowers as per the MB Circular.
- 3.2.2. CG and IS will be provided only up to the period already agreed.
- 3.2.3. In line with the Section 4.4 of the MB Circular, recovery actions cannot be taken until 31.12.2022. PFIs may commence recovery actions on defaulted borrowers thereafter to make credit guarantee claims adhering to OIs issued under CG schemes.

4. Compliance with the computation of interest regard to the extended period

In the event if any PFI has charged any borrower an interest higher than the interest rate stipulated in the OIs (as amended), such PFI shall make immediate arrangements to reverse such interest charged in favor of the borrower and pay back the excess charged to the borrower.

5. Providing Concessions for the loans in the Non-performing Loan (NPL) Category

In line with the MB Circular, PFIs may consider providing concessions for upcoming loan installments of the loans in NPL category subject to the condition that PFIs will comply with all the Directions issued by CBSL with regard to the NPLs. Further, PFIs cannot backdate concessions for the borrowers in NPL category and transfer such borrowers to the performing category.

6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of PFIs with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure the deadlines stated are met to maintain the operational efficiency of the schemes.
8. These amendments are effective from the date of MB Circular No. 02 of 2022 (i.e., 07.07.2022).

Yours faithfully,
M S K Dharmawardane
Director
Regional Development Department

Finance Business Act Directions No. 01 of 2022

28 January 2022

TECHNOLOGY RISK MANAGEMENT AND RESILIENCE

1. **Legal provisions**
 - 1.1 In terms of the powers conferred by section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board of Central Bank of Sri Lanka hereby issues these directions on technology risk management and resilience of Licensed Finance Companies (LFCs).
2. **Objectives of the directions**
 - 2.1 With the adoption of new technology and leveraging technology services to agents and third parties, LFCs embrace technology risk which needs to be integrated into the risk management. These directions intend to set minimum regulatory requirements on technology risk management and resilience for LFCs.
3. **Applicability**
 - 3.1 Requirements in this framework shall be applicable to entire operations of LFCs including operations performed by agents and third-party service providers.
 - 3.2 The extent and degree to which an LFC implements these directions should be commensurate with the level of risk and complexity of the technologies used and shall be decided by the Board of Directors going beyond the minimum regulatory requirements as may be warranted.
 - 3.3 The provisions of these directions shall be effective from 01.01.2023 subject to the transitional provisions in direction 10.
4. **Technology risk governance and oversight**
 - 4.1 **Role of the Board of Directors**
 - a) Board of Directors shall be responsible to formulate Information Technology (IT) and cyber security strategy in alignment with the potential risks posed by technology, business strategy and minimum regulatory requirements.
 - b) IT and cyber security strategy shall be supported by the Board approved policies including a well written information security policy, a sound and robust risk management framework with the appropriate Board oversight, adequate technical resources, institutional arrangement for building awareness on the subject and an independent audit.
 - c) Engagement with the third parties and agents needs to be evaluated in view of the potential IT and cyber risks they pose to the LFC including the risks arising from the use of cloud services and Fintech.
 - d) LFCs are encouraged to establish a Board level Information Security Committee (ISC) which is responsible for information security and technology resilience of the LFC.
 - e) The Board of Directors shall establish adequate oversight measures to ensure effective implementation of the regulatory requirements in the technology risk management and resilience direction.
 - 4.2 **Technology Risk Management**
 - a) The focus of the technology risk management should be broadly on identification, protection, detection, responding and recovery functions. Technology risk management should evaluate the adequacy, effectiveness and appropriateness of controls and monitor the same at frequent intervals while keeping the Board informed on any major non-compliances observed.
 - b) Establish a technology risk management framework with the following functions.
 - i) Risk identification
Identify the threats and vulnerabilities applicable to IT environment, including information systems maintained or supported by agents or third party service providers.
 - ii) Risk assessment
Perform an analysis of the potential impact/consequences and likelihood of the IT threats and vulnerabilities on the overall business and operations. Set criteria for measuring and determining the likelihood and impact of the risk scenarios.
 - iii) Risk treatment
Develop and implement risk mitigation and control measures that are consistent with the criticality of the information systems and the level of risk tolerance. Assess whether risks have been reduced to an acceptable level after applying the mitigating measures.

- iv) Risk monitoring, review and reporting
Establish a process for assessing and monitoring the design and operating effectiveness of IT controls against identified risks.

4.3 Role of Senior Management

- a) Implement the Board approved technology risk management framework into specific policies and procedures that are consistent with the approved risk tolerance and supported by effective oversight, reporting, escalation procedures and apprising the Board of Directors of any adverse developments.
- b) LFCs shall have a management level ISC headed by the Chief Executive Officer (CEO) to address issues on technology adoption, information security, cyber security, outsourcing and concentration and to support the Board level ISC. The roles and responsibilities of the management level ISC are given in Annexure-I.
- c) Ensure the cyber hygiene is maintained within the organization and third party outsourced agencies on an ongoing basis. Awareness programmes need to be conducted based on the role played by the staff and other stakeholders periodically.
- d) Establish appropriate controls relating to physical access, logical access, change management, patch management and configuration management, best practices as articulated in various information security standards/frameworks and such controls should consider the entire life cycle of the information systems.
- e) Review the effectiveness and relevance of information security controls periodically and take necessary remedial action on priority.

4.4 Chief Information Security Officer (CISO)

- a) LFCs shall appoint a CISO to provide leadership on the requirements of the information security. The main responsibilities of CISO shall be as follows:
 - i) Develop, manage and operationalize the information security strategy.
 - ii) Continuously monitor and evaluate the information security practices.
 - iii) Perform information security audits and risk assessments.
 - iv) Making the organization compliant with information security regulations.
 - v) Develop and implement business continuity plans.
 - vi) Information security risks and strategy related training and awareness.
 - vii) Manage information security budgets; and
 - viii) Report to the Board of Directors about the information security.
- b) CISO shall be an executive officer of the LFCs' senior management team.
- c) CISO shall report to the CEO or have an appropriate reporting line where CEO is at the end of reporting line.
- d) CISO shall co-ordinate with risk management and IT functions of the LFC for smooth implementation of the information security activities.
- e) LFCs may appoint an executive officer from the LFCs' management team to simultaneously function as the CISO, provided that the Board of Directors resolve that the magnitude of technology and information security risks faced by the LFCs do not necessitate a dedicated CISO. However, such an officer shall not discharge any function that may conflict with his responsibilities including positions such as Chief Information Officer, Chief Internal Auditor, Chief Risk Officer or Compliance Officer.

4.5 Internal Audit

LFCs shall ensure that compliance with the requirements in these directions through the internal audit at least annually.

5. Information and information system security

5.1 Fair and Ethical Use of Customer Data

- a) LFCs shall ensure that customer data would only be used in ways the customers would reasonably expect the LFC to use such data.

- b) The Board of Directors shall put in place effective policies and procedures to ensure fair and ethical use of customer data at all times. Further, LFCs shall not disclose such data except for that has been provided by law.
- c) LFCs shall ensure the outsourced vendors, including Fintech, abide by the expectations on fair and ethical use of customer data, as if they are subjected to similar regulations, as it pertains to LFC operations.

5.2 Information Classification and Labelling

- a) LFCs shall have an information classification policy approved by the Board of Directors based on the recommendations of the Board Integrated Risk Management Committee (BIRMC) and ISC.
- b) All electronically maintained data shall be classified based on information security level and labelled with assigned classification as per the information classification policy.

5.3 Identification of Critical Information Systems

- a) A critical information system refers to any information system that supports the provisions of the critical LFC activities or payment services, where failure of the system has the potential to significantly impair the financial institution's provisions of financial services to its customers or counterparties, business operations, financial position, reputation, or compliance with applicable laws and regulatory requirements.
- b) A critical information system shall include, but not limited to, the transaction processing systems, general ledger systems, payment and settlement systems, delivery channels, systems used for Anti-Money Laundering (AML)/Know Your Customer (KYC) procedures, and any other system that is required to ensure the uninterrupted conduct of finance business. Any information system exclusion from the above shall be based on an internally established policy. All such exclusions shall be reviewed at least every two years.
- c) The Board of Directors shall identify information systems falling within the definition of critical information system on the recommendations of BIRMC and ISC.

5.4 User Access Management

- a) User access control shall be applicable to critical information systems and information systems exposed to customer data.
- b) The Board of Directors shall decide on the need to apply the user access control requirements similar to critical information systems for non-critical information systems exposed to confidential non-customer data in consultation with BIRMC and ISC.
- c) LFCs shall implement an industry standard user access and identity management system(s) to manage all users including the privileged users.
- d) In the event of an industry standard user access and identity management system(s) are not feasible or appropriate, LFCs may use alternative controls implementing a suitable control, for any existing information system subject to the approval of the Board of Directors on the recommendation of BIRMC and ISC.
- e) The privileged user access shall be provided only on "need-to-have" basis and the highest level of access shall only be provided for a limited time when such access is required. Activities of these accounts should be logged and reviewed as a part of the LFC's ongoing monitoring.
- f) The LFCs shall conduct user access reviews as per following frequencies:
 - i) At least on a monthly basis for the critical information systems.
 - ii) At least on a quarterly basis for the non-critical information systems exposed to customer data and confidential non-customer data.
 - iii) At least on an annual basis for all the other information systems.
 - iv) At least on a bi-annual basis for customers and their authorized representatives registered to use any information system of the LFC including the electronic delivery channels, using an appropriate methodology in accordance with the operating instructions of the linked accounts.

- g) LFCs shall adopt appropriate methodologies to conduct user access privilege reviews as approved by ISC.
- h) When conducting the user access privilege reviews, LFCs must implement an appropriate mechanism to review the identification, authentication and authorization of internal and external users such as the third-party service providers.

5.5 Computer Security and User Activity Log Management

- a) LFCs shall implement a log management policy to manage computer security and user activity logs of critical information systems and customer data information systems. Such policy may be extended to the other information systems at the discretion of BIRMC.
- b) The policy shall be approved by the Board of Directors based on the recommendations of BIRMC and ISC.
- c) The policy shall include types of logs to be maintained, retention period, frequency of review, method of review and tools to be used, event identification and response, and responsibilities for the maintenance and review of logs.
- d) Computer security logs to be generated by security software, operating systems and applications. Computer security and user activity logs maintained shall be adequate to successfully identify and investigate information security incidents.
- e) Logs of the privileged users shall be given a higher importance and reviewed on a near real time basis using appropriate tools and methods.

5.6 Data Encryption

5.6.1 Customer Data Encryption

- a) Customer data shall be protected using encryption.
- b) Encryption shall be applicable to customer data maintained with LFCs, agents, and the third-party service providers.
- c) Levels of data encryption,
 - i) Data-at-rest encryption
Customer data shall be subjected to database encryption or file level encryption at rest.
 - ii) Data-in-transit encryption
Whenever a file containing customer data is transmitted, it shall remain encrypted at file level.
 - iii) Full disk encryption for endpoint devices and removable media
All endpoint devices and removable media that store customer data of LFCs, either permanently or temporarily, including such devices of the third-party service providers and agents shall be subject to full disk encryption.
- d) LFCs shall use industry standard encryption methods. Selection of such methods shall be subjected to the approval of the Board of Directors on the recommendation of BIRMC and ISC.
- e) When industry standard encryption methods are not feasible or appropriate, LFCs may use alternative controls to protect customer data subject to the approval of the Board of Directors on the recommendation of BIRMC and ISC.

5.6.2 Confidential Non-Customer Data Encryption

Encryption requirements shall be applicable to confidential non-customer data as well, except for the categories of confidential non-customer data that will only pose negligible adverse impact to LFCs if subjected to a data leakage or any other adverse information security incident that could have been prevented with encryption as determined by BIRMC.

5.7 Security Operations Center (SOC)

All LFCs offering electronic delivery channels (e.g., internet banking, mobile apps, customer/third-party integrations, etc.) shall implement a SOC as per the minimum requirements in Annexure II.

5.8 Data Loss Prevention (DLP)

- a) LFCs shall implement industry standard DLP tools to minimize the risk of data leakages. Scope of implementation shall cover the entire LFC, any third-party service providers and agents exposed to customer data.
- b) In case of the third-party service providers and agents, LFCs may allow them to implement DLP tools as per minimum requirements specified by the LFCs.
- c) LFCs shall conduct at least an annual review of such implementations by the third-party service providers and agents to ensure adequate DLP measures are in place.
- d) When industry standard DLP tools are not feasible or appropriate, LFCs may use alternative controls to protect customer data subject to the approval of the Board of Directors on the recommendation of BIRMC and ISC.

5.9 Information Security Incident Response and Recovery

5.9.1 Incident Response Plan (IRP)

- a) LFCs shall have an up to-date IRP approved by Board of Directors, including procedures for incident escalation, remediation, recovery, and communication with internal and external stakeholders.
- b) IRP shall include specific procedures to deal with commonly known types of information security incidents, including but not limited to cyber security incidents.

5.9.2 Incident Response and Recovery Testing

Incident response and recovery capabilities shall be tested at least annually using scenarios close to the real life as much as possible to determine the LFC's incident response readiness. Results of such test shall be reported to the Board of Directors through BIRMC by ISC.

5.10 Information Security Testing

5.10.1 Pre-Implementation Information Security Testing

- a) Scope
 - i) Critical information systems and information systems exposed to customer data shall be subject to pre-implementation information security tests. Any other information system that could potentially make any critical information system or any information system exposed to customer data vulnerable shall also be subjected to pre-implementation information security tests.
 - ii) The Board of Directors shall decide on the need to conduct pre-implementation information security testing for non-critical information systems exposed to confidential non-customer data on the recommendation of BIRMC and ISC.
 - iii) Pre-implementation information security tests shall be conducted prior to initial implementation and prior to implementation of modifications. Minor modifications could be excluded from pre-implementation information security tests based on an exclusion policy approved by the Board of Directors. In the event of any specific minor modification needs to be excluded, the approval of ISC is required at the time of implementation.
- b) Following types of pre-implementation tests shall be carried out as applicable to the given implementation:
 - i) Static Application Security Testing (SAST) or source code reviews to detect any malicious or unsafe code.
 - ii) Dynamic Application Security Testing (DAST) to detect application-level vulnerabilities an attacker could exploit.
 - iii) Quality assurance testing on computing and networking infrastructure hardening to ensure compliance with internal hardening policies, and
 - iv) Infrastructure vulnerability assessments to identify vulnerabilities in computing and networking infrastructure.

- c) Pre-implementation tests shall be conducted by a team independent from the team responsible for the development and/or implementation of the information system.
- d) LFCs shall adopt suitable alternative security evaluation methodologies when procuring off-the-shelf software if conducting pre-implementation tests as per 5.10.1(b) is not possible.
- e) LFCs may rely on an assurance provided by an independent third-party, mutually acceptable to both the LFC and the information system provider, as an alternative to 5.10.1(b)(i) in case of information systems provided by external vendors.
- f) LFCs shall implement industry standard controls to ensure the malicious code will not be injected when source code is moved to production environment after completion of relevant pre-implementation tests.

5.10.2 Vulnerability Assessments (VA)

- a) Critical information systems and information systems exposed to customer data shall be subject to VA at least bi-annually or whenever there is a change to the IT infrastructure and system modifications.
- b) VA shall focus on both infrastructure and application vulnerabilities.
- c) VA shall be performed on production environments.
- d) VA may be performed by the LFC's internal information security staff or external experts
- e) Vulnerabilities identified shall be remediated within a time period approved by the ISC.

5.10.3 Penetration Testing (PT)

- a) LFCs shall conduct PT using an independent external expert to determine,
 - i) The ability of tested information systems to withstand real-world style attacks.
 - ii) The required level of sophistication and persistence an attacker should possess to successfully compromise the tested information systems.
 - iii) Ability of the LFC's information security, operational, and leadership teams to detect and appropriately respond to such attacks.
 - iv) Any enhancements required to mitigate such threats in the future.
- b) Critical information systems, information systems exposed to customer data, and repositories of customer data with the LFC, agents, and third-party service providers shall be subject to PT by an independent external penetration testing expert, at least annually. An indicative guidance on the conduct of PT is given in Annexure - III.
- c) LFCs that are mature and have complex technologies supporting their business activities could conduct red team exercises as an extension of PT. An indicative guidance on how to conduct red team exercises are given in Annexure - IV.

5.11 Information Security Training and Certification

5.11.1 Training and Awareness to Board of Directors

- a) LFCs shall implement a comprehensive annual training and awareness program on information security and technology risk management for Board of Directors, in accordance with the requirements below.
 - i) The objective of such program shall be to enable the Board of Directors to have effective oversight on the adequacy and effectiveness of information security and technology risk management policies and procedures of the LFC.
 - ii) Responsibilities of the Board of Directors and Board Committees in terms of the requirements in this regulatory framework and other applicable laws and regulations relating to information security and technology risk management shall also be covered through such programs.

- iii) Such training shall consist of at least one annual structured training program and one or more awareness sessions by information security and technology risk management experts every year.
- iv) The Board Secretary of the LFC shall ensure compliance with the above requirements on training and awareness to the Board of Directors.

5.11.2 Information Security Awareness Training and Certification Requirement for Staff

- a) LFCs shall ensure the staff of the LFC, agents, and third-party service providers exposed to or can potentially be exposed to critical information systems, customer data, or confidential non-customer data are trained and certified on information security, in accordance with the following requirements.
 - i) Required persons shall complete an information security awareness training program based on the information security policies and procedures of the LFC.
 - ii) Such program as per 5.11.2 (a) (i) shall be commensurate with the information security responsibilities of the trainee and shall be updated regularly and whenever the LFC's information security policies are updated.
 - iii) Required persons shall complete an internal certification test, based on the information security awareness training, at least annually.
- b) The Board of Directors may exclude staff of agents and the third-party service providers from the requirements in 5.11.2 (a) (i), if adequate and comparable information security awareness measures have been implemented by such agents and third-party service providers.

6. Information system availability

6.1 Scope

Requirements specified in 6.2 to 6.5 shall be applicable to critical information systems.

6.2 System Availability

- a) LFCs shall ensure the critical information systems achieve a high level of system availability.
- b) The Board of Directors on the recommendation of BIRMC shall establish the system availability targets for each critical information system.
- c) BIRMC shall ensure that achievement of system availability targets of critical information systems are monitored and reported to the Board of Directors.

6.3 Disaster Recovery (DR) Arrangements

- a) LFCs shall ensure the availability of DR arrangements for critical information systems with Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) determined by the Board of Directors on the recommendation of BIRMC, confirming to following minimum requirements:
 - i) RTO of less than 6 hours for critical information systems of LFC; and
 - ii) RPO of zero (i.e. no data loss during a disaster) or near zero.

6.4 Disaster Recovery (DR) Activation

- a) The Board of Directors shall establish DR activation triggers for each critical information system based on recommendations of the BIRMC and ISC.
- b) Such activation triggers shall ensure adequate time to activate the DR arrangement in compliance with the RTO target specified in 6.3.

6.5 Disaster Recovery (DR) Testing

- a) DR arrangements shall be tested by operating all critical information systems using DR infrastructure for at least one day a year.
- b) In addition to testing of DR infrastructure as per 6.5 (a), an annual cycle of DR simulations, shall be implemented to enable the Board of Directors to determine the ability of the LFC to achieve the required RTO and RPO targets under different disaster scenarios and take necessary corrective measures where required.

7. Staff competency requirements

- 7.1 a) LFCs shall ensure staff with requisite qualifications are employed in information security, technology risk management, and internal audit functions. In addition, the third party service provider's staff members shall have such qualifications. An indicative guidance regarding recognized qualifications, institutes for respective roles is given in Annexure - V.
- b) In the event the LFC is unable to comply with the requirements in section 7.1 (a), the Board of Directors shall resolve to substitute the indicative qualifications for appropriate experience and skills in information security and technology risk management subject to the recommendations of BIRMC and ISC.

8. Third party service provider management

- 8.1 The Board of Directors and senior management shall exercise effective oversight and address associated risks when engaging third party service providers for critical technology functions and systems. Engagement of third-party service providers, including engagements for independent assessments, does not in any way reduce or eliminate the principal accountabilities and responsibilities of LFCs for the security and reliability of technology functions and systems.

- 8.2 The Board of Directors shall be responsible for any customer data confidentiality breaches by a third party service provider.

8.3 Third Party Service Provider Assessment

- a) LFCs shall conduct proper due diligence on the third-party service provider's competency, system infrastructure and financial viability prior to engaging its services.
- b) In addition, an assessment shall be made of the third-party service provider's capabilities in managing the following specific risks,
- i) Data leakage including unauthorized disclosure of customer and counterparty information
 - ii) Service disruption including capacity performance
 - iii) Processing errors.
 - iv) Physical security breaches.
 - v) Cyber threats.
 - vi) Over-reliance on key personnel.
 - vii) Mishandling of confidential information pertaining to the financial institution or its customers in the course of transmission, processing or storage of such information.
 - viii) Concentration risk.
- c) In the event the third-party service provider exhibits the risks highlighted in 8.3 (b), the LFC shall ensure necessary steps are in place to mitigate such risks.

8.4 Service Level Agreements (SLA)

- a) LFCs shall establish an SLA when engaging with third party service providers. At a minimum, SLA shall contain the following:
- i) Access rights for the Central Bank of Sri Lanka (CBSL) and any party appointed by the LFC to examine any activity or entity of the LFC. This shall include access to any record, file or data of the LFC, including management information and the minutes of all consultative and decision-making processes.
 - ii) The rights of the CBSL to examine the third-party service provider and its staff associated with the services provided to the LFC.
 - iii) Third-party service provider to make available any information or data requested by the Director concerning the services provided to the LFC.
 - iv) The rights of the Sri Lankan judiciary to request and obtain any information or data relating to the services provided to the LFC.
 - v) Third party shall ensure the customer data would only be used reasonably and for the purpose the LFC shared the data.
 - vi) All customer data and confidential non-customer data available with the third-party service provider are permanently deleted within a pre-agreed time period at the end of the contract.

- vii) Third-party service providers to facilitate internal auditing requirements and information security testing requirements given in these directions.
 - viii) Requirements for the service provider and any sub-contractor to provide sufficient prior notice to the LFC.
 - ix) A written undertaking by the service provider on compliance with secrecy provisions under relevant legislation. The SLA shall further clearly provide for the service provider to be bound by confidentiality provisions stipulated under the contract even after the engagement has ended.
 - x) Arrangements for disaster recovery and backup capability.
 - xi) Ensure the staff assigned by the third party is committed to the non-disruption service and to provide adequate notice of such changes.
 - xii) Compensation mechanism and rectification procedure for any customer data confidentiality breaches by the third party service provider.
 - xiii) Critical system availability.
 - xiv) Arrangements to secure business continuity in the event of exit or termination of the service provider.
- b) In the event the LFC is unable to incorporate the conditions stated at 8.4 (a) in the SLA due to nature and the complexities of the third-party arrangement, the Board of Directors shall resolve such exclusions from the SLA with the recommendation of BIRMC and ISC.
- 8.5 LFCs shall ensure its ability to regularly review the SLA with its third-party service providers to take into account the latest security and technological developments in relation to the services provided.
- 8.6 LFCs shall ensure its third-party service providers comply with all relevant regulatory requirements prescribed in these directions.
- 8.7 LFCs shall ensure data residing in third party service providers are recoverable in a timely manner. LFCs shall ensure clearly defined arrangements with the third-party service provider are in place to facilitate the LFC's immediate notification, timely updates to the LFC and other relevant regulatory bodies in the event of a cyber-incident.
- 8.8 LFCs shall ensure the storage of its data is at least logically segregated from the other clients of the third-party service provider. There shall be proper controls over and periodic review of the access provided to the authorized users.
- 8.9 LFCs shall ensure any critical system hosted by the third party service providers have strong recovery and resumption capability and provisions to facilitate an orderly exit in the event of failure or unsatisfactory performance by the third-party service provider.
- 9.1 LFCs shall fully understand the inherent risk of adopting cloud services considering the inherent architecture of cloud services that leverages on the sharing of resources and services across multiple tenants over the internet.

9. Cloud services

9.2 Comprehensive Risk Assessment

- a) LFCs shall conduct a risk assessment prior to cloud adoption. The assessment shall address risks associated with the following:
- i) Sophistication of the deployment model.
 - ii) Migration of existing systems to cloud infrastructure.
 - iii) Location of cloud infrastructure.
 - iv) Multi-tenancy or data commingling.
 - v) Vendor lock-in and application portability or interoperability.
 - vi) Ability to customize security configurations of the cloud infrastructure to ensure a high level of data and technology system protection.
 - vii) Exposure to cyber-attacks through cloud service providers.
 - viii) Termination of a cloud service provider including the ability to secure the financial institution's data following the termination.
 - ix) Demarcation of responsibilities, limitations and liability of the service provider.

- x) Ability to meet regulatory requirements and international standards on cloud computing on a continuous basis.
 - b) In the event the cloud service provider exhibits the risks highlighted in 9.2 (a), the LFC shall ensure necessary steps are in place to mitigate such risks.
- 9.3 LFCs shall assess the degree to which the selected cloud configuration adequately addresses the following attributes,
- a) Geographical redundancy
 - b) High availability
 - c) Scalability
 - d) Portability
 - e) Interoperability
 - f) Strong recovery and resumption capability including appropriate alternate internet path to protect against potential internet faults
- 9.4 LFCs shall assess the availability of independent, internationally recognized certifications of the cloud service providers, at a minimum, in the following areas:
- a) Information security management framework, including cryptographic modules such as used for encryption and decryption of user data.
 - b) Cloud-specific security controls for protection of customer and counterparty or proprietary information including payment transaction data in use, in storage and in transit.
- 9.5 LFCs shall separately identify the critical and non-critical systems prior to using any cloud services. The risk assessment as outlined in paragraph 9.2 shall be documented and notified to the Director before the adoption.
- 9.6 LFCs shall implement appropriate safeguards on customer and counterparty information and proprietary data when using cloud services to protect against unauthorized disclosures and access. This shall include retaining ownership, control and management of all data pertaining to customer and counterparty information, proprietary data and services hosted on the cloud, including the relevant cryptographic keys management.

10. Transitional provisions

- 10.1 The transitional provisions on the direction are as per the Table 1 given below.

Reference	Requirement	Date for Compliance
4.3 (b)	Executive level Information Security Committee (ISC)	01.07.2023
4.4	Appointment of a CISO	01.01.2025
5.2	Information classification and labelling	01.07.2023
5.3	Identification of critical information systems	01.07.2023
5.4	User access management	01.01.2024
5.5	Computer security and user activity log management	01.01.2024
5.6	Data Encryption	01.01.2024
5.7	Security Operations Center (SOC)	01.01.2026
5.8	Data Loss Prevention (DLP)	01.01.2024
5.9	Information Security Incident Response and Recovery	01.01.2024
5.10.2	Information Security Testing	
5.10.3	a) Vulnerability assessments (VA) b) Penetration Testing (PT)	01.01.2024 01.01.2024
5.11.1	Information Security Training and Certification	
5.11.2	a) Training and awareness to Board of Directors b) Information security awareness training and certification requirement for staff	01.07.2023 01.07.2023
6.2	System availability	01.07.2023
6.3/6.4 /6.5	Disaster Recovery	01.07.2023

11. Definitions

- 11.1 Following definitions shall be applicable for the purposes of these directions.

- a) **'Agent'** - An agent or sub-agent is an entity or a person selected by the LFC according to the internal policies approved by the Board of Directors to provide limited finance business activities on behalf of the LFC.
- b) **'Confidential non-customer data'** - Any non-public data which do not fall within the definition of customer data and can cause significant financial or reputational loss if they are used maliciously or leaked, including the LFC's financial transactions, submissions to the Board of Directors and management, sensitive employee data, and any other data as determined by the LFC.
- c) **'Customer data'** - Any non-public data relating to a past, existing, or potential customer. However, de-identified customer data need not be considered as customer data.
- d) **'De-identified customer data'** - Intentionally altered customer data which cannot be used alone or in combination with any other data to identify the customer to whom the data was originally related to.
- e) **'Director'** - Director of Department of Supervision of Non-Bank Financial Institutions.
- f) **'Public data'** - Data that is freely available to everyone to use and re-publish without any restriction.
- g) **'Service provider'** - A service provider with whom the LFC has entered into an outsourcing arrangement as per the Finance Business Act Direction (Outsourcing of Business Operations) No. 7 of 2018 or as amended.
- h) **'Senior management'** - Shall have the definition given in the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible Persons) No.06 of 2021 or as amended.

Nivard Ajith Leslie Cabraal

**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Annexure I, II, III, IV and V are available at

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/snbfi_finance_business_act_directions_no_01_of_2022_e.pdf

Finance Business Act Directions No. 02 of 2022

18 March 2022

MOBILE PHONE BASED E-MONEY SERVICES

1. **Legal provisions**
 - 1.1 In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board of the Central Bank of Sri Lanka issues directions on mobile phone based e-money services obtained by Licensed Finance Companies (LFCs) through Licensed Service Providers (LSPs) and their merchants
2. **Objective of the directions**
 - 2.1 The existing physical branch network of the banking and LFC sector across the country provides only a limited access to financial services for the customers. Therefore, the mobile phone based e-money services would be a solution for easy access to finance by enabling convenient banking and to improve efficiency of the operations of LFCs.
3. **Applicability and scope**
 - 3.1 These directions shall be applicable to mobile phone based e-money services given in direction 4.1 offered by LSPs and their merchants for LFCs.
 - 3.2 These directions shall be exempted from the requirements in the following directions.
 - a) Direction '2.1 a', '2.1 h' and '2.1 k' of the Finance Business Act (Outsourcing of Business Operations) Direction No.07 of 2018, and
 - b) Direction '6.2' of the Finance Business Act (Business Expansion and Operations) Direction No.06 of 2020.
4. **Permitted services through mobile phone based e-money system**
 - 4.1 The LFC may carry out the following through the mobile phone based e-money systems of LSPs and their merchants.
 - a) Deposit acceptance.

- b) Deposit withdrawal.
 - c) Loan disbursement.
 - d) Receiving loan repayment
 - e) Fees and charges applicable for sections 4.1 a) to d), and
 - f) Any other activity as approved by the Director.
- 5. Responsibility of an LFC**
- 5.1 Board of Directors
 - a) Board of Directors shall be responsible to formulate the strategy on the mobile phone based e-money services offered by LSPs and their merchants in line with the business strategy.
 - b) The mobile phone based e-money service strategy shall be supported by the Board approved policies, sound and robust risk management frameworks with appropriate Board oversight, adequate technical resources and an independent audit covering merchants.
 - c) Clearly understand the potential risks posed by mobile phone based e-money services of LSPs and their merchants and manage all relevant risks including credit risk, operational risk, liquidity risk, reputation risk, technology risk, legal and compliance risk. Such risks need to be reviewed by the Board at least on an annual basis.
 - 5.2 Chief Executive Officer
 - a) Assess mobile phone based e-money services obtained through LSPs and their merchants continuously on their viability, risk emanating to the LFC and make informed decisions on the continuation.
 - b) Undertake a due assessment of limit structures (transactions limits, day limits, customer limits, service provider limits, merchant limits) for mobile phone based e-money services commensurate with the risk profile of the LFC.
 - c) Assess the adequacy of controls by conducting internal audits and external audits.
 - d) Ensure implementation of systems and procedures to strengthen the customer protection.
 - e) Ensure the provisions in the agreement between the LFC and the LSP are compliant with the provisions of these directions.
- 6. Notification and submissions to the Director**
- 6.1 An LFC shall notify the Director prior to commencement, dis-continuation or any modification of mobile phone based e-money services offered by the LSPs and their merchants.
 - 6.2 An LFC shall submit the following to the Director prior to commencing the mobile phone based e-money services offered by LSPs and their merchants.
 - a) An approval of the Board of Directors of the LFC on the proposed mobile phone based e-money service.
 - b) A confirmation of the Board of Directors of the LFC with regard to the compliance with the minimum requirements of the proposed mobile phone based e-money service given at Schedule I.
 - c) A confirmation of the Chief Executive Officer of the LFC with regard to the compliance with the minimum requirements of the proposed mobile phone based e-money services given at Schedule II.
 - d) The details of the merchants involved in the proposed mobile phone based e-money service as given in Schedule III.
 - e) A brief report on the proposed mobile phone based e-money service and its business impact assessment including the key risk types and the mitigants as given in Schedule IV.
 - f) Any other information relevant to the proposed mobile phone based e-money service required by the Director.

- 7. Consumer protection** 7.1 An LFC shall ensure the provisions of the Finance Business Act (Financial Customer Protection Framework) Direction No.1 of 2018 are in compliance for mobile phone based e-money services offered by LSPs and their merchants for LFCs.
- 8. Central Bank oversight** 8.1 The Director will monitor compliance by an LFC with these directions and may:
- a) Request for any information relevant to the mobile phone based e-money services offered by LSPs and their merchants for LFCs at any time as may be deemed necessary.
 - b) Carry out inspection of the books and premises of LSPs and their merchants involved in the mobile phone based e-money services, if required.
 - c) Direct an LFC to cease and discontinue the mobile phone-based e-money service arrangement with LSPs and their merchants, if deemed necessary.
 - d) Direct an LFC to take any action or measure against the LSPs and their merchants as appropriate.
 - e) Direct an LFC to take any remedial action arising from the conduct of LSPs and their merchants on the mobile phone based e-money services.
 - f) Direct an LFC to suspend the mobile phone based e-money service offered by LSPs and their merchants until the Board of Directors of an LFC assures of the rectification of the non-compliance.
- 9. Other conditions** 9.1 LFCs shall comply with the prudential requirements, including, but not limited to, directions on minimum capital adequacy ratios, minimum core capital and liquid assets in order conduct mobile phone based e-money services offered by LSPs and their merchants.
- 9.2 The maximum transaction limits and fees charged on the mobile phone based e-money services offered by LSPs and their merchants shall not exceed the transaction limits and fees imposed by the Payment and Settlement Department of the Central Bank of Sri Lanka or the Director.
- 9.3 Mobile phone based e-money services offered by LSPs and their merchants already commenced prior to implementation of these directions shall comply with the requirements of these directions within 6 months from the implementation of these directions and notify the Director on compliance.
- 10. Effective date** 10.1 These directions shall come into effect from the date of this direction
- 11. Interpretations** 11.1 'Director' shall mean Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
- 11.2 'E-money' shall mean the monetary value issued upon receipt of funds and stored electronically for the purpose of using as a mean of payment or to settle financial obligations.
- 11.3 'Merchant' shall mean the institutions/persons appointed by LSPs to carryout mobile payment services.
- 11.4 'Licensed Service Provider' shall mean a service provider licensed in terms of Payment Cards and Mobile Payment Systems Regulation No. 1 of 2013 or as amended.

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

Schedule I

Confirmation of the Board of Directors

Confirmation of the Board of Directors of an LFC shall at minimum cover the following requirements with respect to the proposed mobile phone based e-money services offered by LSPs and their merchants.

- a) Compliance and adherence to these directions on mobile phone based e-money services.
- b) Compliance and adherence to the Board approved,

- i. LSP and their merchant selection policy.
 - ii. Risk management framework.
 - iii. Consumer protection mechanism.
 - iv. Mobile phone based e-money service management, control and monitoring mechanism; and
 - v. Operating procedures and manuals.
- c) Availability of necessary provisions in the agreement entered into with LFC and LSPs and their merchants and such provisions are in compliance with these directions.
 - d) Ensure LSPs and their merchants are compliant with the Payment Cards and Mobile Payment Systems Regulations No.1 of 2013 or as amended or any regulations issued by the Central Bank of Sri Lanka.
 - e) LFCs availability of adequate resources and expertise to perform the mobile phone based e-money services.
 - f) All risks associated with the mobile phone based e-money services offered by LSPs and their merchants are identified, documented and established appropriate steps to mitigate or transfer.
 - g) Systems and procedures are established for consumer protection with regard to complaint measures and relief mechanism with the use of the mobile phone based e-money services offered by LSPs and their merchants.
 - h) Adequate internal controls, systems and personnel to monitor and control mobile phone based e-money services offered by LSPs and their merchants on an ongoing basis and adequate oversight to address instances of non-compliance or omissions by LSPs and their merchants with the stipulated obligations.
 - i) Adherence to provisions of the Financial Transactions Reporting Act, No.6 of 2006 and regulatory requirements as set out in the rules, regulations and guidelines issued thereunder to combat money laundering and terrorist finance activities.
 - j) Establish systems and procedures to ensure the maintenance of confidentiality and the protection of LFC customers' information.
 - k) Availability of business continuity plan to ensure uninterrupted mobile phone based e-money services offered by the LSPs and their merchants.
 - l) Assessment of the suitability of LSPs and their merchants prior to commencing the mobile phone based e-money service on the following minimum criteria.
 - i. Demonstrate integrity and professional standards in its business conduct.
 - ii. Possess adequate resources to support effective implementation of anti-money laundering and combating financing of terrorism measures, record keeping, internal controls and consumer protection measures.
 - iii. Not been involved in any illegal/unethical activities.
 - iv. Possess knowledge and competency to deliver high quality mobile phone-based e-money services.
 - v. Demonstrate the ability to control all risks related to mobile phone based e-money transactions.

Schedule II

Confirmation of the Chief Executive Officer

Confirmation of the Chief Executive Officer of an LFC shall at minimum cover the following requirements with respect to the proposed mobile phone based e-money services offered by LSPs and their merchants.

- a) Make an explicit, informed and documented decision through awareness campaigns on the use of proposed mobile phone based e-money services offered by LSPs and their merchants to LFCs' customers.
- b) The beneficiary LFC account holder shall be notified of the mobile phone based e-money transaction on a real time basis through a SMS and/or email sent by an LFC.
- c) Availability of processes of mobile phone based e-money services offered by LSPs and their merchants as reflected in the operational manuals of LFCs.
- d) Availability of systems and procedures to ensure the mobile phone based e-money services offered by LSPs and their merchants are reconciled between LSP, LFC and the LFC customer account.

- e) Maintenance of an up-to-date list /database of LSPs and their merchants involving in mobile phone based e-money service including name, contact number and physical location/address.
- f) Ensure the LSPs and their merchants have proper security controls to safeguard the information from both internal and external threats.
- g) Availability of a dedicated hotline number for customer to raise complaints or grievances with respect to the proposed mobile phone based e-money services offered by LSPs and their merchants.

Schedule III

The details of merchants of LSP (but not limited to the below).

- a) Name of the merchant
- b) Business registration number
- c) Registered address and contact details (including postal address if different from the registered address)
- d) Core business activities
- e) Financial soundness

Schedule IV

A brief feasibility report on the proposed mobile phone based e-money services offered by LSPs and their merchants.

- a) Scope of the business proposal
- b) Parties involved
- c) Cost/benefit analysis
- d) Charges/fees to the customers

Ref No: 24/06/002/0002/002

18 April 2022

To: All Chief Executive Officers of Licensed Finance Companies,

Dear Sir/Madam

AMENDMENTS TO THE MAXIMUM INTEREST RATES ON DEPOSITS AND DEBT INSTRUMENTS BY LICENSED FINANCE COMPANIES (LFCs)

This is to inform you that the Monetary Board of the Central Bank of Sri Lanka at its meeting held on 12.04.2022 has granted approval to the followings.

1. Revoke the Finance Business Act Direction No.04 of 2020 on Amendments to the Maximum Interest Rates on Deposits and Debt Instruments, and withdraw the letter issued to LFCs on 31.03.2022,
2. Revoke Section 2 of the Finance Business Act Direction No.01 of 2019 on Maximum Interest Rates on Deposits and Debt Instruments on 'Applicable Standing Deposit Facility Rate (SDFR) and Yield Rate', and
3. Allow LFCs to decide the maximum interest rates on deposits and debt instruments based on,
 - (a) the prevailing SDFR, and
 - (b) the moving average of Weighted Average Yield Rate (WAYR) of the last four T-bills primary auctions as given in Table 1 and Table 2 below¹. The LFCs are allowed at their discretion to revise the maximum interest rates on deposits and debt instruments on the following day of the T-bills auction:

Table 01: Maximum Interest Rates at Maturity for Deposits of LFCs

Tenure of Deposit	Maximum Interest Rate Per Annum
Savings and other deposits of a tenure of less than 01 month or maturity is not specified	Prevailing SDFR

¹ The maximum interest rates on deposits and debt instruments applicable as at 18.04.2022 are given in Annex I to this letter as a guidance for LFCs to calculate the maximum interest rates on deposits and debt instruments in the future.

Term Deposits	
01 month and less than 03 months	91 days T-bills WAYR
03 months and less than 06 months	182 days T-bills WAYR + 0.25%
06 months and less than 01 year	364 days T-bills WAYR + 0.50%
01 year and less than 02 years	364 days T-bills WAYR + 2.00%
02 years and less than 03 years	364 days T-bills WAYR + 2.75%
03 years and less than 05 years	364 days T-bills WAYR + 3.25%
05 years	364 days T-bills WAYR + 4.25%

Table 02: Maximum Interest Rates at Maturity for Debt Instruments of LFCs

Tenure of Debt Instruments	Maximum Interest Rate Per Annum
Less than 01 year	364 days T-bills WAYR + 0.50%
01 year and less than 02 years	364 days T-bills WAYR + 2.75%
02 years and less than 03 years	364 days T-bills WAYR + 3.25%
03 years and less than 05 years	364 days T-bills WAYR + 3.75%
05 years	364 days T-bills WAYR + 4.75%

However, LFCs are required to be vigilant on the maximum interest rates offered to the depositors by adopting proper assets and liabilities management practices.

Section 1.1(i), Section 1.1(ii), and Section 1.2 of the Finance Business Act Direction No.01 of 2019 on Maximum Interest Rates on Deposits and Debt Instruments are hereby revoked.

Yours faithfully
(Mrs.) R M C H K Jayasinghe
Director

Encl:Annex I

**CALCULATING THE MAXIMUM INTEREST RATES APPLICABLE AS AT 18.04.2022 BASED ON
THE LAST FOUR T-BILLS PRIMARY AUCTIONS**

Table 1 : Calculating the moving average WAYR

Last four T-bills Primary Auctions	11-Apr-22	06-Apr-22	30-Mar-22	23-Mar-22	Moving Average WAYR
91 days T-bills WAYR	19.71	14.12	12.92	12.10	14.71
182 days T-bills WAYR	22.73	15.36	12.25	11.98	15.58
364 days T-bills WAYR	23.36	15.69	12.28	12.00	15.83

Table 2 : Calculating the maximum interest rates on term deposits

Tenure of Term Deposits	Maximum Interest Rate Per annum	Currently Applicable Maximum Interest Rate (%)
01 month and less than 03 months	91 days T-bills WAYR	14.71
03 months and less than 06 months	182 days T-bills WAYR + 0.25%	15.58 + 0.25 = 15.83
06 months and less than 01 year	364 days T-bills WAYR + 0.50%	15.83 + 0.50 = 16.33
01 year and less than 02 years	364 days T-bills WAYR + 2.00%	15.83 + 2.00 = 17.83
02 years and less than 03 years	364 days T-bills WAYR + 2.75%	15.83 + 2.75 = 18.58
03 years and less than 05 years	364 days T-bills WAYR + 3.25%	15.83 + 3.25 = 19.08
05 years	364 days T-bills WAYR + 4.25%	15.83 + 4.25 = 20.08

Table 3 : Calculating the maximum interest rates on debt instruments

Tenure of Debt Instruments	Maximum Interest Rate Per annum	Currently Applicable Maximum Interest Rate (%)
Less than 01 year	364 days T-bills WAYR + 0.50%	15.83 + 0.50 = 16.33
01 year and less than 02 years	364 days T-bills WAYR + 2.75%	15.83 + 2.75 = 18.58
02 years and less than 03 years	364 days T-bills WAYR + 3.25%	15.83 + 3.25 = 19.08
03 years and less than 05 years	364 days T-bills WAYR + 3.75%	15.83 + 3.75 = 19.58
05 years	364 days T-bills WAYR + 4.75%	15.83 + 4.75 = 20.58

Circular No. 01 of 2022

20 July 2022

CONCESSIONS TO AFFECTED BORROWERS AMIDST THE PREVAILING EXTRAORDINARY MACROECONOMIC CIRCUMSTANCES

With a view to meeting the challenges faced by businesses and individuals engaged in various economic sectors due to the prevailing extraordinary macroeconomic circumstances, the Central Bank of Sri Lanka (CBSL), requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Bank Financial Institutions (NBFIs)) to provide the following concessions, to affected borrowers, on a need basis.

These concessions are granted to devise suitable repayment arrangements based on the new repayment capacities of the borrower, on a case-by-case basis, while preserving NBFIs sector stability by preventing from any elevated strain on the financial system. Accordingly, this Circular is issued to provide broad guidelines with prudential requirements for consistent implementation across all NBFIs. NBFIs may consider implementing these concessions through the Post COVID-19 Revival Units which have already been established in terms of the letter issued on 29 October 2021.

1 Concessions for Performing Credit Facilities

- 1.1 NBFIs are required to provide appropriate concessions (i.e., grace period for capital or interest or both capital and interest or part of the capital or interest, restructuring of credit facilities, or any other concession) for performing credit facilities of individuals or businesses (hereinafter referred to as borrowers) whose income or business has been adversely affected by the current macroeconomic conditions including those borrowers who were already subject to COVID-19 moratorium schemes. These concessions are expected to be provided to affected borrowers in all economic sectors, including but not limited to tourism, transportation, and Micro, Small and Medium scale Enterprises (MSMEs) engaged in business sectors such as manufacturing, services, agriculture, and construction on a case-by-case basis, for a period of six months from the date of this Circular, based on the new repayment capacity/viability of the borrower.
- 1.2 In the case of lease facilities, NBFIs shall devise a mechanism to structure the repayment plan not exceeding the contracted instalment value of the existing credit facility or facilities, with an extended tenure with a reasonable rate of interest, to match with the repayment capabilities of the borrowers. In the case of other credit facilities, NBFIs shall devise a suitable mechanism to structure the repayment plan.
- 1.3 In the case of credit facilities provided with a grace period as a concession, the interest rate applicable for the grace period under this circular shall not exceed 20% or the contractual rate of interest applied prior to consideration of the grace period plus 5%, whichever is lower, and shall be charged only on the amount considered for the grace period.

2 Facilitating Early Settlements

- 2.1 In the case where any borrower wishes to fully settle any of the existing credit facilities, such borrower shall be given the opportunity to do so, without charging any additional fee, such as early settlement charges and recovery of future interest.
- 2.2 Any borrower who is willing for an early settlement of credit facilities shall make a request to the respective NBFI on or before 30.09.2022.

3 Concessions for Non-Performing Credit Facilities

- 3.1 NBFIs may consider providing appropriate concessions, such as grace period for capital or interest or both capital and interest or part of the capital or interest, restructuring, rescheduling or any other concession, on a case-by-case basis, considering the future repayment capacity/viability of such individuals and businesses/projects.
- 3.2 Interest rate applicable for concessions on grace period granted to non-performing credit facilities, shall not exceed 20% or the contractual rate of interest applied prior to consideration of the grace period plus 5%, whichever is lower.
- 3.3 NBFIs shall suspend forced seizure and repossession of leased assets that have been classified as non-performing on or after 01.01.2020, until 31.12.2022 in order to enable the borrowers to arrange timely repayments.
- 3.4 In case where a NBFI has commenced or given notice of recovery action for a leased asset, such recovery actions shall be suspended until 31.12.2022, on the condition that the concerned NBFI and the borrower reach a debt repayment agreement.

3.5 NBFIs shall defer passing new resolutions for recovery of such loans and advances until 31.12.2022, on condition that the concerned NBFIs and the borrower reach a debt repayment agreement. In instances where resolutions for recovery actions have already been passed, seizure and repossession of leased asset shall be suspended until 31.12.2022.

3.6 However, willful defaulters, defaults due to diversion of funds, defaults due to mismanagement and/or frauds in the business and unviable projects shall not be considered for any of the above concessions.

3.7 NBFIs may continue the routine collection procedure/recovery follow up without excessively contacting, visiting, or forcing the borrower.

4 Reporting to the Credit Information Bureau

4.1 NBFIs shall not decline new loan applications from borrowers solely based on adverse CRIB records.

4.2 NBFIs shall develop a reporting modality, in consultation with CRIB, to report concessions granted to affected borrowers, if necessary.

5 Accounting Treatment

5.1 NBFIs shall adhere to Sri Lanka Accounting Standards with regard to accounting for the facilities considered for concessions.

5.2 NBFIs may seek advice from the Institute of Chartered Accountants of Sri Lanka and Auditors for additional guidance/clarifications in this regard.

6 Transparency of the Concessions

6.1 Eligible borrowers may request for the above concessions on or before 15 August 2022 in writing or through electronic means.

6.2 NBFIs shall make the decision on whether to accept or decline the request made by the borrower within one month of the receipt of the request and duly inform the borrower of such decision.

6.3 NBFIs shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities and the applicable interest rate prior to approval and the consent of the borrower shall be obtained in writing or through electronic means.

7 Reporting Requirement

NBFIs shall report the details of concessions availed to their borrowers to the Department of Supervision of Non-Bank Financial Institutions, as at each month end, within 15 working days, commencing from 31 August 2022. A reporting format will be issued in due course.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 03 of 2022

02 September 2022

RECORDING OF UNIQUE IDENTIFICATION NUMBERS OF DEPOSITORS

- | | |
|---|--|
| 1. Legal provisions | 1.1 In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board of the Central Bank of Sri Lanka introduces these directions on recording of Unique Identification Numbers (UINs) of the depositors of all finance companies (FCs) licensed under the Finance Business Act, No. 42 of 2011. |
| 2. Objectives of the directions | 2.1 Mandate recording of UINs of depositors of all FCs to facilitate the compiling of information by the Resolution and Enforcement Department of the Central Bank of Sri Lanka, under the Depositor Wise Data Collection System, and strengthen the soundness and integrity of the information management process for key policy decisions of the financial sector. |
| 3. Recording of the UIN of the Depositor | 3.1 All FCs shall record and report the UIN for each depositor in their core information systems as illustrated in Table 1 of Annexure I. |

- 4. Effective date** 4.1 The Directions will be effective from 01.10.2022. Accordingly, all FCs shall comply with the requirements of these Directions with effect from 01.10.2022 for all new depositors subject to the transitional provisions stated in Section 5 below.
- 5. Transitional provisions** 5.1 All FCs shall complete recording of UINs of all existing depositors in terms of these Directions by 31.12.2023.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex I

TABLE 1: UNIQUE IDENTIFICATION NUMBERS FOR EACH CATEGORY OF DEPOSITORS OF FC

#	Type of Depositor	Type of Identification Number	Remarks												
1.	Individuals														
1.1	Sri Lankan citizens	National Identity Card (NIC) Number	FCs can accept Driving License or Passport of the depositor to open accounts, but it is compulsory to record NIC number in their systems												
1.2	Sri Lankan citizens (residing outside Sri Lanka/PR holders/TR holders), Sri Lankan dual citizens (residing in Sri Lanka), Sri Lankan dual citizens (residing outside Sri Lanka)	NIC Number	Sri Lankan passport number can only be used when NIC has been temporarily surrendered by a depositor												
1.3	Non-Sri Lankan citizens	Foreign Passport Number	Including foreign national of Sri Lankan origin (residing outside Sri Lanka), Foreign national on temporary visit to Sri Lanka or intending to visit Sri Lanka, Foreign Diplomat												
1.4	Minor Depositors	Date of Birth + Birth Certificate number Eg : Date of Birth: 2005 January 7th (2005.01.07) Birth Certificate Number: 0325 <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>2</td><td>0</td><td>0</td><td>5</td><td>0</td><td>1</td><td>0</td><td>7</td><td>0</td><td>3</td><td>2</td><td>5</td></tr></table>	2	0	0	5	0	1	0	7	0	3	2	5	Date of Birth followed by the Birth Certificate Number in the same field to create a 12-digit number
2	0	0	5	0	1	0	7	0	3	2	5				
2.	Institutions														
2.1	Companies registered under the Companies Act	Company Registration Number	-												
2.2	Non-Governmental organizations	Registration number issued by the National Secretariat for Non-Governmental organizations	-												
2.3	Institutions registered under divisional/local government bodies such as proprietorships/partnerships/joint ventures etc.	Business Registration Number	-												
2.4	All other entities such as Clubs, Associations, Societies etc.	Registration number issued by the relevant authorities	-												

Ref No: 24/10/001/0019/005

29 November 2022

To: Chief Executive Officers, Licensed Finance Companies,

Dear Sir/Madam

GUIDELINES ON SUSTAINABLE FINANCE ACTIVITIES

We enclose herewith 'the Guidelines on Sustainable Finance Activities', applicable to all licensed finance companies (LFCs).

These guidelines are issued considering the importance of a sustainable economy and the need for providing with a governance and risk management framework for sustainable finance activities of LFCs, with a view to facilitating the sustainable finance initiatives of LFCs in line with the Roadmap for Sustainable Development published by the Central Bank of Sri Lanka in 2019.

Hereby, all LFCs are requested to communicate the attached guidelines to all the relevant officers and comply with the requirements as specified in the guidelines.

Yours faithfully
(Mrs.) R M C H K Jayasinghe
Director

Encl: The Guidelines on Sustainable Finance Activities

GUIDELINES ON SUSTAINABLE FINANCE ACTIVITIES**1. Introduction**

- 1.1. The Central Bank of Sri Lanka (CBSL) having considered the importance of committing to achieving the Sustainable Development Goals set by the United Nations and the need to transit Sri Lanka towards a green, inclusive and balanced economy, published the Roadmap for Sustainable Development (the Roadmap) on 10.04.2019. The Roadmap provides a broader direction to financial regulators and financial institutions to effectively manage environmental, social and governance (ESG) risks associated with projects they finance and to assist businesses that are greener, climate friendly and socially inclusive.
- 1.2. Further, CBSL published the Sri Lanka Green Finance Taxonomy (the Taxonomy) on 06.05.2022, establishing a classification and measurement system for sustainable finance activities in Sri Lanka.

2. Objective of the Guidelines

- 2.1. These guidelines are issued considering the importance of a sustainable economy and the need for providing with a governance and risk management framework for sustainable finance activities of Licensed Finance Companies (LFCs), with a view to facilitating the sustainable finance initiatives of LFCs in line with the Roadmap.

3. Applicability

- 3.1. These guidelines shall be applicable to all LFCs.

4. Implementation of the Roadmap and Reporting to the Director, Department of Supervision of Non-Bank Financial Institutions (the Director)

- 4.1. LFCs are required to implement the Roadmap, following the timelines given in its action plan, or as amended.
- 4.2. LFCs are required to submit information or documents as directed by the Director under the powers vested with the Director by the Section 15 of the Finance Business Act, No. 42 of 2011, on their sustainable finance activities in the manner, in such form and at such intervals or at times as shall be specified by the Director.

5. Identified Priority Sectors for Sustainable Finance Activities

- 5.1. The Taxonomy identifies the following priority sectors for sustainable finance activities:
 - a) forestry and logging;
 - b) agriculture;
 - c) manufacturing;
 - d) electric power generation, transmission and distribution;

- e) water supply, sewerage and waste management;
- f) construction;
- g) transportation and storage;
- h) tourism and recreation;
- i) information and communication technology;
- j) financial services (facilitating provision of affordable insurance products to increase climate resilience of agriculture and tourism activities); and
- k) other activities such as, gas, steam, and air conditioning supply, underground permanent geological storage of CO₂, Hydrogen storage.

5.2. LFCs are requested to utilize the Taxonomy to identify and classify the relevant activities to the above priority sectors, when granting funding and reporting on sustainable finance activities.

5.3. LFCs are encouraged to develop sustainable savings products and sustainable loan products, including sustainable leasing products.

5.4. LFCs are encouraged to support green and socially inclusive projects and issue guidance and operational tools, as required.

6. Governance Framework for Sustainable Finance Activities/Initiatives

6.1. Board of Directors (BODs) are encouraged to effectively and efficiently oversee the sustainable finance activities in LFCs.

6.2. LFCs are requested to develop a sustainable finance policy approved by BODs, at minimum including the followings:

- a) clear roles and responsibilities of BODs and senior management who are implementing sustainable finance activities;
- b) identifying and managing of ESG risks, and risks relating to sustainable finance activities; and
- c) parameters and metrics for measuring the progress of sustainable finance activities.

6.3. The Chief Executive Officer and relevant Key Responsible Persons of LFCs, under the guidance provided by BODs, are requested to ensure the followings:

- a) policies, tools, metrics, operational procedures and controls implemented by LFCs in respect of sustainable finance activities are reviewed and updated at least annually, and integrated with other relevant policies and procedures of LFCs;
- b) adequate resources, skills and expertise are allocated to the implementation and management of sustainable finance activities;
- c) clear articulation of roles and responsibilities of business units and functions in managing risks associated with sustainable finance activities; and
- d) BODs are informed in a timely manner on the progress and material issues, relating to sustainable finance activities.

7. Risk Management

7.1. LFCs are requested to identify and evaluate ESG risks, and risks relating to sustainable business activities, considering the nature, scale, complexity and interconnectedness of their operations and assess the magnitude and materiality of such risks.

7.2. LFCs are requested to incorporate the identified ESG risks in LFC's overall risk management framework.

7.3. LFCs are requested to implement effective risk management practices and internal controls to mitigate the identified risks, and incorporate ESG risk management to the entire decision-making processes.

8. Capacity Building and Innovation

8.1. LFCs are encouraged to;

- a) develop ESG risk management skills of its staff members through internal or external trainings;
- b) develop internal expertise to implement sustainable finance related activities or hire sustainable finance professional/s as appropriate, for such implementation; and
- c) develop expertise in environmental stress testing and scenario analyses.

9. Disclosures and Reporting

9.1. LFCs are requested to disclose the following information related to sustainable finance activities in their annual reports:

- a) an overview on sustainable finance policies and activities;
- b) identified ESG and sustainable finance related risks and associated mitigation measures;
- c) the environmental and social impact of current and proposed investments and business activities;
- d) the progress made on sustainable finance related activities including implementation of the Roadmap and the action plan for the next year; and
- e) the total and annual amounts of sustainable funds raised for and funds allocated to sustainable finance related activities.

9.2. LFCs are requested to disclose the environmental and social impact generated from business activities using internationally recognised reporting frameworks, such as Global Reporting Initiative and recommendations of the Task Force on Climate-related Financial Disclosures.

PART IV

PART IV

MAJOR LEGISLATIVE ENACTMENTS OF 2022 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA^(a)

	Page
1. Provincial Councils (Transfer of Stamp Duty) (Amendment) Act, No. 6 of 2022	1
2. Personal Data Protection Act, No. 9 of 2022	1
3. Workmen's Compensation (Amendment) Act, No. 10 of 2022	24
4. Surcharge Tax Act, No. 14 of 2022	29
5. Industrial Disputes (Amendment) Act, No. 22 of 2022	31
6. Termination of Employment of Workmen (Special Provisions) (Amendment) Act, No. 23 of 2022	32
7. Powers of Attorney (Amendment) Act, No. 28 of 2022	33
8. Prevention of Frauds (Amendment) Act, No. 30 of 2022	37
9. Twenty First Amendment to the Constitution	38
10. Notaries (Amendment) Act, No. 31 of 2022	52
11. Registration of Documents (Amendment) Act, No. 32 of 2022	58
12. Judicature Amendment Act, No. 34 of 2022	61
13. Value Added Tax (Amendment) Act, No. 44 of 2022	70
14. Inland Revenue (Amendment) Act, No. 45 of 2022	71

(a) In the event of any inconsistency between the text published in the Central Bank Annual Report and the text printed by the Department of Government Printing, the text of the latter shall prevail.

**PROVINCIAL COUNCILS
(TRANSFER OF STAMP DUTY) (AMENDMENT) ACT, NO. 6 OF 2022**
[Certified on 17th of February, 2022]

**AN ACT TO AMEND THE PROVINCIAL COUNCILS
(TRANSFER OF STAMP DUTY) ACT, NO. 13 OF 2011**

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. This Act may be cited as the Provincial Councils (Transfer of Stamp Duty) (Amendment) Act, No. 6 of 2022.
2. Section 2 of the Provincial Councils (Transfer of Stamp Duty) Act, No. 13 of 2011 is hereby amended as follows:—
 - (1) by the renumbering of section 2 as subsection (1) of that section;
 - (2) in renumbered subsection (1) of that section, by the substitution for the words “revenue so collected.”, of the following words:—

“revenue so collected:

Provided however, any person who proves to the satisfaction of the Commissioner-General by a claim made in writing that he has paid any stamp duty—

 - (a) in excess of the amount properly payable by him; or
 - (b) erroneously on an instrument to which such stamp duty relates and is found that he was not liable to pay such stamp duty under the provisions of the Stamp Duty (Special Provisions) Act, No. 12 of 2006,

shall be refunded the amount so paid, out of any amount collected as stamp duty during any period prior to transfer to the Provincial Councils.”; and
 - (3) by the addition immediately after renumbered subsection (1) of the following:—

“(2) The provisions of section 11 of the Stamp Duty (Special Provisions) Act, No. 12 of 2006 shall apply to all claims for refund under this section.

(3) For the purpose of this section, “Commissioner- General” shall have the same meaning as in the Inland Revenue Act, No. 24 of 2017.”.
3. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

PERSONAL DATA PROTECTION ACT, NO. 9 OF 2022
[Certified on 19th of March, 2022]

AN ACT TO PROVIDE FOR THE REGULATION OF PROCESSING OF PERSONAL DATA; TO IDENTIFY AND STRENGTHEN THE RIGHTS OF DATA SUBJECTS IN RELATION TO THE PROTECTION OF PERSONAL DATA; TO PROVIDE FOR THE ESTABLISHMENT OF THE DATA PROTECTION AUTHORITY; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO

WHEREAS it has become necessary to facilitate the growth and innovation in the digital economy in Sri Lanka whilst ensuring the protection of personal data rights of the data subjects:

AND WHEREAS it has become necessary to improve interoperability among personal data protection frameworks as well as to strengthen cross-border co-operation among personal data protection enforcement authorities:

AND WHEREAS it has become necessary for the government of Sri Lanka to provide for a legal framework to provide for mechanisms for the protection of personal data of data subjects ensuring consumer trust and safeguarding privacy whilst respecting domestic written laws and applicable international legal instruments:

NOW THEREFORE BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Personal Data Protection Act, No. 9 of 2022.
- (2) The provisions of this section, shall come into operation on the date on which the certificate of the Speaker is endorsed in respect of this Act in terms of Article 79 of the Constitution.

- (3) All other provisions of this Act except the provisions of Part IV and Part V, shall come into operation on such date as the Minister may, appoint by Order published in the *Gazette*, which shall be a date not earlier than eighteen months and not later than thirty six months from the date of the certificate of the Speaker referred to in subsection (2).
 - (4) The date of operation of the provisions of Part IV of this Act, shall be a date not earlier than twenty-four months and not later than forty-eight months from the date of certificate referred to in subsection (2).
 - (5) The date of operation of the provisions of Part V of this Act shall be a date appointed by the Minister by Order published in the *Gazette* which shall be a date not later than the date appointed by the Minister under subsection (3).
2. (1) This Act shall apply to the processing of personal data—
 - (a) where the processing of personal data takes place wholly or partly within Sri Lanka; or
 - (b) where the processing of personal data is carried out by a controller or processor who—
 - (i) is domiciled or ordinarily resident in Sri Lanka;
 - (ii) is incorporated or established under any written law of Sri Lanka;
 - (iii) offers goods or services to data subjects in Sri Lanka including the offering of goods or services with specific targeting of data subjects in Sri Lanka; or
 - (iv) specifically monitors the behaviour of data subjects in Sri Lanka including profiling with the intention of making decisions in relation to the behavior of such data subjects in so far as such behaviour takes place in Sri Lanka.
 - (2) For the purposes of paragraphs (iii) and (iv) of subsection (1) respectively, the Authority may, determine by way of rules made under this Act—
 - (a) the circumstances in which the specific targeting of the data subjects may occur; or
 - (b) the circumstances in which the specific monitoring of the data subjects may occur.
 - (3) This Act shall not apply to—
 - (a) any personal data processed purely for personal, domestic or household purposes by an individual; and
 - (b) any data other than personal data.
3. (1) The provisions of this Act shall have effect notwithstanding anything to the contrary in any other written law, relating to the protection of personal data of data subjects:

Provided however, where a public authority is governed by any other written law, it shall be lawful for such authority to carry out processing of personal data in accordance with the provisions of such written law, in so far as the protection of personal data of data subjects is consistent with this Act.
 - (2) In the event of any inconsistency between the provisions of this Act and the provisions of such written law, the provisions of this Act shall prevail.

PART I

PROCESSING OF PERSONAL DATA

4. Every controller shall process personal data in compliance with the obligations specified under this Act.
5. The processing of personal data shall be lawful if a controller is in compliance with—
 - (a) any condition specified in Schedule I hereto;
 - (b) any condition specified in Schedule II hereto in the case of processing special categories of personal data;
 - (c) all the conditions specified in Schedule III hereto in the case of processing personal data based on the consent of the data subject under item (a) of Schedule I or under item (a) of Schedule II hereto; or
 - (d) all the conditions specified in Schedule IV hereto in the case of processing personal data in respect of criminal investigations.
6. (1) Every controller shall, ensure that personal data is processed for a—
 - (a) specified;
 - (b) explicit; and
 - (c) legitimate,

purposes and such personal data shall not be further processed in a manner which is incompatible with such purposes.

(2) Subject to the provisions of section 10 of this Act, further processing of such personal data by a controller for archiving purposes in the public interest, scientific research, historical research or statistical purposes shall not be considered to be incompatible with the initial purposes referred to in paragraphs (a), (b) and (c) of subsection (1).

7. Every controller shall ensure that personal data that is processed shall be—

- (a) adequate;
- (b) relevant; and
- (c) proportionate,

to the extent as is necessary in relation to the purpose for which such data shall be collected or processed.

8. Every controller shall ensure that personal data that is processed shall be—

- (a) accurate; and
- (b) kept up to date,

with every reasonable step being taken to erase or rectify any inaccurate or outdated personal data, without undue delay.

9. Every controller shall ensure that personal data that is being processed shall be kept in a form which permits identification of data subjects only for such period as may be necessary or required for the purposes for which such personal data is processed:

Provided however, subject to the provisions of section 10 of this Act, a controller may store personal data for longer periods in so far as the personal data shall be processed further for archiving purposes in the public interest, scientific research, historical research or statistical purposes.

10. Every controller shall ensure integrity and confidentiality of personal data that is being processed, by using appropriate technical and organizational measures including encryption, pseudonymisation, anonymisation or access controls or such other measures as may be prescribed so as to prevent the –

- (a) unauthorized or unlawful processing of personal data; or
- (b) loss, destruction or damage of personal data.

11. A controller shall, provide data subjects—

- (a) the information referred to in Schedule V; and
- (b) the information regarding any decision taken pursuant to a request made under PART II of this Act, in writing or by electronic means and in a concise, transparent, intelligible and easily accessible form.

12. (1) It shall be the duty of every controller to implement internal controls and procedures, (hereinafter referred to as the “Data Protection Management Programme”) that—

- (a) establishes and maintains duly catalogued records to demonstrate the manner in which the implementation of the data protection obligations referred to in sections 5, 6, 7, 8, 9, 10 and 11 are carried out by the controller;
- (b) is designed on the basis of structure, scale, volume and sensitivity of processing activities of the controller;
- (c) provides for appropriate safeguards based on data protection impact assessments specified in section 24;
- (d) is integrated into the governance structure of the controller;
- (e) establishes internal oversight mechanisms;
- (f) has a mechanism to receive complaints, conduct of inquiries and to identify personal data breaches;
- (g) is updated based on periodic monitoring and assessments; and
- (h) facilitates the exercise of rights of data subjects under sections 13, 14, 15, 16 and 18,

for the purpose of complying with the obligations referred to in sections 5, 6, 7, 8, 9, 10 and 11.

(2) The Authority shall from time to time issue such guidelines in respect of the Data Protection Management Programme.

PART II

RIGHTS OF DATA SUBJECTS

13. (1) Every data subject shall have the right to access to personal data of such data subject and to be provided with a confirmation as to whether such personal data has been processed and such information referred to in Schedule V, upon a written request made by such data subject to the controller.
- (2) The controller shall, upon receipt of a written request made by the data subject under subsection (1), provide the data subject with such information required to be provided under Schedule V, subject to section 17.
14. (1) Every data subject shall have the right to withdraw his consent at any time upon a written request made by such data subject if such processing is based on the grounds specified in item (a) of Schedule I or item (a) of Schedule II of this Act:
- Provided that, the withdrawal of such consent shall not affect the lawfulness of any processing taken place prior to such withdrawal.
- (2) Every data subject shall have the right to request a controller in writing, to refrain from further processing of personal data relating to such data subject, if such processing is based on the grounds specified in items (e) or (f) of Schedule I or item (f) of Schedule II.
15. Every data subject shall have the right to request a controller in writing to rectify or complete the personal data relating to such data subject which is either inaccurate or incomplete, and the controller shall, upon such a written request made by the data subject, rectify or complete the personal data without undue delay subject to the provisions of section 17:
- Provided however, the provisions of this section shall not impose any obligation on a controller to collect and process any additional personal data that is not required for the purpose of processing:
- Provided further, where a controller is required to maintain personal data for the evidentiary purposes under any written law or on an order of a competent court, the controller shall refrain from further processing such personal data without rectifying.
16. Every data subject shall have the right to make a written request to the controller to have his personal data erased, under the following circumstances where—
- (a) the processing of personal data is carried out in contravention of the obligations referred to in sections 5,6,7,8,9,10 and 11;
- (b) the data subject withdraws his consent upon which the processing is based, in accordance with item (a) of Schedule I or item (a) of Schedule II;
- (c) the requirement to erase personal data is required by any written law or on an order of a competent court to which the data subject or controller is subject to.
17. (1) Where a controller receives a written request from a data subject under sections 13, 14, 15 or 16, such controller shall inform the data subject in writing, within twenty-one working days from the date of such request, whether—
- (a) such request has been granted;
- (b) such request has been refused under subsection (2) and the reasons thereof unless such disclosure is prohibited by any written law; or
- (c) the controller has refrained from further processing such personal data under sections 14(2) or 15 and reasons thereof, and inform the availability of the right of appeal to the data subject in respect of the decisions made by the controller under paragraphs (b) or (c).
- (2) The controller may, refuse to act on a request made under sections 13, 14, 15 or 16 of this Act, by a data subject having regard to—
- (a) the national security;
- (b) public order;
- (c) any inquiry conducted, investigation or procedure carried out under any written law;
- (d) the prevention, detection, investigation or prosecution of criminal offences;
- (e) the rights and freedoms of other persons under any written law;

- (f) subject to the provisions of subsection (4), the technical and operational feasibility of the controller to act on such request;
- (g) subject to the provisions of subsection (4), the inability of the controller to establish the identity of the data subject; or
- (h) the requirement to process personal data under any written law.
- (3) A controller shall, record the reasons for any refusal under subsection (2) and submit such records to the Authority upon a written request from the Authority.
- (4) Where a controller is unable to establish the identity of a data subject making a request under sections 13, 14, 15 or 16, such controller may, request the data subject to provide additional information to enable the controller to carry out such requests.
- (5) Any right conferred on a data subject under this Part may be exercised—
- (a) where the data subject is a minor, by parents or a person who has the parental authority over the minor or who has been appointed as his legal guardian; or
- (b) where the data subject is physically or mentally unfit, by a person who has been appointed as his guardian or administrator by a Court; or
- (c) by a person duly authorized in writing by the data subject to make a request under this Part except in the cases referred to in paragraphs (a) and (b); or
- (d) an heir to exercise a deceased data subject's rights within a period of ten years from the date of demise of such data subject,
- in the manner prescribed by regulations.
- (6) A request made by a data subject under sections 13, 14, 15 or 16 may be accompanied by such fees, as may be prescribed by regulations made under this Act.
- (7) Where a fee is charged under subsection (6), the controller shall inform the data subject the details of such fees and reasons for imposing same.
18. (1) Subject to section 19, every data subject shall have the right to request a controller to review a decision of such controller based solely on automated processing, which has created or which is likely to create an irreversible and continuous impact on the rights and freedoms of the data subject under any written law.
- (2) The provisions of subsection (1) shall not apply where a decision of a controller, based on automated processing is—
- (a) authorized by any written law, which a controller is subject to;
- (b) authorized in a manner determined by the Authority;
- (c) based on the consent of the data subject; or
- (d) necessary for entering into or performance of a contract between the data subject and the controller,
- and the controller shall comply with such measures and applicable criteria as may be specified by the Authority by rules made in that behalf to safeguard the rights and freedoms of the data subject:
- Provided however, the requirement under paragraph (d) shall not apply to special categories of personal data.
19. (1) Where a controller—
- (a) has not refrained from further processing of personal data under section 14; or
- (b) has refused to rectify or complete personal data under section 15; or
- (c) has refused to erase personal data under section 16; or
- (d) has refused the request of the data subject under section 17(2); or
- (e) has refused the request to review a decision based solely on automated processing under section 18(1),
- the data subject may, appeal against such decision in the form, manner and within such period of time as may be prescribed.
- (2) The Authority may determine whether the –

- (a) decision of the controller not to refrain from further processing of personal data under section 14 was lawful;
 - (b) decision of the controller to refuse to rectify or complete personal data under section 15 was lawful;
 - (c) decision of the controller to refuse the erasure of personal data under section 16 was lawful;
 - (d) refusal under section 17(2) by the controller was lawful;
 - (e) refusal to review a decision based solely on automated processing under section 18(1) was lawful.
- (3) After concluding the necessary investigations, the Authority shall determine, within such period as may be prescribed, whether the appeal is allowed or disallowed and the Authority shall inform the data subject and the controller the determination with reasons thereof.
- (4) Where the Authority allows the appeal under subsection (2), the controller shall take steps to give effect to the decision of the Authority, within such period as may be determined by the Authority, and the controller shall inform the data subject and the Authority, the steps taken to give effect to its decision.
- (5) Any data subject or controller aggrieved by the decision of the Authority, may prefer an appeal to the Court of Appeal not later than thirty days from the date of such decision.

PART III

CONTROLLERS AND PROCESSORS

20. (1) Every controller and processor shall designate or appoint a Data Protection Officer, to ensure compliance with the provisions of this Act, in the following circumstances:–
- (a) where the processing is carried out by a ministry, government department or public corporation, except for judiciary acting in their judicial capacity; or
 - (b) where the core activities of processing carried out by the controller or processor consist of the following:–
 - (i) operations which, by virtue of their nature, their scope or their purposes, require regular and systematic monitoring of data subjects on a scale and magnitude as may be prescribed; or
 - (ii) processing of special categories of personal data on a scale and magnitude as may be prescribed; or
 - (iii) processing which results in a risk of harm affecting the rights of the data subjects protected under this Act based on the nature of processing and its impact on data subjects.
- (2) A Data Protection Officer shall possess relevant academic and professional qualifications as may be prescribed which may include academic background, knowledge and technical skills in matters relating to data protection having competency and capacity to implement strategies and mechanisms to respond to inquiries and incidents related to processing of personal data.
- (3) Where the controller is a group of entities, such controller may appoint a single Data Protection Officer who is easily accessible by each entity. Where a controller or a processor is a Public Authority, a single Data Protection Officer may be designated for several such public authorities, taking into account their organizational structures.
- (4) A controller or processor shall publish the contact details of the Data Protection Officer and communicate such details to the Authority.
- (5) The responsibility of the Data Protection Officer shall be to–
- (a) advise the controller or processor and their employees on data processing requirements provided under this Act or any other written law;
 - (b) ensure on behalf of the controller or processor that the provisions of this Act are complied with;
 - (c) facilitate capacity building of staff involved in data processing operations;
 - (d) provide advice on personal data protection impact assessments; and
 - (e) co-operate and comply with all directives and instructions issued by the Authority on matters relating to data protection.
21. (1) Where processing is to be carried out by a processor on behalf of a controller, the controller shall–
- (a) use only processors who ensure the provision of appropriate technical and organizational measures to give effect to the provisions of this Act and ensure the protection of rights of the data subjects under this Act; and

- (b) ensure that such processor is bound by a contract or provisions of any written law which sets out the subject-matter and duration of the processing, the nature and purpose of the processing, the type of personal data and categories of the data subjects and the obligations of the controller.
- (2) Where two or more controllers jointly determine the purposes and means of processing, such controllers shall be referred to as “joint controllers” who shall be jointly responsible for discharging the obligations stipulated under this Act.
22. (1) Where a processor is engaged in processing activities on behalf of the controller, the processor shall—
- (a) ensure that processing activities are carried out only on the written instructions of the controller;
- (b) ensure that its personnel are bound by contractual obligations on confidentiality and secrecy by the implementation of appropriate technical and organizational measures;
- (c) facilitate the controller to carry out compliance audits, including inspections upon the written request of the controller, taking into account the nature of processing and the information available to the processor; and
- (d) upon the written instructions of the controller, erase existing copies of personal data or return all personal data to the controller after the completion of the provisions of services relating to processing.
- (2) Where a processor fails to comply with the provisions of paragraph (a) of subsection (1) or determines the purposes and means of processing by itself, such processor shall, for the purposes of this Act be deemed to be a controller, in respect of such processing.
- (3) Where a processor engages another processor (hereinafter referred to as the “sub processor”) for carrying out specific processing activities, the provisions of this section shall apply to and in relation to such sub processor.
- (4) Where a sub processor fails to fulfil its obligations under subsection (3), the processor shall be liable to the controller for the performance or carrying out of the obligations of such sub processor.
- (5) For the purposes of this section “personnel” means any employee, consultant, agent, affiliate or any person who is contracted by the processor to process personal data.
23. (1) In the event of a personal data breach, a controller shall notify the Authority, regarding such personal data breach in such form, manner and within such period of time as may be determined by rules made under this Act.
- (2) The Authority shall provide for—
- (a) the circumstances where the Authority shall be notified of such data breach;
- (b) the circumstances where the affected data subject shall be notified; and
- (c) the form, and manner of making such notification, and information which shall be provided in such notification relating to the data breach,
- by way of rules made under this Act.
24. (1) Where a Controller intends to carry out any processing which involves—
- (a) a systematic and extensive evaluation of personal data or special categories of personal data including profiling;
- (b) a systematic monitoring of publicly accessible areas or telecommunication networks; or
- (c) a processing activity as may be determined by way of rules taking into consideration the scope and associated risks of that processing,
- such controller shall, prior to such processing, carry out a personal data protection impact assessment in a form and manner as may be prescribed, to ascertain the impact of the intended processing on the obligations imposed on the controller under Part I of this Act and the rights of data subjects under Part II of this Act.
- (2) The personal data protection impact assessment shall contain such information and particulars including any measures and safeguards taken by the controller to mitigate any risk of harm caused to the data subject by the processing referred to in subsection (1).
- (3) The controller shall seek the assistance of the Data Protection Officer, where designated, when carrying out a personal data protection impact assessment under subsection (1).
- (4) The controller shall conduct a fresh personal data protection impact assessment in accordance with this section whenever there is any change in the methodology, technology or process adopted in the processing for which a personal data protection impact assessment has already been carried out.

- (5) The controller shall submit to the Authority, the personal data protection impact assessment required under this section and, on written request made by the Authority, provide any other information, for the purpose of making an assessment on the compliance of the processing and in respect of any risks of harm associated with the protection of personal data of the data subject and of the related safeguards recommended by the Authority.
25. (1) Where a personal data protection impact assessment carried out under section 24 indicates that the processing is likely to result in a risk of harm to the rights of the data subjects guaranteed under this Act or any written law, a controller shall take such measures to mitigate such risk of harm, prior to any processing of personal data.
- (2) Where a Controller, despite having taken measures under subsection (1), is not able to mitigate such risks of harm to the data subject, such controller may consult the Authority prior to such processing.
- (3) Upon such consultation, the Authority may issue written instructions to the controller requiring him to take additional measures to mitigate any risk of harm to the data subject or to cease such processing.
- (4) Where the controller consults the Authority under subsection (2), the controller shall provide additional information as may be requested by the Authority.
- (5) Where the controller fails to comply with the instructions of the Authority without any reasonable cause, such controller shall contravene the provisions of this Act.
- (6) For the avoidance of doubt it is declared that when processing of personal data referred to in items (b), (f), (g) and (h) of Schedule II, such processing shall be considered to have provided such measures and appropriate safeguards to protect the rights of the data subjects required under Schedule II.
- (7) Notwithstanding anything to the contrary in any other written law, whenever the controller engages in processing of personal data referred to in section 24(1) and where such processing is carried out by a controller in relation to national security, public order and public health, the controller shall consult the Authority.
26. (1) Where a public authority process personal data as a controller or processor, such personal data shall be processed only in Sri Lanka and shall not be processed in a third country, unless the Authority in consultation with, that controller or processor as the case may be and the relevant regulatory or statutory body, classifies the categories of personal data which may be permitted to be processed in a third country, prescribed by the Minister pursuant to an adequacy decision made under subsection (2).
- (2) (a) For the purpose of making an “adequacy decision”, the Minister shall, in consultation with the Authority take into consideration the relevant written law and enforcement mechanisms relating to the protection of personal data in a third country and the application of the provisions of Part I, Part II and sections 20, 21, 22, 23, 24 and 25 of Part III of this Act, and such other prescribed criteria relating to the processing of personal data, in a third country for the purpose of cross border data flow.
- (b) Any adequacy decision made by the Minister under this subsection shall—
- (i) be subject to periodic monitoring of the developments in a third country that may affect such decisions and the Minister may review such decision at least every two years; and
- (ii) remain in force until amended or revoked by the Minister in consultation with the authority.
- (3) A controller or processor other than a public authority may process personal data—
- (a) in a third country prescribed pursuant to an adequacy decision; or
- (b) in a country, not being a third country prescribed pursuant to an adequacy decision, only where such controller or processor as the case may be, ensures compliance with the respective obligations imposed under Part I, Part II and sections 20, 21, 22, 23, 24 and 25 of Part III of this Act.
- (4) For the purpose of ensuring compliance under paragraph (b) of subsection (3), a controller or processor shall adopt such instruments as may be specified by the Authority to ensure binding and enforceable commitments of the recipient in the third country to ensure appropriate safeguards to the rights of the data subjects and remedies protected by this Act.
- (5) In the absence of any adequacy decision pursuant to subsection (2) or appropriate safeguards pursuant to subsection (4), a controller or processor other than a public authority may process personal data outside Sri Lanka if—
- (a) the data subject has explicitly consented to the proposed processing of personal data outside Sri Lanka, after having been informed of the possible risks of such processing for the data subject due to the absence of an adequacy decision and appropriate safeguards; or

- (b) the transfer is necessary for the performance of a contract between the data subject and the controller or the implementation of any pre contractual measures taken by the controller at the request of the data subject; or
- (c) the transfer is necessary for the establishment, exercise or defence of legal claims relating to the data subject; or
- (d) the transfer is necessary for reasons of public interest as defined in item (g) of Schedule I of this Act; or
- (e) the transfer is necessary to respond to an emergency that threatens the life, health, or safety of the data subject or another person and where the data subject or his legal guardian is physically or legally incapable of giving consent; or
- (f) such processing is permitted under any other conditions as may be prescribed under this Act.

PART IV

USE OF PERSONAL DATA TO DISSEMINATE SOLICITED MESSAGES

27. (1) Subject to section 14, a controller may use postal services, telecommunication services, electronic means or any other similar means for the purposes of disseminating messages only if a data subject has given consent to receive such messages (hereinafter referred to as "solicited messages").
- (2) For the purpose of subsection (1), consent shall be obtained by a controller in accordance with the conditions of Schedule III of this Act.
- (3) When obtaining a consent under subsection (1), the controller shall, at the time of collecting contact information and each time where a message is sent, provide to the data subject details on how to opt-out of receiving solicited messages free of charge.
- (4) A controller using postal, electronic, telecommunication or any other similar means to disseminate any solicited message, shall inform the data subjects, to whom such messages are intended, of the nature of the message and the identity of the controller or third party on behalf of whom the message is disseminated by the controller.
- (5) The Authority may, in consultation with the relevant regulatory or statutory body, determine by way of rules made under this Act, any code or prefix that controllers shall adopt in order to identify different categories of solicited messages.
- (6) For the purpose of this section, a "message" includes any written, electronic, oral, pictorial, or video message, that is intended to promote—
- (a) goods or services of a controller or any third party; or
 - (b) any person, entity or organisation including the controller,
- using postal, electronic or telecommunication services or any other similar methods, including the use of automated calling and communication systems with or without human intervention, other than any internet based advertisements to which a data subject has consented to obtain a service, free of charge from the controller.

PART V

DATA PROTECTION AUTHORITY

28. (1) There shall be established an authority which shall be called the Data Protection Authority of Sri Lanka (in this Act referred to as the "Authority") for the purposes of this Act.
- (2) The Authority shall, by the name assigned to it by subsection (1), be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.
29. (1) The administration, management and control of the affairs of the Authority shall be vested in a Board of Directors (in this Act referred to as the "Board").
- (2) The Board shall, for the purpose of administering the affairs of the Authority, exercise, perform and discharge the powers, duties and functions conferred on, assigned to or imposed on, the Authority by this Act.
- (3) The Board shall consist of not less than five members and not more than seven members appointed by the President from among persons who have reached eminence and proven professional expertise in the fields of engineering, medicine, banking and finance, telecommunications, Law and persons who have experience in different sectors such as public utilities, business process outsourcing (BPO), logistics, Insurance, banking and financial sectors, of whom at least two members shall have prior experience in the public sector entities.

- (4) The persons appointed to the Board shall also have experience and knowledge in regulatory matters, privacy and data protection, information security, data science, data analytics, economics, finance, information technology or related fields.
- (5) The provisions of Schedule VI to this Act, shall have effect in relation to the disqualifications and grounds for removal, resignation, leave or absence, and term of office of members of the Board and meetings, and seal of the Authority.
30. (1) The President shall appoint one of the members who has demonstrated effective leadership qualities in public or private sector entities to be the Chairperson of the Board.
- (2) The Chairperson may resign from his office by letter addressed to the President and such resignation shall be effective from the date on which it is accepted by the President.
- (3) The President may, for reasons assigned therefor remove the Chairperson from the office of the Chairperson.
- (4) Subject to the provisions of subsections (2) and (3), the term of office of the Chairperson shall be the period of his membership of the Board.
- (5) Where the Chairperson is temporarily unable to exercise, perform and discharge the powers, duties and functions of his office due to ill health, other infirmity, absence from Sri Lanka or any other cause, the President may appoint any other member to act as the Chairperson in addition to his normal duties as a member.
31. The objects of the Authority shall be—
- (a) to regulate the processing of personal data in accordance with the provisions of this Act;
- (b) to safeguard the privacy of the data subjects from any adverse impact arising from the digitalization of the procedures and services in the public and private sector;
- (c) to provide for mechanisms to ensure the protection of personal data of data subjects engaged in digital transactions and communications;
- (d) to ensure the regulatory compliance with the provisions of this Act to facilitate for the growth and innovation in digital economy.
32. The Authority may exercise the following powers, for the purpose of performing duties and discharging functions under this Act:—
- (a) to carry out whether directly or through any officer, agent, entity or institutions authorized in that behalf by the Authority, all such matters as may be necessary for the implementation of the provisions of this Act;
- (b) to take all such steps to ensure that controllers and processors carry out their duties and obligations in accordance with the provisions of this Act and inspect any information held by a controller or a processor in order to ensure the performance of his duties and obligations;
- (c) to direct a controller or a processor to take steps to comply with the provisions of this Act, including the requirement to publish terms and conditions subject to which and the manner in which processing activities are carried out;
- (d) to direct a controller or any relevant data protection officer to reimburse fees charged from a data subject for failure to provide the required information in a timely manner;
- (e) to conduct inquiries, receive complaints, require any person to appear before it, make directives and impose fines in accordance with the provisions of this Act;
- (f) to examine a person under oath or affirmation and require such person where necessary to produce any information relating to the processing of functions of a controller or processor in the manner prescribed, for the purpose of discharging the functions of this Act;
- (g) to enter into the premises of any controller or processor and inspect or seize records and carry out investigations where the Authority has reasonable grounds to believe that processing poses an imminent risk to the rights of the data subjects;
- (h) to carry out periodical evaluations into the manner in which and procedures used for any processing activities carried out by a controller or processor, including the data protection management programme;
- (i) to appoint advisory committees consisting of members whose qualifications, experience and powers and duties shall be as prescribed;
- (j) to recognize certification and certifying bodies in relation to personal data protection;
- (k) to enter into agreements with or engage in any activity, either alone or in conjunction with other apex government or regulatory institutions or international agencies or organizations, responsible for data protection outside Sri Lanka for the purposes of this Act;

- (l) to acquire, take and hold any property movable or immovable which may become vested in it or by virtue of any purchase, grants, gifts or otherwise and to sell, mortgage, lease, grant, convey, devise, assign, exchange or dispose of, any such movable or immovable property;
 - (m) to employ such officers and staff including consultants and advisors subject to such terms and conditions of employment to serve as experts as the Authority may consider appropriate for the Authority to discharge its functions;
 - (n) with the concurrence of the Minister assigned the subject of Finance, to pay such remuneration and other benefits and to establish provident funds or pension schemes as may be determined by the Authority for the benefit of its staff and officers, consultants or advisors with whom a contract of employment or service is entered into by the Authority as the case may be;
 - (o) to invest its funds in such manner as the Authority may deem necessary;
 - (p) to open, operate and close bank accounts;
 - (q) to establish standards in relation to data protection and data storage, data processing, obtaining consent and such other matters as may be necessary for the proper implementation of the provisions of this Act;
 - (r) to receive grants, gifts or donations whether from local or foreign sources:
Provided however, the Authority shall obtain prior written approval of the Department of External Resources of the Ministry of the Minister to whom the subject of Finance is assigned, in respect of all foreign grants, gifts or donations;
 - (s) to make rules and issue guidelines and directives in respect of the matters for which rules, guidelines and directives are required to be made or issued under this Act; and
 - (t) to do any other acts as may be necessary or conducive to the attainment of the objects of the Authority under this Act.
33. For the purpose of carrying out its objects, the Authority shall, perform and discharge all or any of the following duties and functions:—
- (a) direct controllers to comply with the provisions of sections 11 and 13 in accordance with the information set out in Schedule V hereto;
 - (b) monitor and examine all data processing operations to ensure the due compliance by controllers or processors, of the obligations imposed on such controllers or processors under this Act, either of its own motion or at the request of a data subject;
 - (c) issue directives to any specific controller or processor regarding any processing activity performed by such controller or processor;
 - (d) facilitate or undertake training, based on international best practices, for controllers and processors to ensure the effective implementation of the provisions of this Act;
 - (e) issue directives to ensure effective implementation of data protection management programmes by the controllers;
 - (f) promote transparency and self-regulation among controllers and processors;
 - (g) ensure domestic compliance of data protection obligations under international conventions;
 - (h) recommend to the Government on all matters relating to data protection;
 - (i) represent the Government internationally on matters relating to data protection with the approval of the Minister;
 - (j) promote studies and educational activities relating to data protection, including organising and conducting seminars, workshops and symposia relating thereto, and supporting other organisations conducting such activities;
 - (k) manage technical co-operation and exchange in the area of data protection with other organisations, including foreign data protection authorities and international or inter-governmental organisations, on its own behalf or on behalf of the government;
 - (l) carry out functions conferred on the Authority under any other written law;
 - (m) undertake research into the use and impact of new technologies on processing of personal data;
 - (n) make rules governing the sharing of personal data between controllers which are public authorities, in accordance with the provisions of this Act, where such data can be shared between the controllers via a secure interoperability platform, including setting in place criteria mandating the sharing of personal data between controllers thereby restricting the duplication of collection and storage of data already available with another controller;
 - (o) appoint advisory committees to formulate sectoral guidelines, rules and to identify criteria and define categories of processing by controllers or processors requiring a licence for the purpose of regulating identity management and related services provided to data subjects under any written law;

- (p) make rules in relation to the use of special categories of personal data, the use of personal data for the dissemination of solicited messages, in compliance with section 27, the use of personal data for profiling of individuals, the use of personal data for automated decision making; and
- (q) perform such other acts not inconsistent with the provisions of this Act or any other written law, as are necessary for the promotion of the objects of the Authority under this Act.
34. (1) The Authority may, issue licences to controllers or processors requiring a licence based on the recommendations of the advisory committee, for the purpose of regulating identity management and related services provided to data subjects under any written law.
- (2) The recommendations of the advisory committee shall identify criteria and define categories of processing by controllers or processors requiring a licence.
- (3) The categories, criteria, terms and conditions, form and duration, procedure for application, renewal, suspension, cancellation, relating to such licences, appeal against the refusal, suspension or cancellation of licence and fees to be charged may be prescribed.
- (4) The Authority may, review and monitor the compliance of such controllers or processors with applicable terms and conditions of such licences.
35. (1) Where on receipt of a complaint or otherwise, the Authority has reason to believe, that any controller or processor—
- (a) is engaged in, or is about to engage in any processing activity in contravention of this Act; or
- (b) has contravened or failed to comply with or is likely to contravene or, fails to comply with the provisions of this Act or any rule under paragraph (d), (e) or (f) of section 52, any regulation, guideline or Order made under this Act or under any other written law relating to the processing of personal data,
- the Authority may, conduct an inquiry in accordance with the procedure as may be prescribed.
- (2) The Authority may, after giving an opportunity to subsection (1), issue a directive to the controller or processor requiring such controller or processor within such time as may be prescribed—
- (a) to cease and refrain from engaging in, the act, omission or course of conduct related to processing; or
- (b) to perform such acts as in the opinion of the Authority are necessary to rectify the situation; or
- (c) to make a payment of such sum of money as compensation as determined by the Authority to an aggrieved person who has suffered harm, loss or damage as a result of any contravention by a controller or processor under subsection (1).
- (3) Every directive issued to such controller or processor under this section shall be in writing and be communicated to such controller or processor to whom it is directed by registered post, electronic communication or other similar means determined by the Authority, and such directive shall be binding on such controller or processor, who shall comply with such directive from the date of such communication.

PART VI

DIRECTOR-GENERAL AND THE STAFF OF THE AUTHORITY

36. (1) The Board shall appoint a Director-General of the Authority who have achieved eminence and the proven professional expertise in providing leadership to public sector or private sector.
- (2) The Director-General shall be the chief executive officer of the Authority and the conditions of employment including remuneration of the Director-General shall be determined by the Board by way of rules.
- (3) The Board shall not appoint any person as the Director-General of the Authority, if such person-
- (a) has been previously found guilty of serious misconduct by a court or tribunal or has been subject to a disciplinary action by a regulatory body;
- (b) has been previously dismissed from office; or
- (c) has committed a breach of the provisions of this Act, or regulations, rules or directives made thereunder.
- (4) The Director-General shall, subject to the general direction and control of the Board, be charged with the direction of the affairs and transactions of the Authority, the exercise, performance and discharge of its powers, duties and functions, and the administration and control of the officers and employees of the Authority.

- (5) The Board may remove the Director-General appointed under subsection (1), from office having regard to any one of the following reasons:—
- (a) the likelihood of any conflict of interests in carrying out his duties or functions for the Authority;
 - (b) that person becomes of unsound mind or incapable of carrying out his duties or functions;
 - (c) that person is guilty of serious misconduct in relation to his duties or functions; or
 - (d) that person is involved in any activity which may interfere with his independence in discharging his duties or functions or not complied with the general directions of the Board:

Provided that, the Board shall grant an opportunity to the Director-General of being heard prior to such removal.

37. (1) Notwithstanding anything to the contrary in any other written law, the Authority may create cadre positions and employ officers and employees as it considers necessary for the efficient discharge of its functions and may fix their salaries and wages or other remuneration, benefits and pensions of such officers and employees for the purposes of carrying out its duties and functions under the provisions of this Act.
- (2) The Authority shall promote and sponsor the training of technical personnel on the subjects of information security, data science, data analytics, information technology, finance, law and other related subjects and for this purpose, the Authority shall be authorised to defray the costs of study, in Sri Lanka or abroad of the officers and employees of the Authority who are of proven merit as determined by the Authority.
 - (3) The Authority shall prepare a code of conduct which shall be applicable to the officers and employees of the Authority.
 - (4) The Authority may revise such code of conduct by modifying, rescinding or amending from time to time.
 - (5) The Authority shall not appoint any person to the staff of the Authority where such person—
 - (a) has been previously found guilty of serious misconduct by a court or tribunal or has been subject to a disciplinary action by a regulatory body;
 - (b) has been previously dismissed from office; or
 - (c) has committed a breach of the provisions of this Act or regulations, rules or directives made thereunder.
 - (6) At the request of the Authority any officer in the public service may, with the consent of the officer and the Public Service Commission established by the Constitution be temporarily appointed to the Authority for such period as may be determined by the Authority or with like consent, be permanently appointed to such staff.
 - (7) Where any officer in the public service is temporarily appointed to the staff of the Authority, the provisions of subsection (2) of section 14 of the National Transport Commission Act, No. 37 of 1991, shall *mutatis mutandis*, apply to and in relation to such officer.
 - (8) Where any officer in the public service is permanently appointed to the staff of the Authority, the provisions of subsection (3) of section 14 of the National Transport Commission Act, No. 37 of 1991, shall *mutatis mutandis*, apply to and in relation to such officer.
 - (9) Where the Authority employs any person who has agreed to serve the Government for a specified period, any period of service to the Authority by that person shall be regarded as service to the Government for the purpose of discharging the obligations of such agreement.
 - (10) The Authority may with the consent of such officer or employee propose secondment of its officers or employees to other state institutions or regulatory authorities in Sri Lanka or abroad for a period determined by the Board on an assignment agreed upon between such institution and the Authority. The period of secondment shall be deemed to be considered as service to the Authority.

PART VII

PENALTIES

38. (1) Where a controller or processor fails to comply with a directive issued under the provisions of section 35, the Authority shall after taking into consideration the impact on data subjects, the nature and extent of relevant non-compliances and the matters referred to in section 39 of this Act, by notice require such controller or processor to pay a penalty, which shall not exceed a sum of rupees ten million for each non-compliance.

- (2) Where a controller or processor has been subjected to a penalty on a previous occasion, subsequently fails to conform to a directive on any further occasion such person shall in addition to the penalty which may be imposed on him under subsection (1) be liable to the payment of an additional penalty consisting of twice the amount imposed as a penalty on the second and for each subsequent non-compliance.
- (3) The Authority shall be responsible for the collection of a penalty imposed under this section and the money so collected shall be credited to the Consolidated Fund after deducting such sum of money collected as compensation if any payable to the aggrieved person affected by reason of the non-compliance of the provisions of paragraph (c) of subsection (2) of section 35.
- (4) If a controller or processor becomes liable to a penalty in terms of subsection (1) or (2) fails to pay such penalty, within such period as may be specified in such notice, the Authority may make an *ex parte* application to the Magistrate Court of Colombo for an order requiring the payment of the penalty recovered in a like manner as a fine imposed by such court notwithstanding such sum may exceed the amount of fine which that court may, in the exercise of its ordinary jurisdiction impose.
- (5) The imposition of a penalty under this section shall not preclude a relevant regulatory or statutory body from taking any other regulatory measures including, but not limited to, the suspension of such controller or processor from carrying on of a business or profession or the cancellation of a licence or authority granted for the carrying on of a business or profession, as may be permitted in terms of any applicable written law or rules for the regulation or supervision of such controller or processor.
- (6) Where a penalty is imposed under this section on a body of persons, then—
- (a) if that body of persons is a body corporate, every person who at the time of non-compliance under subsection (1) was a director, and other officer responsible with management and control of that body corporate;
 - (b) if that body of persons is a firm, every partner of that firm; or
 - (c) if that body is not a body corporate, every person who at the time of non-compliance of requirements under subsection (1) was the officer responsible with management and control of that body,
- shall be liable to pay such penalty, unless he proves that he had no knowledge of the failure to comply with the requirement under subsection (1) or that he exercised all due care and diligence to ensure the compliance therewith.
- (7) A controller or processor who is aggrieved by the imposition of an administrative penalty under this section, may appeal against such decision to the Court of Appeal within twenty-one working days, from the date of the notice of the imposition of such administrative penalty was communicated to such person.
- (8) Until rules are made under Article 136 of the Constitution pertaining to appeals under this section, the rules made under that Article pertaining to an application by way of revision to the Court of Appeal, shall apply in respect of every appeal made under subsection (7) of this section.
- (9) Any controller or processor who prefer an appeal to the Court of Appeal under subsection (7), shall, deposit in cash as a security such sum of money equal to the penalty imposed under subsections (1) or (2) before the registrar of the Court of Appeal.
- (10) Where an appeal is preferred under subsection (7), the burden of proof shall be on the controller or the processor as the case may be, to prove that he has acted in compliance with the provisions of this Act.
39. In making a determination to impose an administrative penalty, including the amount as provided in subsection (1) of section 38, the Authority shall have regard to the following matters:—
- (a) the nature, gravity and duration of the contravention taking into account the nature, scope or purpose of the processing concerned as well as the number of data subjects affected and the level of damage suffered by them;
 - (b) any action taken by the controller or processor to mitigate the damage suffered by data subjects;
 - (c) the effectiveness of the data protection management programme required from the controller under section 12;
 - (d) the degree of co-operation with the Authority, in order to remedy the contravention and mitigate the possible adverse effects of such contravention;
 - (e) the categories of personal data affected by any contravention;

- (f) the manner in which a contravention became known to the Authority, in particular whether, and if so to what extent, the controller or processor notified the contravention to the Authority;
 - (g) the previous non-compliances by such controller or processor under this Act;
 - (h) any other aggravating or mitigating factors applicable to the circumstances of the case, such as financial benefits gained, or losses avoided, directly or indirectly, arising out of or in relation to the contravention of this Act by a controller or processor as the case may be.
40. Any exemption, restriction or derogation to the provisions of this Act shall not be allowed except where such an exemption, restriction or derogation is provided for in any law and respects the essence of the fundamental rights and freedoms and constitute a necessary and proportionate measure in a democratic society for—
- (a) the protection of national security, defense, public safety, public health, economic and financial systems stability of the Republic of Sri Lanka;
 - (b) the impartiality and independence of the judiciary;
 - (c) the prevention, investigation and prosecution of criminal offences;
 - (d) the execution of criminal penalties; and
 - (e) the protection of the right and fundamental freedoms of persons, particularly the freedom of expression and the right to information.

PART VIII

FUND OF THE AUTHORITY

41. (1) The Authority shall have its own fund (hereinafter referred to as the “Fund”).
- (2) There shall be paid into the Fund—
- (a) all such sums of money as may be voted by Parliament for the use of the Authority ; and
 - (b) all such sums of money as may be received by the Authority in the exercise, performance and discharge of its powers, duties and functions under this Act; and
 - (c) all such sums of money as may be paid as fees under the provisions of this Act; and
 - (d) all such sums of money as may be received by the Authority by way of gifts, grants or donations from the Consolidated Fund, the Government, or a foreign Government, State Agencies and from multilateral and bilateral agencies whether within or outside Sri Lanka.
- (3) There shall be paid out of the Fund all such sums as are required to defray expenditure incurred by the Authority in the exercise, performance and discharge of its powers, duties and functions under this Act or under any other written law and all such sums as are required to be paid out of the Fund.
- (4) Monies belonging to the Fund of the Authority may be invested by the Authority in such manner as may be determined by the Board.
42. (1) The financial year of the Authority shall be the calendar year.
- (2) The provisions of Article 154 of the Constitution relating to the audit of the accounts of public corporations shall apply to the audit of the accounts of the Authority.

PART IX

MISCELLANEOUS

43. The Authority may with the consent of the Minister given in concurrence with the Minister assigned the subject of Finance borrow temporarily by way of overdraft or otherwise, such sums of money as the Authority may require for defraying any expenditure incurred by it in the exercise, performance and discharge of its powers, duties and functions under this Act:
- Provided that, the aggregate of the amounts outstanding in respect of any loans raised by the Authority under this section, shall not exceed such sum as may be determined by the Minister in consultation with the Minister assigned the subject of Finance.
44. (1) The Board may, subject to such conditions as may be specified in writing, delegate to the Director-General or any officer of the Authority, any of its powers, duties and functions under this Act and the Director-General or such officer shall exercise, perform and discharge such power, duty or function subject to any special or general directions issued by the Board.

- (2) Notwithstanding any delegation made under subsection (1), the Board may exercise, perform and discharge any such power, duty or function so delegated.
45. (1) The Director-General may delegate any of his powers, duties or functions under this Act, to any officer of the Authority.
- (2) An officer to whom any power, duty or function is delegated under subsection (1), shall exercise, perform and discharge such power, duty and function subject to such directions as may be given by the Director-General.
- (3) The Director-General shall, notwithstanding any delegation made under subsection (1), have the right to exercise, perform and discharge any power, duty or function so delegated.
46. (1) All expenses incurred by the Authority in any suit or prosecution brought by or against it before any court, shall be paid out of the Fund of the Authority and only costs paid to or recovered by the Authority in any such suit or prosecution, shall be credited to the Fund of the Authority.
- (2) Any expense incurred by a member of the Board, Director-General, or any officer or other employees of the Authority, in any suit or prosecution brought by or against such person before any court in respect of any act which is done or purported to be done by such person under this Act, shall if the court holds that the act was done in good faith, be paid out of the Fund of the Authority, unless such expenses are recovered by him in such suit or prosecution.
47. The Minister shall from time to time review the performance of the Authority and require the Authority to submit such reports relating to its affairs and activities as may be required by the Minister.
48. (1) The Authority shall within six months of the end of each financial year, submit to the Minister an annual report of the activities carried out by the Authority during that financial year, with such supporting documents as the Minister may require from time to time for the evaluation of the performance of the Authority.
- (2) The Minister shall, lay copies of the report and documents submitted under subsection (1) before Parliament within six months from the date of receipt of such report and the documents.
49. A liability whether civil or criminal, shall not be attached to any officer of the Authority or to any officer authorized by such officer, for anything which is done in good faith in the performance or exercise of any function or power imposed or conferred on the Authority under this Act.
50. All officers and employees of the Authority, shall be deemed to be public servants within the meaning and for the purposes of Penal Code (Chapter 19).
51. The Authority shall be deemed to be a Scheduled institution within the meaning of the Bribery Act, (Chapter 26) and the provisions of that Act shall be construed accordingly.
52. (1) The Authority shall make rules in respect of—
- (a) the schemes of recruitments, terms of appointment, employment and dismissal of various officers and employees and their powers, functions including the powers and functions of the Director-General and the payment of remuneration;
 - (b) the procedure to be observed at the summoning and holding of meetings of the Authority;
 - (c) the management of the affairs of the Authority;
 - (d) the form and manner of exercising rights of data subjects under Part II;
 - (e) criteria for refusal of the request of data subjects under section 17.
 - (f) all matters for which, rules are required or authorized to be made under this Act.
- (2) The Authority shall make first rules under subsection (1), within twenty-four months from the date of coming into operation of the provisions of Part V of this Act.
- (3) The Authority shall, prior to making rules under paragraphs (d), (e) or (f) of subsection (1), hold public consultations for a period of not less than two weeks.
- (4) The period of public consultation referred to in subsection (3) may be extended for a further period as may be specified by the Authority.
- (5) A rule made under this section shall not have effect until it is approved by the Minister and approved rules and notification of such approval are published in the *Gazette*.
- (6) Every rule made under paragraphs (d), (e) or (f) of subsection (1), shall within three months after its publication in the *Gazette* be brought before Parliament for approval and any rule, which is not so approved, shall be deemed to be rescinded with effect from the date of such disapproval, but without prejudice to anything previously done thereunder.

- (7) Notification of the date on which any rule made by the Authority is deemed to be rescinded shall be published in the *Gazette*.
53. (1) The Minister may make regulations with the concurrence of the Authority in respect of any matter required by this Act to be prescribed or in respect of which regulations are authorized by this Act to be made.
- (2) In particular and without prejudice to the generality of the powers conferred by subsection (1), the Minister with the concurrence of the Authority may make regulations in respect of the following matters:—
- (a) amendment, addition to or variation of the conditions under Schedules I, II, III and IV;
 - (b) identification of the third countries that ensure level of protection referred to in subsection (2) of section 26 taking into consideration, the relevant legislation, enforceability of the data subject's rights and freedoms, international commitments, effective administrative and judicial redress availability for the data subjects whose personal data are being transferred;
 - (c) specifying the fees and charges levied for any service provided under this Act;
 - (d) specifying the categories and criteria of licenses to be issued under this Act;
 - (e) providing for terms and conditions, form and duration, procedure for application, renewal, suspension, cancellation of such licences and appeal against the refusal, suspension or cancellation of licences;
 - (f) charging of fees for the issue of licences;
 - (g) specifying the conditions for providing appropriate safeguard for the rights and freedoms of data subjects relating to protection of personal data;
 - (h) specifying the form and manner by which appeals may be made to the Authority under the provisions of this Act.
- (3) Every regulation made under subsection (1), shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified in such regulation.
- (4) Every regulation made under subsection (1), shall within three months after its publication in the *Gazette* be brought before Parliament for approval and any regulation, which is not so approved, shall be deemed to be rescinded with effect from the date of such disapproval, but without prejudice to anything previously done thereunder.
- (5) Notification of the date on which any regulation made by the Minister is deemed to be rescinded shall be published in the *Gazette*.
54. Every person appointed under the authority of this Act shall, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy in respect of any information, which may come to his knowledge in the exercise, performance and discharge of his powers, duties and functions under this Act, shall by such declaration pledge himself not to disclose any such information, except—
- (a) when required to do so by a Court of law; or
 - (b) in order to comply with any of the provisions of this Act or any other written law.
55. (1) If any difficulty arises in giving effect to the provisions of this Act or the rules, regulations, or Orders made under this Act, the Minister may by Order published in the *Gazette*, make such provision not inconsistent with the provisions of this Act, or any other written law, as appears to the Minister to be necessary or expedient for removing the difficulty:
- Provided that, no such Order shall be made after the expiry of a period of five years from the date of coming into operation of this Act.
- (2) Every Order made under this section shall, within three months after it is made, be laid before Parliament.

PART X

INTERPRETATION

56. In this Act, unless the context otherwise requires—

“anonymise” in relation to personal data means permanent removal of any personal identifiers from personal data to render any such personal data from being related to a identified or identifiable natural person;

“automated processing” means, processing that does not involve any manual processing;

“biometric data” means, personal data resulting from specific technical processing relating to the physical, physiological or behavioral characteristics of a natural person, which allow or confirm the unique identification of that natural person, including facial images, dactyloscopic data or iris related data;

“certifying bodies” means, the bodies local or foreign that provide certification services relating to the processing of personal data or qualifications of Data Protection Officers;

“child” means, a natural person who is below the age of sixteen years;

“consent” means, any freely given, specific, informed and unambiguous indication by way of a written declaration or an affirmative action signifying a data subject’s agreement to the processing of his personal data;

“controller” means, any natural or legal person, public authority, public corporation, non-governmental organization, agency or any other body or entity which alone or jointly with others determines the purposes and means of the processing of personal data;

“cross-border data flow” means, the movement of personal data out of the territory of Sri Lanka for the purpose of processing personal data in a third country;

“dactyloscopic data” means, data relating to fingerprints;

“data concerning health” means, personal data related to the physical or psychological health of a natural person, which includes any information that indicates his health situation or status;

“Data Protection Authority” means, the Authority established under section 28 of this Act;

“Data Protection Officer” means, the person designated or appointed under section 20 of this Act;

“data subject” means, an identified or identifiable natural person, alive or deceased, to whom the personal data relates;

“identifiable natural person” is a natural person who can be identified, directly or indirectly, by reference to any personal data;

“encryption” means, the act of ciphering or altering data using mathematical algorithm to make such data unintelligible to unauthorized users;

“financial data” means, any alpha-numeric identifier or other personal data which can identify an account opened by a data subject, or card or payment instrument issued by a financial institution to a data subject or any personal data regarding the relationship between a financial institution and a data subject, financial status and credit history relating to such data subjects, including data relating to remuneration;

“genetic data” means, personal data relating to the genetic characteristics of a natural person which gives unique information about the physiology or the health of that natural person which results from an analysis of a biological sample or bodily fluid of that natural person;

“local authority” means, a Municipal Council, Urban Council or a Pradeshiya Sabha and includes any authority created or established by or under any law to exercise, perform and discharge powers, duties and functions corresponding or similar to the powers, duties and functions exercised, performed or discharged by any such Council or Sabha;

“Minister” means, the Minister assigned the subject of data protection under Article 44 or 45 of the Constitution;

“personal data” means, any information that can identify a data subject directly or indirectly, by reference to—

- (a) an identifier such as a name, an identification number, financial data, location data or an online identifier; or
- (b) one or more factors specific to the physical, physiological, genetic, psychological, economic, cultural or social identity of that individual or natural person.

“personal data breach” means, any act or omission that results in accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to, personal data transmitted, stored or otherwise processed;

“personal data revealing racial or ethnic origin” means, any personal data including photographs that may indicate or be related to the race or ethnicity of a natural person;

“prescribed” means, prescribed by regulations made under this Act;

“processing” means, any operation performed on personal data including but not limited to collection, storage, preservation, alteration, retrieval, disclosure, transmission, making available, erasure, destruction of, consultation, alignment, combination, or the carrying out of logical or arithmetical operations on personal data;

“processor” means, a natural or legal person, public authority or other entity established by or under any written law, which processes personal data on behalf of the controller;

for the avoidance of doubt, a processor shall be a separate entity or person from the controller and not a person subject to any hierarchical control of the controller and excludes processing that is done internally such as one department processing for another, or an employee processing data on behalf of their employer;

Illustration: Hospital A, employs a data scientist as an employee to manage its analysis of patient records. The Hospital has decided to store its patient records on a third-party local cloud platform hosted by Company B. Hospital A is the controller, and the Company B is the processor where management of patient records are concerned. The data scientist of the hospital is only an employee of the controller and not a processor.

“profiling” means, processing of personal data to evaluate, analyse or predict aspects concerning that data subject’s performance at work, economic situation, health, personal preferences, interests, credibility, behavior, habits, location or movements;

“pseudonymisation” means, the processing of personal data in such a manner that the personal data cannot be used to identify a data subject without the use of additional information and such additional information is kept separately and is subject to technical and organizational measures to ensure that the personal data is not attributed to a data subject;

“public authority” means, a Ministry, any Department or Provincial Council, local authority, statutory body or any institution established by any written law, or a Ministry, any Department or other authority or institution established or created by a Provincial Council;

“relevant regulatory or statutory body” means, the regulatory or statutory body established by or under any written law which regulates, authorizes or supervises the controller and includes a Ministry which carries out the supervisory functions for the purpose of sections 26, 27 and 38 of this Act;

“recipient” means, a natural or legal person to whom the personal data is disclosed, or a public Authority or any incorporated or unincorporated body to which the personal data is disclosed;

“special categories of personal data” means, the personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation, personal data relating to offences, criminal proceedings and convictions, or personal data relating to a child;

“Sri Lanka” means, the territorial limits of Sri Lanka as stipulated by Article 5 of the Constitution and includes the territorial waters or air space of Sri Lanka, any ship or aircraft registered in Sri Lanka, any location within the premises of a Sri Lankan mission or the residence of the Head of such mission, diplomatic agent or any other member of such mission, situated outside Sri Lanka, or within any premises occupied on behalf of, or under the control of, the Government of Sri Lanka or any statutory body established in Sri Lanka and situated outside Sri Lanka;

“third country” means, a country prescribed under section 26 for the purpose of cross-border data flow;

“third party” means, a natural or legal person, public authority, agency or body other than the data subject, controller, processor and persons who are under the direct authority of the controller or processor, are authorized to process personal data;

“written” includes a document written manually or electronically.

57. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

(Section 5 (a))

SCHEDULE I

CONDITIONS FOR LAWFUL PROCESSING

- (a) the data subject has given consent to the processing of his personal data; or
- (b) processing is necessary for the performance of a contract to which the data subject is a party or in order to take steps at the request of the data subject prior to entering into a contract; or
- (c) processing is necessary for compliance with a legal obligation to which the controller or processor is subject to under any written law; or
- (d) processing is necessary to respond to an emergency that threatens the life, health or safety of the data subject or another natural person; or
- (e) processing is necessary for the performance of a task carried out in the public interest or in the exercise of powers, functions

or duties conferred, imposed or assigned on the controller or processor by or under any written law including any circular, direction or code issued by the government; or

- (f) processing is necessary for the purposes of the legitimate interests pursued by the controller or by a third party, except where such interests are overridden by the interests of the data subject which require protection of personal data, in particular where the data subject is a child.
- (g) for the purpose of item (e) of this Schedule, “public interest” includes-
 - (i) processing of personal data is necessary for health purposes such as public health and social protection and the management of health care services;
 - (ii) processing of personal data is necessary for the control of communicable diseases and other serious threats to health;
 - (iii) processing of personal data is necessary by official authorities for achieving the purposes or objects laid down by law.
- (h) for the purpose of item (f) of this Schedule, “legitimate interest” includes-
 - (i) processing in situations where the data subject is a client or in the service of a controller;
 - (ii) whether a data subject reasonably expects at the time and in the context of the collection of the personal data that processing for that purpose may take place;
 - (iii) processing of personal data is strictly necessary for the purposes of preventing fraud;
 - (iv) processing of personal data to the extent strictly necessary and proportionate for the purposes of ensuring network and information security.

(Section 5 (b))

SCHEDULE II

CONDITIONS FOR PROCESSING SPECIAL CATEGORIES OF PERSONAL DATA

- (a) the data subject has given consent, to the processing of special categories of personal data for one or more purposes specified by the controller at the time of processing, unless any other written law prohibits the processing of such personal data notwithstanding the consent of the data subject concerned. In the case of a child, consent shall mean the consent of the parent or legal guardian of such child; or
- (b) processing is necessary for the purposes of carrying out the obligations of the controller and exercising of the rights of the data subject, in the field of employment, social security including pension, and for public health purposes ensuring public safety, monitoring and public alert systems relating to impending health or other emergencies, the prevention or control of communicable diseases and other serious threats to public health and the management of public health-care services in so far as it is provided for in any written law providing for appropriate safeguards for rights of the data subject; or
- (c) processing is necessary to respond to an emergency that threatens the life, health or safety of the data subject or another natural person where the data subject is physically or legally incapable of giving consent; or
- (d) processing relates to personal data which is manifestly made public by the data subject; or
- (e) processing is necessary for the establishment, exercise or defence of legal claims before a court or tribunal or such similar forum, or whenever courts are acting in their judicial capacity; or
- (f) processing is necessary for, any purpose as provided for in any written law or public interest as determined under item (g) of Schedule I, which shall be necessary and proportionate to the aim pursued whilst providing suitable and specific measures to safeguard the rights and freedoms of the data subject; or
- (g) processing is necessary for the purposes of preventive or occupational medicine, medical diagnosis, the provision of care or treatment or the management of health-care services, and where such data is processed by a health professional licensed under or authorized by any written law prevailing in Sri Lanka; or
- (h) processing is necessary for archiving purposes in the public interest, scientific research or historical research purposes or statistical purposes in accordance with law which shall be proportionate to the aim pursued, protecting the data protection rights enumerated in this Act or any other written law and provide for suitable and specific measures to safeguard the rights and freedoms of the data subject.

(Section 5 (c))

SCHEDULE III**CONDITIONS FOR CONSENT OF THE DATA SUBJECT**

- (a) the controller shall demonstrate that the data subject has consented to processing of the personal data relating to such data subject;
- (b) if the consent of the data subject is given in the context of a written declaration which also concerns other matters, the request for consent shall be presented in a manner which is clearly distinguishable from the other matters, in an intelligible and easily accessible form, using clear and plain language:

Provided that, such a declaration shall not constitute an infringement of any provisions of this Act.

- (c) when assessing whether consent is freely given, special consideration shall be taken of whether, *inter alia*, the performance of a contract, including the provision of a service, is conditional on consent to the processing of personal data that is not necessary for the performance of that contract; and
- (d) prior to giving consent, the data subject shall be informed thereof that consent can be withdrawn anytime subject to the provisions of this Act.

(Section 5 (d))

SCHEDULE IV**PROCESSING OF PERSONAL DATA RELATING TO CRIMINAL INVESTIGATIONS**

- (a) processing of personal data relating to lawful investigations of offences or related security measures shall be carried out only in accordance with applicable written laws, whilst providing for appropriate safeguards for the rights and freedoms of data subjects;
- (b) for the avoidance of doubt, processing of personal data may be considered lawful under this Schedule if investigations are carried out pursuant to the provisions of the Code of Criminal Procedure Act, No. 15 of 1979 or provisions under any other written law; and
- (c) conditions for providing appropriate safeguards for the rights and freedoms of data subjects under this Schedule may be as prescribed.

(Sections 11 and 13)

SCHEDULE V**COLLECTION OF PERSONAL DATA**

1. where the personal data relating to a data subject is collected from the data subject, the controller shall provide the data subject with the following information, at the time of collection of such personal data -
 - (a) the identity and contact details of the controller and where applicable of the controller's representative;
 - (b) the contact details of the Data Protection Officer, where applicable;
 - (c) the intended purposes for which the personal data is processed and the legal basis for the processing;
 - (d) the legitimate interest pursued by the controller or by a third party where processing is based on item (f) of Schedule 1;
 - (e) the categories of personal data being collected;
 - (f) where processing is intended to be based on consent pursuant to item (a) of Schedule I and item (a) of Schedule II, the existence of the right of the data subject to withdraw his consent, and the procedure for such withdrawal, without affecting the lawfulness of processing based on consent before its withdrawal;
 - (g) recipients or third parties with whom such personal data may be shared, if applicable;
 - (h) information regarding any cross-border transfer of the personal data that the controller intends to carry out, if applicable;
 - (i) the period for which the personal data shall be retained in terms of section 9 or where such period is not known, the criteria for determining such period;
 - (j) the existence of and procedure for the exercise of rights of the data subject referred to in Part II;

- (k) the existence of a right to file complaints to the Authority;
 - (l) whether the provision of personal data by the data subject is a statutory or contractual requirement, or a requirement necessary to enter into a contract, as well as whether the data subject is obliged to provide the personal data and of the possible consequences of failure to provide such data; and
 - (m) the existence of automated individual decision-making referred to in section 18, including profiling, and, at least in those cases, reasonably meaningful information about the logic involved, as well as the significance and the envisaged consequences of such processing for the data subject.
2. Where the controller intends to further process the personal data for a purpose other than for which it was originally collected, the controller shall provide the data subject detailed information on the further processing in the manner provided in item 1 of this Schedule and the purpose thereof.
 3. Items 1 and 2 of this Schedule shall not apply where the data subject already has obtained or made aware of the information.
 4. Where the personal data of the data subject has been obtained other than through a direct interaction with the data subject, the controller shall provide the data subject, the source from which the personal data originate, and whether or not it came from publicly accessible source, where applicable in addition to the information required under item 1 of this Schedule.
 5. Where the personal data of the data subject has been obtained other than through a direct interaction with the data subject, the controller shall provide the information under items 1 and 4 of this Schedule –
 - (a) within a reasonable period of time after obtaining the personal data, but at least within one month, having regard to the specific circumstances in which the personal data is processed;
 - (b) if the personal data is to be used for communication with the data subject, at least at the time of the first communication to that data subject; or
 - (c) if a disclosure to another recipient is envisaged, at least when the personal data is first disclosed.
 6. Items 1 to 4 of this Schedule shall not apply where –
 - (a) the controller has established the fact that the data subject has already been provided with or made aware of the information; or
 - (b) the provision of such information proves impossible or would involve a disproportionate effort, in particular for processing for archival purposes in the public interest in the manner provided for by any written law, scientific research, historical research or statistical research purposes, subject to the conditions and safeguards provided in this Act or in so far as the obligation referred to in item 1 of this Schedule is likely to render impossible or seriously impair the achievement of the objectives of that processing. In such cases the controller shall take appropriate measures to protect the rights and freedoms of data subject protected under any written law, including making the relevant information publicly available; or
 - (c) obtaining or disclosure is expressly laid down by any written law to which the controller is subjected to and which provides appropriate measures to protect the rights and freedoms of data subjects protected under this Act and such written law; or
 - (d) the personal data shall remain confidential, consequent to obligations of professional privilege or is not permitted to be disclosed under any written law, including a statutory obligation of secrecy.

(Section 29 (5))

SCHEDULE VI

1. Every member of the Board other than the Chairperson shall, unless he vacates office earlier by death, resignation or removal, hold office for a term of three years from the date of his appointment and unless he has been removed from office, be eligible for reappointment:
 Provided that, a member appointed in place of a member who had vacated office, by death, resignation or removal, shall hold office for the unexpired term of office of the member whom he succeeds.
2. (1) Any member of the Board may at any time resign his office by letter addressed to the President and such resignation shall take effect upon it being accepted by the President.

- (2) In the event of vacation of office of any member by reason of death, resignation, removal, the President may appoint another person having regard to the provisions of subsection (3) and (4) of section 29 to hold office for the unexpired period of the term of office of the member whom he succeeds.
- (3) If any member other than the Chairperson is temporarily unable to perform the duties of his office for a period exceeding three months due to ill health or absence from Sri Lanka or for any other cause, the President may appoint some other person to act in his place during such period having regard to the provisions of subsection (3) and (4) of section 29.
- (4) A member of the Board who, without leave of the first being obtained, absents himself from three consecutive meetings of the Authority shall be deemed to have vacated his office.
3. (1) A person shall be disqualified from being appointed or from continuing as a member of the Board if he—
 - (a) is or becomes a member of Parliament, or a member of any Provincial Council or any local authority;
 - (b) is or becomes of unsound mind or incapable of carrying out his duties;
 - (c) is or has become an undischarged bankrupt;
 - (d) is or has been convicted of an offence which involves moral turpitude;
 - (e) has been previously removed from office.
- (2) The President shall remove a member of the Board from continuing as a member if he—
 - (a) is guilty of serious misconduct in relation to his duties;
 - (b) abuses his position so as to render his continuation in office detrimental to the interest of the Authority;
 - (c) is disqualified under paragraph (1) of item 3; or
 - (d) contravenes the provisions of this Act.
4. A member who is directly or indirectly interested in any decision that is to be taken on any matter by the Board shall disclose the nature of such interest at the meeting of the Board where such decision is being taken, and such disclosure shall be recorded in the minutes of the meetings of the Board and such member shall not take part in any deliberation or decision of the Board with regard to that matter, and shall withdraw from such meeting while such deliberation is in progress or such decision is being made.
5. The members of the Board, may be remunerated in such manner in consultation with the Minister assigned the subject of Finance and shall carry out their functions subject to such terms and conditions as may from time to time be determined by the President.
6. (1) The *quorum* for any meeting of the Board shall be three members including the Chairperson.
 - (2) The Director-General shall summon all meetings of the Board.
 - (3) A meeting of the Board may be held either—
 - (a) by the number of members who constitute a quorum being assembled at the place, date and time appointed for the meeting; or
 - (b) by means of audio-visual communication by which all members participating and constituting a quorum can simultaneously see and hear each participating member for the duration of the meeting.
 - (4) All questions for decision at any meeting of the Board shall be decided by the vote of the majority of members present and voting at such meeting. In the case of an equality of votes, the Chairperson shall, in addition to his vote, have a casting vote.
 - (5) The Chairperson shall preside at every meeting of the Board. In the absence of the Chairperson from any meeting of the Board, any member elected by the members present shall preside at such meeting of the Board.
 - (6) The meetings of the Board shall be conducted in conformity with the rules made and procedure established, by it from time to time.
7. No proceeding, act or decision of the Board shall be invalidated by reason only of the existence of a vacancy among its members or of any defect in the appointment of a member thereof.
8. (1) The seal of the Authority shall be in the custody of the Board.

- (2) The seal of the Authority may be altered in such manner as may be determined by the Board.
- (3) The seal of the Authority shall not be affixed to any instrument or document except in the presence of one member of the Board and the Director-General of the Authority or in the absence of the Director-General, in the presence of any two members of the Board, who shall sign the instrument or document in token of their presence.
- (4) The Board shall maintain a register of the instruments and documents to which the seal of the Authority has been affixed.

WORKMEN'S COMPENSATION (AMENDMENT) ACT, No. 10 OF 2022

[Certified on 19th of March, 2022]

AN ACT TO AMEND THE WORKMEN'S COMPENSATION ORDINANCE (CHAPTER 139)

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. This Act may be cited as the Workmen's Compensation (Amendment) Act, No. 10 of 2022.
2. The long title to the Workmen's Compensation Ordinance (Chapter 139) (hereinafter in this Act referred to as the "principal enactment") is hereby amended by the substitution, for the words "who are injured in the course of their employment." of the words "who are injured in the course of their employment or while coming from their place of residence to the work place or while returning back to their place of residence from the work place.".
3. Section 2 of the principal enactment is hereby amended by the insertion immediately after the definition of the expression "partial disablement" of the following definition:-

"place of residence" includes any permanent place of residence of a workman or a boarding house or any other place where a workman resides temporarily for the purpose of coming to his workplace;"
4. Section 3 of the principal enactment is hereby amended by the substitution for the words "in the course of his employment," of the words "in the course of his employment or by an accident took place while coming from his place of residence to the work place or while returning back to his place of residence from the work place,".
5. Section 4 of the principal enactment is hereby amended by the substitution for the words "in the course of his employment." of the words "in the course of his employment or while coming from his place of residence to the work place or while returning back to his place of residence from the work place.".
6. Section 5 of the principal enactment is hereby amended by the substitution for the words "in the course of his employment," of the words "in the course of his employment or by an accident took place while coming from his place of residence to the work place, or while returning back to his place of residence from the work place.".
7. The following new section is hereby inserted immediately after section 6 of the principal enactment and shall have effect as section 6A of that enactment:-

6A. Notwithstanding anything contained in section 6, in the case of permanent or partial disablement, the nature of employment of a workman in relation to any injury shall be taken into consideration in calculating the amount of compensation. Such compensation shall be based on the medical report issued by the relevant doctor."
8. Section 7 of the principal enactment is hereby amended in subsection (1) of that section by the insertion immediately after paragraph (c) thereof of the following paragraph:-

"(d) in the case of a daily paid or piece rated workman, the monthly wages of such workman shall be the aggregate of earnings of daily payments or piece rates for the last twelve months during which such workman has been in service immediately preceding the accident, divided by twelve and again divided by twenty five."
9. Section 11 of the principal enactment is hereby amended in the proviso to subsection (1), by the substitution for the words "not exceeding an aggregate of ten thousand rupees," of the words "not exceeding an aggregate of twenty thousand rupees,".
10. Section 12 of the principal enactment is hereby amended by the repeal of subsection (1) and the substitution therefor of the following:-

"(1) On the deposit of any money under section 11 as compensation in respect of a deceased workman, the Commissioner shall deduct therefrom the actual cost of the workman's funeral expenses to an amount not exceeding one hundred thousand rupees and pay the same to the person by whom such expenses were incurred.

(1A) The Commissioner shall cause a notice to be served on each dependent of the deceased resident in Sri Lanka, requesting such dependents to appear before him on such date as he may fix, to determine the distribution of the compensation. If the Commissioner is satisfied, after any inquiry which he may deem necessary, that no dependent exists, he shall repay the balance of the money to the employer by whom it was paid, but no such repayment shall be made until after the expiry of a period of twelve months reckoned from the date on which the money was deposited under section 11. The Commissioner shall on application by the employer, furnish a settlement of all disbursements made.”.

11. Section 16 of the principal enactment is hereby amended in subsection (1), by the substitution for the words “within two years of the occurrence of the accident” of the words “within two years of the occurrence of the accident or in case of death, within two years from the date of death.”.
12. Section 18 of the principal enactment is hereby amended as follows:–
 - (1) in subsection (2) thereof, by the substitution for the words “fine not exceeding five hundred rupees.” of the words “fine not exceeding one hundred thousand rupees.”;
 - (2) immediately after subsection (2), by the insertion of the following:–

“(3) Every employer shall maintain, in addition to the notice book specified in subsection (1), a record book, in which information and details of any accident at any factory or work place is included. The employer shall also appoint a responsible person to be in charge of such record book. The Commissioner shall have access to such record book and call for extracts or copies thereof for inspection.”.
13. Section 20 of the principal enactment is hereby amended as follows:–
 - (1) in subsection (1) thereof by the substitution for the words “in the course of his employment,” of the words “in the course of his employment or while coming from his place of residence to the work place or while returning back to his place of residence from the work place,”;
 - (2) immediately after subsection (4) thereof, by the insertion of the following:–

“(5) The Commissioner may determine a sum which is not more than fifty thousand rupees payable by the employer as funeral expenditure of the deceased workman. Such sum shall be in addition to the compensation payable by the employer and be deposited with the Commissioner or the next of kin of such workman, by the relevant employer.”.
14. Section 23A of the principal enactment is hereby repealed and the following new section is substituted therefor:–

23A. Any employer who, being liable to pay any sum due as compensation to a workman or his heirs, as the case may be, under this Act, fails or defaults to pay that sum, on or before the due date, he shall be liable to pay to that workman or his heirs, as the case may be, in addition to the sum due as compensation, a surcharge on that sum calculated in the following manner:–

 - (a) where the payment of the compensation has been in arrears for a period not exceeding one month from the due date, a surcharge of ten *per centum* of the sum due as compensation;
 - (b) where the payment of the compensation has been in arrears for a period exceeding one month but not exceeding three months from the due date, a surcharge of fifteen *per centum* of the sum due as compensation;
 - (c) where the payment of the compensation has been in arrears for a period exceeding three months but not exceeding six months from the due date, a surcharge of twenty *per centum* of the sum due as compensation;
 - (d) where the payment of the compensation has been in arrears for a period exceeding six months but not exceeding twelve months from the due date, a surcharge of twenty-five *per centum* of the sum due as compensation; or
 - (e) where the payment of the compensation has been in arrears for a period exceeding twelve months from the due date, a surcharge of thirty *per centum* of the sum due as compensation.”.
15. The following new section is hereby inserted immediately after section 27 of the principal enactment and shall have effect as section 27A of that enactment:–

27A. There shall be appointed by the Judicial Service Commission, a Registrar of Workmen’s Compensation for the purpose of this Act.”.
16. Section 41 of the principal enactment is hereby amended by the repeal of subsection (2) and the substitution thereof of the following:–

“(2) If any sum referred to in subsection (1) cannot be recovered in the manner specified in that subsection, the Commissioner may make an order for the recovery of such sum by the seizure or sale of immovable property of the defaulter. The registrar of workmen’s compensation, appointed under section 27a, shall execute such order through the registrar of the relevant District Court within whose jurisdiction such defaulter resides. The provisions of the Civil Procedure Code (Chapter 101) relating to the seizure and sale of immovable property by the Fiscal in the execution of a Writ issued by a court and to the making and adjudication of claims in respect of immovable property seized by the Fiscal shall apply to the seizure and sale of immovable property for the recovery of the sum specified in the Commissioner’s order, made by the Commissioner under this subsection and to the making and adjudication of claims in respect of immovable property seized for the recovery of such sum. For the purpose of application of such provisions the sum so specified shall be deemed to be due on a decree entered by the court and the Commissioner shall be deemed to be the judgment-creditor and the person liable to pay such sum shall be deemed to be a judgment debtor.”.

17. Section 44 of the principal enactment is hereby amended by the substitution for the words “fraud or undue influence or other improper means,” of the words “fraud, undue influence or other improper means, or due to the miscalculation or underestimation of the amount of compensation payable to the workman under the memorandum of agreement,”.
18. Section 45 of the principal enactment is hereby amended in subsection (2) thereof, by the substitution for the words “to a fine not exceeding one thousand rupees.” of the words “to a fine not exceeding one hundred thousand rupees.”.
19. Section 46 of the principal enactment is hereby amended by the substitution for the words “to a fine not exceeding one hundred rupees.” of the words “to a fine not exceeding one hundred thousand rupees.”.
20. Section 49 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution for the words “value of one hundred rupees” of the words “value of two thousand rupees”.
21. Section 52 of the principal enactment is hereby amended by the substitution for the words “The Court of Appeal”, of the words and figures “The High Court established under Article 154P of the Constitution”.
22. Section 53 of the principal enactment is hereby amended by the substitution, for the words “by the Court of Appeal”, of the words and figures “by the High Court established under Article 154P of the Constitution”.
23. Section 57 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution for the words “in the course of his employment,” of the words “in the course of his employment or by an accident took place while coming from his place of residence to the work place or while returning back to his place of residence from the work place.”.
24. Section 59 of the principal enactment is hereby amended by the substitution for the words “in the course of the employment,” of the words “in the course of his employment or by an accident took place while coming from his place of residence to the work place or while returning back to his place of residence from the work place,”.
25. Section 60A of the principal enactment is hereby amended by the substitution for the words “in the course of the employment,” of the words “in the course of the employment or by an accident took place while coming from his place of residence to the work place or while returning back to his place of residence from the work place,”.
26. Schedule I of the principal enactment is hereby repealed and the following Schedule substituted therefor:-

"SCHEDULE I

(section 2)

<i>Injury</i>	<i>Percentage of loss of earning capacity</i>
Permanent and incurable paralysis of the limbs or injuries resulting in being permanently bedridden	100
Permanent incurable loss of mental capacity resulting in fatal incapacity to work or any other injury causing fatal incapacity to work	100
Eye Injuries	
(i) Total loss of sight in both eyes	100
(ii) Total loss of sight in one eye	80
Hearing Injuries	
(i) Total loss of hearing	80
(ii) Total loss of hearing in one ear	50
Loss of Speech	
(i) Total loss of speech	100
Sensory Loss	
(i) Total loss of sense of smell and taste	60
(ii) Total loss of sense of smell	60
(iii) Total loss of sense of taste	60
Arm Injuries	
(i) Loss of arm at or above elbow	85
(ii) Loss of arm at or below elbow	80
Hand Injuries	
(i) Loss of both hands	100
(ii) Loss of hand or loss of thumb and four fingers	80
(iii) Loss of thumb (both phalanges)	50
(iv) Loss of thumb (one phalanx)	40
(v) Loss of four fingers	80
Loss of Index finger	
(i) Three phalanges	50
(ii) Two phalanges	40
(ii) One phalanx	20
Loss of middle, ring and little fingers	
(i) Three phalanges	30
(ii) Two phalanges	20
(ii) One phalanx	15
Loss of Leg	
(i) at or above knee	90
(ii) at or below knee	80
Foot Injuries	
(i) Loss of both feet	100
(ii) Loss of one foot	90

Loss of Toes

(i) Great toe-both phalanges	40
(ii) Great toe-one phalanx	20
(iii) Other than great toe, if more than one lost, each	20

Miscellaneous

(i) Total loss of genitals	75
(ii) Partial loss of genital	60
(iii) Severe facial scarring or disfigurement	90
(iv) Severe bodily disfigurement, other than facial scarring or disfigurement to a maximum of	60
(v) Loss of single tooth	10
(vi) Loss of any member or part thereof not mentioned above (e.g. nose, breast, ear etc.) to be assessed by a medical officer up to a maximum of	60."

27. Schedule IV of the principal enactment is hereby repealed and the following Schedule substituted therefor:—

"SCHEDULE IV

(Section 6)

Amount of Compensation Payable

Monthly wages of the workman injured		Death of workman	Permanent disablement of workman	Half monthly compensation for temporary disablement of workman
Rs.	Rs.	Rs.	Rs.	Rs.
0	10,000	1,140,000	1,200,000	5,000
10,001	12,500	1,180,000	1,240,000	5,625
12,501	15,000	1,220,000	1,280,000	6,875
15,001	17,500	1,260,000	1,320,000	8,125
17,501	20,000	1,300,000	1,360,000	9,375
20,001	22,500	1,340,000	1,400,000	10,625
22,501	25,000	1,380,000	1,440,000	11,875
25,001	27,500	1,420,000	1,480,000	13,125
27,501	30,000	1,460,000	1,520,000	14,375
30,001	35,000	1,510,000	1,570,000	16,250
35,001	40,000	1,560,000	1,630,000	18,750
40,001	45,000	1,610,000	1,680,000	21,250
45,001	50,000	1,660,000	1,730,000	23,750
50,001	55,000	1,710,000	1,780,000	26,250
55,001	60,000	1,760,000	1,830,000	28,750
60,001	70,000	1,820,000	1,890,000	32,500
70,001	80,000	1,880,000	1,960,000	37,500
80,001	90,000	1,940,000	2,000,000	42,500
90,001	100,000	2,000,000	2,000,000	47,500
100,000	and above	2,000,000	2,000,000	47,500

."

28. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

SURCHARGE TAX ACT, No. 14 OF 2022

[Certified on 08th of April, 2022]

AN ACT TO PROVIDE FOR THE IMPOSITION OF SURCHARGE TAX AND FOR MATTERS CONNECTED THEREWITH AND INCIDENTAL THERETO

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. This Act may be cited as the Surcharge Tax Act, No. 14 of 2022.
2. (1) There shall be levied, subject to the succeeding provisions of this Act, a tax to be called Surcharge Tax (hereinafter referred to as "the tax") from –

- (a) any individual, partnership or company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on April 1, 2020, at the rate of twenty five *per centum* on the taxable income of such individual, partnership or company, for such year of assessment:

Provided however, the income of a partner derived from a partnership shall not be taken into account when calculating the taxable income of such partner as an individual under this paragraph, if the tax has been paid by the partnership on such taxable income; and

- (b) each company of a group of companies, of which the aggregate of the taxable income of all subsidiaries and the holding company in that group of companies, calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on April 1, 2020, at the rate of twenty five *per centum*, on the taxable income of each such company after deducting the gains and profits from dividends received from a subsidiary which is part of such taxable income of each such company, for such year of assessment, notwithstanding that the taxable income of any one of such companies does not exceed rupees two thousand million:

Provided however, if a company is liable to pay the tax in terms of paragraph (b), such company shall not be liable to pay the tax in terms of paragraph (a).

- (2) In calculating the aggregate of the taxable income under paragraph (b) of subsection (1), any subsidiary or any holding company of such group of companies which has a nil amount of taxable income, due to losses or unrelieved losses, shall not be taken into account.
- (3) Where the Commissioner-General has approved an alternative period of twelve months under the provisions of the Inland Revenue Act, No. 24 of 2017, for the purpose of maintaining accounts of any company liable to pay the tax under this Act, such approved period shall be deemed to be the year of assessment commenced on April 1, 2020, for the purposes of this Act.
- (4) Every individual, partnership, company and the subsidiaries and the holding company of every group of company liable to pay the tax under this Act, shall pay the tax in two equal installments on or before, the twentieth day of April and twentieth day of July of 2022, to the Commissioner-General.
- (5) The tax shall be collected by the Commissioner-General and shall be remitted to the Consolidated Fund within fifteen days from the date of collection.
- (6) Notwithstanding any provision to the contrary in any other written law, –
 - (a) the tax levied under this Act shall be deemed to be an expenditure in the financial statement relating to the year of assessment commenced on April 1, 2020;
 - (b) no deduction shall be granted in calculating the taxable income under the Inland Revenue Act, No. 24 of 2017, for any year of assessment, for the payment of the tax under this Act;
 - (c) no deduction shall be granted in calculating the Value Added Tax on the supply of financial services under the Value Added Tax Act, No. 14 of 2002, for the payment of the tax under this Act.
- (7) For the purpose of this section "taxable income" –
 - (a) in relation to a company which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 and has become liable to income tax determined in accordance with such agreement, after the expiration of its period of tax exemption set out in such agreement means the profit before income tax of such company as per the audited financial statement;

- (b) in relation to an individual, a partnership, a company and the subsidiaries and the holding company of a group of companies other than the companies referred to in paragraph (a), shall have the same meaning assigned to such expression under section 3 of the Inland Revenue Act, No. 24 of 2017.
3. (1) Every individual, partnership, company and the subsidiaries and the holding company of every group of company chargeable with the tax under this Act shall on or prior to April 20, 2022, furnish in writing to the Commissioner-General, a tax return in the specified form containing such particulars as may be specified by the Commissioner-General.
- (2) The Commissioner-General shall specify –
- (a) the form for tax returns;
- (b) the information to be furnished on the tax return and attachments if any, required to be filed with the tax return; and
- (c) the manner of filing.
- (3) For the purpose of this Act, a tax return furnished under subsection (1) shall be treated as a “tax return” under the provisions of the Inland Revenue Act, No. 24 of 2017 and shall result in a self-assessment.
4. (1) Where any individual, partnership, company or the subsidiaries and the holding company of any group of companies is liable to pay the tax under this Act, fails to pay such tax, as provided for in this Act, such individual, partnership, company or subsidiaries and the holding company of the group of companies shall be deemed to be a defaulter of the tax under this Act.
- (2) It shall be lawful for an assessment to be made in the name of the partnership and the amounts thereon shall be recoverable out of the assets of the partnership, or from any partner, or from any agent of the partnership.
5. (1) Subject to the provisions of subsections (2) and (3), the provisions of Chapter IX, Chapter X, Chapter XI, Chapter XII, Chapter XIII, Chapter XIV, Chapter XV, Chapter XVI, Chapter XVII, Chapter XVIII of the Inland Revenue Act, No. 24 of 2017 shall, *mutatis mutandis*, be applicable to the administration, record keeping and information collection, tax returns, assessments, objections and appeals, liability for and payment of tax, interest, recovery of tax, penalties and criminal proceedings under this Act.
- (2) Every reference to income tax in any such provisions of the Inland Revenue Act, No.24 of 2017, shall be deemed to be a reference to the tax charged and levied in terms of the provisions of this Act.
- (3) Any default assessment, amended assessment or additional assessment shall not be made in respect of an individual, a partnership, a company or the subsidiaries and the holding company of a group of companies after the thirty first day of December, 2024:

Provided however, above time limit shall not apply for making any amended assessment based on a decision of objection or appeal.

6. In this Act, unless the context otherwise requires–

“Commissioner-General” shall have the same meaning assigned to such expression under the Inland Revenue Act, No. 24 of 2017;

“Company” shall have the same meaning assigned to such expression under the Inland Revenue Act, No. 24 of 2017 but does not include any Employees’ Trust Fund, Provident Fund, Pension Fund, Pension Trust Fund, Gratuity or Termination Fund including –

- (a) Employees’ Provident Fund established under section 2 of the Employees’ Provident Fund Act, No. 15 of 1958;
- (b) Employees’ Trust Fund established under section 3 of the Employees’ Trust Fund Act, No. 46 of 1980;
- (c) Ceylon Electricity Board Provident Fund and Ceylon Electricity Board Pension Fund established under paragraph (j) of section 12 of the Ceylon Electricity Board Act, No. 17 of 1969;
- (d) Universities Provident Fund established under section 90 of the Universities Act, No. 16 of 1978;
- (e) Mercantile Service Provident Society established under section 3 of the Chamber of Commerce Ordinance (Chapter 289);
- (f) Bank of Ceylon Provident Fund established by the Bank of Ceylon established under the Bank of Ceylon Ordinance (Chapter 397);
- (g) Hatton National Bank Employees’ Provident Fund established by the Hatton National Bank Public Limited Company incorporated under the Companies Act, No. 7 of 2007;

- (h) People's Bank Pension Trust Fund established under paragraph (l) of subsection (1) of section 5 of the People's Bank Act, No. 29 of 1961;
- (i) Sri Lanka Central Bank Employees' Pension Fund established under paragraph (b) of section 10 of the Monetary Law Act (Chapter 422)
- (j) Sri Lanka Telecom Provident Fund established by the Sri Lanka Telecom Public Limited Company incorporated under the Companies Act, No. 7 of 2007;
- (k) National Insurance Trust Fund established under section 3 of the National Insurance Trust Fund Act, No. 28 of 2006;
- (l) Bank of Ceylon Pension Trust Fund 2014 (Post 1996) established under the Trusts Ordinance (Chapter 87); and
- (m) any provident fund or contributory pension scheme approved by the Commissioner of Labour in terms of Part IV of the Employees' Provident Fund Act, No. 15 of 1958;

"group of companies" means a holding company and its subsidiaries;

"holding company" means a company which as at the Thirty First day of March 2021, owns more than fifty *per centum* of the shares with voting rights of another company, directly or indirectly, other than a holding company incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act, No.7 of 2007;

"partnership" shall have the same meaning assigned to such expression under the Inland Revenue Act, No. 24 of 2017;

"tax return" shall have the same meaning assigned to such expression under the Inland Revenue Act, No. 24 of 2017;

"subsidiary" means a company in which as at the Thirty First day of March 2021, more than fifty *per centum* of its shares with voting rights were owned by another company, directly or indirectly other than a subsidiary incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act, No.7 of 2007 of a holding company incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act;

"year of assessment" shall have the same meaning assigned to such expression under section 20 of the Inland Revenue Act, No. 24 of 2017.

7. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Industrial Disputes (Amendment) Act, No. 22 of 2022

[Certified on 16th of September, 2022]

AN ACT TO AMEND THE INDUSTRIAL DISPUTES ACT (CHAPTER 131)

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:-

1. This Act may be cited as the Industrial Disputes (Amendment) Act, No. 22 of 2022.
2. Section 31DD of the Industrial Disputes Act (Chapter 131) (hereinafter referred to as the "principal enactment") is hereby amended by the insertion immediately after subsection (1) of that section of the following new subsections:-

"(1A) Where an employer who is dissatisfied with a final order of a High Court established under Article 154P of the Constitution which is in favour of a workman on an appeal made by such workman against any order of a tribunal, appeals to the Supreme Court against such order, he shall furnish to the President of such tribunal, a security in cash, where the order which is the subject of such appeal directs-

 - (a) only the payment of a sum of money to the workman of an amount equal to such sum;
 - (b) both the payment of a sum of money to the workman and re-instatement of such worker, of an amount equal to such sum and twelve times the monthly salary or wages of such workman at the time his services were terminated.

(1B) Every appeal preferred under subsection (1A), shall be supported by a certificate under the hand of the President of the Tribunal to the effect that the security as specified in subsection (1A) has been duly furnished by the employer.

(1C) The President of every Tribunal shall cause all moneys furnished as security under subsection (1A) to be deposited in an account bearing interests, in any approved bank in Sri Lanka."
3. The following new section is hereby inserted immediately after section 31DDDD of the principal enactment and shall have effect as section 31DDDDD of that enactment:-

- 31 DDDDD. (1) Where an application is preferred by an employer to the Court of Appeal, for the issue of an order in the nature of a writ, against an award made by an arbitrator under section 17(1) or by an industrial court under section 24, the Court of Appeal shall entertain such application upon furnishing a security by such employer, in cash to the Commissioner-General, where such award which is subject to such application directs the payment of a sum of money to the worker, of an amount equal to such sum.
- (2) The Commissioner-General shall cause to be deposited the sum as specified in subsection (1) in an account bearing interests, maintained by the Commissioner-General, in any approved bank in Sri Lanka.
- (3) Every application preferred under this subsection, shall be supported by a certificate under the hand of the Commissioner-General to the effect that the security as specified in subsection (1) has been duly furnished by such employer.”.
4. The following new section is hereby inserted immediately after section 33 of the principal enactment and shall have effect as section 33A of that enactment:—
- 33A. (1) Where an employer who is dissatisfied with an order of a Magistrate’s Court on any written complaint made by the Commissioner-General under section 136B of the Code of Criminal Procedure Act, No. 15 of 1979 against such employer, due to any failure to comply with an order of a tribunal, an award of an industrial court or an arbitrator which has been made in favor of a workman, makes an application to invoke the revisionary jurisdiction of the High Court established under Article 154P of the Constitution, in respect of such order, shall at the time of such application furnish to the relevant Magistrate’s Court, a security of an amount equal to such sum in cash, where the order which is the subject of such application directs the payment of a sum of money to the worker.
- (2) The Registrar of the Magistrate’s Court shall cause all moneys furnished as security under subsection (1), to be sent to the Commissioner-General to deposit in an account bearing interests, maintained by the Commissioner-General, in any approved bank in Sri Lanka.
- (3) Every application made under subsection (1) shall be supported by a certificate under the hand of the Registrar of the relevant Magistrate’s Court to the effect that the security as specified in subsection (1) has been duly furnished by such employer.
- (4) The Commissioner-General shall refund the sum furnished under subsection (1) together with the interest on that sum to the relevant party in accordance with the final order of the High Court established under Article 154P, the Court of Appeal or the Supreme Court, as the case may be.”.
5. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Termination of Employment of Workmen (Special Provisions) (Amendment) Act, No. 23 of 2022

[Certified on 16th of September, 2022]

AN ACT TO AMEND THE TERMINATION OF EMPLOYMENT OF WORKMEN (SPECIAL PROVISIONS) ACT, NO. 45 OF 1971

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:—

1. This Act may be cited as the Termination of Employment of Workmen (Special Provisions) (Amendment) Act, No. 23 of 2022.
2. Section 2 of the Termination of Employment of Workmen (Special Provisions) Act, No. 45 of 1971 (hereinafter referred to as the “principal enactment”) is hereby amended as follows:—
 - (1) in subsection (3) thereof, by the substitution for the words “fine not exceeding one thousand rupees” of the words “fine not exceeding twenty thousand rupees”;
 - (2) by the insertion immediately after subsection (3) thereof, of the following:—

“(3A)(1) Where an employer is convicted of an offence under subsection (3), such employer shall be liable, if he continuously fails to comply with the decision made by the Commissioner-General under subsection (2), to pay the workman, in addition to any fine imposed under subsection (3), an additional fine of five hundred rupees for each day on which the noncompliance is continued after the conviction.

(2) Where any employer fails to pay any sum payable to a workman under paragraph (e) of subsection (2), such amount may be recovered by an order of a Magistrate’s Court by which the employer was convicted as if it were a fine imposed on him by that court, and the amount recovered shall be paid to the workman.”.

3. Section 8 of the principal enactment is hereby amended in paragraph (a) of subsection (1) thereof, by the substitution for the words “a fine of fifty rupees” of the words “a fine of five hundred rupees”.
 4. The following new sections are hereby inserted immediately after section 10 of the principal enactment and shall have effect as sections 10A and 10B of that enactment:—
 - 10A.(1) Where an employer is dissatisfied with an order of the Magistrate’s Court, such employer may make an application in revision by a written petition, against that order to the High Court established under Article 154P of the Constitution, to the Province within which such Magistrate’s Court is situated.
 - (2) Every employer who makes an application under subsection (1) shall furnish to such Magistrate’s Court, a security in cash where the order which is the subject of such application directs the payment of a sum of money to the workman, of an amount equal to such sum.
 - (3) Every application made under subsection (1) shall be supported by a certificate under the hand of the Registrar of the relevant Magistrate’s Court, to the effect that the security as specified in subsection (2) has been duly furnished by such employer.
 - (4) The Registrar of the Magistrate’s Court shall cause all such sum of money furnished as security under subsection (2), to be sent to the Commissioner General to deposit in an account bearing interest, maintained by the Commissioner General, in any approved bank in Sri Lanka.
 - 10B.(1) Where an employer is dissatisfied with an order made by Commissioner-General under section 6 or 6A, such employer may make an application to the Court of Appeal against such order for the issue of an order in the nature of a writ.
 - (2) Every employer who makes an application under subsection (1) for the issue of an order in the nature of a writ shall furnish to the Court of Appeal, a security in cash, where the order which is the subject of such application directs—
 - (a) both the payment of a sum of money as compensation and the reinstatement, of an amount of money, as salary or wages which is to be calculated from the date of such order to the date on which such workman shall be reinstated, and an amount of twelve times the monthly salary or wages of such workman for the reinstatement; and
 - (b) only the payment of a sum of money to the workman as compensation, of an amount equal to such sum.
 - (3) Every application for the issue of an order in the nature of a writ, made under subsection (1) shall be supported by a certificate under the hand of the Commissioner-General to the effect that the security as specified in subsection (2) has been duly furnished by such employer.
 - (4) The Commissioner-General shall cause to be deposited the sum as specified in subsection (2), in an account bearing interest, maintained by the Commissioner-General, in any approved bank in Sri Lanka.
 - (5) The Commissioner-General shall refund the sum furnished under subsection (2) together with the interest on such sum to the relevant party in terms of the final determination of the application to the Court of Appeal or the Supreme Court, as the case may be.”.
5. Section 14 of the principal enactment is hereby amended by the substitution for the words “fine not exceeding one thousand rupees” of the words “fine not exceeding twenty thousand rupees”.
 6. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Powers of Attorney (Amendment) Act, No. 28 of 2022

[Certified on 25th of October, 2022]

AN ACT TO AMEND THE POWERS OF ATTORNEY ORDINANCE (CHAPTER 122)

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. This Act may be cited as the Powers of Attorney (Amendment) Act, No. 28 of 2022.
2. Section 2 of the Powers of Attorney Ordinance (Chapter 122) (hereinafter referred to as the “principal enactment”) is hereby amended –

- (1) by the repeal of the definition of the expression “power of attorney” and the substitution therefor of the following definition:-
- ““power of attorney” means any written power or authority other than that given to an attorney at law for the purpose of appearing as an attorney at law on behalf of such person, given by one person to another, to represent him, to perform any work, do any act, or carry on any trade or business, and -
- (a) if it is executed in Sri Lanka, executed before two witnesses and attested by a notary public; or
- (b) if it is executed outside Sri Lanka, executed before two witnesses and an Ambassador, or a High Commissioner, or a Diplomatic Officer or a Consular Officer within the meaning of the Consular Functions Act, No. 4 of 1981 or a person who is authorized to attest such power of attorney according to the law of that country;
- (2) by the repeal of the definition of the expression “Registrar General” and the substitution therefor of the following definition:-
- ““Registrar General” includes the Registrar General of Title, a Senior Deputy Registrar General, a Deputy Registrar General, an Assistant Registrar General and any person who for the time being is lawfully discharging the duties of the Registrar General, the Registrar General of Title, the Senior Deputy Registrar General, the Deputy Registrar General or the Assistant Registrar General.”.
3. Section 3 of the principal enactment is hereby repealed and the following section is substituted therefor:-
3. (1) (a) Every power of attorney executed in Sri Lanka or any other country shall be registered with the Registrar General.
- (b) Every power of attorney holder (hereinafter referred to as the “attorney”) shall submit his power of attorney for registration, if it is executed in Sri Lanka within one month and if it is executed outside Sri Lanka within three months, from the date of execution of the power of attorney together with –
- (i) a copy thereof certified by a notary public to be a true copy; and
- (ii) an affidavit made as specified in Schedule I hereto.
- (2) The Registrar General shall, upon being satisfied as to the correctness of the power of attorney referred to in subsection (1), register the power of attorney and file such certified copy and shall endorse upon such certified copy and the original power of attorney, the registration number and the date thereof, together with a reference to the volume and folio wherein such registration is recorded and shall return the original power of attorney to the person producing the same.
- (3) Such registration shall be recorded in a book maintained by the Registrar General which is to be kept in the form specified in the Schedule II hereto.”.
4. The following new sections are hereby inserted immediately after section 3 of the principal enactment and shall have effect as sections 3A, 3B, 3C and 3D, of that enactment: -
- 3A. (1) A power of attorney granted to be used for the purpose of a transaction which falls within the scope of section 2 of the Prevention of Frauds Ordinance (Chapter 70) shall be executed subject to the provisions specified in subsection (2) or (3), as the case may be.
- (2) If a power of attorney specified in subsection (1) is executed in Sri Lanka, it shall -
- (a) be duly attested by a notary public in accordance with the Notaries Ordinance (Chapter 107) and the Prevention of Frauds Ordinance;
- (b) contain a description of the land or land parcel as the case may be, with metes and bounds, and the extent, in the case of a land or land parcel;
- (c) contain a description of the condominium parcel with other elements by which it can be identified, and a description of the whole land where the condominium parcel cannot be identified in the case of a condominium property;
- (d) contain a reference to the volume and the folio in which the land or land parcel or condominium parcel, relating to the transaction is registered in the case of a land or land parcel or condominium parcel with prior registration;
- (e) bear the left or right thumb impression of the grantor and where both thumbs of the grantor are missing, the impression of any other finger from either the left or the right hand of the grantor, in addition to his signature and where both his hands are missing, he shall place his toe impression, in the presence of the notary public and the witnesses; and
- (f) be accompanied with a copy of the bio page of the passport, National Identity Card or driving license of the grantor and attorney of such power of attorney certified by the notary public.

- (3) If a power of attorney specified in subsection (1) is executed outside Sri Lanka, it shall -
- (a) be duly executed before a person authorized under section 2 of this Act;
 - (b) contain a description of the land or land parcel as the case may be with metes and bounds and the extent in the case of a land or land parcel;
 - (c) contain a description of the condominium parcel with other elements by which it can be identified, and a description of the whole land where the condominium parcel cannot be identified in the case of a condominium property;
 - (d) contain a reference to the volume and folio in which the land or land parcel or condominium parcel relating to the transaction, is registered, in the case of a land or land parcel or condominium parcel with prior registration; and
 - (e) be accompanied with a copy of the bio page of the passport of the grantor signed by such grantor and a copy of the bio page of the passport, National Identity Card or driving license of the attorney of such power of attorney certified by a notary public.
- 3B. (1) Every notary public who attests a deed or instrument in terms of the Notaries Ordinance in respect of a transaction referred to in section 3A of this Act, shall -
- (a) examine the relevant volumes and folios in the Registrar General's department;
 - (b) be satisfied that the power of attorney has not been revoked or cancelled and shall state such fact in his attestation; and
 - (c) retain the copies of the National Identity Card or the driving license or the bio page of the passport, as the case may be, of the grantor and the attorney, and a copy of the power of attorney.
- (2) For the avoidance of doubt, it is declared that it shall be sufficient for the notary public who attests such deed or instrument to examine the relevant volumes and the folios in the Registrar General's department in order to determine whether such power of attorney has been revoked or cancelled.
- 3C. A power of attorney other than a power of attorney executed by a State institution shall be valid, only for a period of five years from the date of execution, unless the period of validity of such power of attorney is specified in such power of attorney or until such power of attorney is revoked or cancelled in accordance with the provisions of section 4.
- 3D. A person other than a State institution shall not execute an irrevocable power of attorney."
5. Section 4 of the principal enactment is hereby repealed and the following section is substituted therefor: -
4. (1) Where the grantor of any power of attorney wishes to revoke or cancel a power of attorney or where the attorney of any power of attorney does not wish to act under such power of attorney, such grantor or attorney as the case may be, shall -
- (a) notify the other party of such intention;
 - (b) execute a notarially executed document declaring his intention of revoking or cancelling the power of attorney or expressing his intention not to act under that power of attorney, as the case may be; and
 - (c) submit such document referred to in paragraph (b) to the Registrar General, to register the same in the relevant volume and folio with cross reference to the volume and folio in which such power of attorney was registered.
- (2) (a) If the grantor of any power of attorney requires to revoke or cancel his power of attorney with immediate effect, until such document referred to in paragraph (b) of subsection (1) is executed and tendered to the Registrar General, the grantor or his attorney at law may notify his intention of revocation or cancellation to the Registrar General, by a notice in duplicate in the form specified in Schedule III:
- Provided however, such notice shall be valid only for a period of three months from the date of the notice.
- (b) Upon the receipt of such a notice referred to in paragraph (a), the Registrar General, shall make an endorsement of the intention of such revocation or cancellation in the relevant volumes and the folios."
6. Section 5 of the principal enactment is hereby amended by the substitution for the words "prescribed in the Schedule." of the words "prescribed in Schedule II."
7. The Schedule of the principal enactment is hereby repealed and the following Schedules are substituted therefor: -

[Section 3(1)]

“SCHEDULE I

I (holder of National Identity Card No.), of No.being a do hereby sincerely, solemnly and truly declare and affirm/swear and state as follows:-

- (1) I am the deponent/affirmant above named.
- (2) I declare/ affirm that(holder of National Identity Card No.) of No. has executed a power of attorney bearing No. dated attested byNotary Public, appointing me as his/ her attorney for the purpose mentioned therein.
- (3) That the said power of attorney is genuine and still in force and I believe that the grantor is alive.

The foregoing affidavit having been read over and explained to the above named and having understood the condents thereof signed and affirmed/ sworn to at on this day of

}
attorney

Before me
Justice of the Peace/Commissioner for Oaths

[sections 3(3) and 5]

SCHEDULE II

Serial No :	
Date of Registration :	
Name and address of the grantor :	
Name and address of the attorney :	
Date of power of attorney :	
By whom the power of attorney is produced for the registration :	
Volume and Folio where the power of attorney is registered :	
Date and number of notarially executed document of revocation or cancellation :	
By whom notarially executed document of revocation or cancellation given :	
Volume and Folio where notarially executed document of revocation or cancellation is registered:	

[section 4(2)]

SCHEDULE III

Registrar General,
Registrar General’s Department,
.....

Take notice under the Powers of Attorney Ordinance that I, (name of the grantor) of(address) intend to present to you for the registration within three months from the date of this notice, an instrument cancelling the power of attorney registered in theunder the Day Book No. Volume Folio..... of the register of the power of attorney.

At on this day of

Signature of the grantor or attorney
at law of the grantor

signed in the presence of -

1. Signature :-
Full name :-
NIC :-
Address :-
2. Signature :-
Full name :-
NIC :-
Address :-".
8. (1) Notwithstanding anything to the contrary in the principal enactment and in the provisions of this Act -
 - (a) every power of attorney executed prior to the date of commencement of this Act which has not been registered under the provisions of section 3 of the principal enactment and which has not been revoked or cancelled on or prior to the date of commencement of this Act, shall, within a period of six months from the date of commencement of this Act, be submitted for registration to the Registrar General;
 - (b) every power of attorney executed prior to the date of commencement of this Act which has been registered under the provisions of section 3 of the principal enactment and has not been revoked or cancelled on or prior to the date of commencement of this Act, shall, continue to be valid and effectual until revoked or cancelled under section 4 of this Act;
 - (c) every power of attorney executed prior to the date of commencement of this Act which has been submitted for registration to the Registrar General, and pending registration under the provisions of section 3 of the principal enactment on the date of commencement of this Act, shall be registered by the Registrar General.
- (2) Every power of attorney referred to in paragraph (a) of subsection (1) which is not submitted for registration within the period specified in that paragraph shall be deemed to be null and void, with effect from the date of expiration of that period.
9. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Prevention of Frauds (Amendment) Act, No. 30 of 2022

[Certified on 25th of October, 2022]

AN ACT TO AMEND THE PREVENTION OF FRAUDS ORDINANCE (CHAPTER 70)

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:-

1. This Act may be cited as the Prevention of Frauds (Amendment) Act, No. 30 of 2022.
2. Section 2 of the Prevention of Frauds Ordinance (Chapter 70) (hereinafter referred to as the "principal enactment") is hereby amended by the repeal of all the words from "shall be of force" to the end of that section and the substitution therefore of the following:-

"shall be in force or avail in law unless –

 - (a) the relevant deed or instrument shall be in writing, signed by every executant and attested by a notary public before two witnesses present at the same time; and
 - (b) the left or right thumb impression of every such executant or where both thumbs of such executant are missing, the impression of any other finger or the toe impression as the case may be, is affixed above or besides the signature to the original, duplicate and the protocol of the relevant deed or instrument:

Provided however, in the event the signature or the thumb impression of any such executant cannot be obtained due to any reason, the notary public shall state such reason in the attestation, and such executant shall affix any other finger impression or toe impression, as the case may be.";
3. Section 4 of the principal enactment is hereby amended as follows:-
 - (1) by the renumbering of that section as subsection (1);

- (2) by the repeal of all the words from “in the manner hereinafter mentioned;” to the end of renumbered subsection (1) of that section and the substitution thereof of the words “subject to the provisions specified in subsection (2);
- (3) by the addition immediately after subsection (1) of that section, the following new subsection: -
- “(2) The testator shall –
- (a) sign; and
- (b) affix his left or right thumb impression,
- at the foot or end of the will, testament or codicil referred to in subsection (1), before a notary public and two witnesses who shall be present at the same time:
- Provided however, in the event the thumb impression of the testator cannot be obtained due to any reason, he shall affix any other finger impression or the toe impression, as the case may be.
4. Section 7 of the principal enactment is hereby amended as follows: –
- (1) by the substitution for the words “signature of the testator or testatrix”, of the words “signature and the left or right thumb impression or any other finger impression or the toe impression as the case may be, of the testator ”;
- (2) by the insertion immediately after that section of the following proviso:-
- “Provided however that, in the event the signature or left or right thumb impression or any other finger impression as the case may be, of the testator cannot be obtained due to any reason, the testator shall affix his toe impression and the notary public shall state such reason in his attestation.”.
5. Section 16 of the principal enactment is hereby amended as follows:-
- (1) by the substitution for the word “duplicate.” of the word “triplicate.”; and
- (2) by the repeal of the marginal note thereof and the substitution therefore of the following: -
- “Deeds to be executed in Triplicate”
6. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

TWENTY FIRST AMENDMENT TO THE CONSTITUTION

[Certified on 31st of October, 2022]

AN ACT TO AMEND THE CONSTITUTION OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:-

1. This Act may be cited as the Twenty First Amendment to the Constitution.
2. Chapter VIIA of the Constitution of the Democratic Socialist Republic of Sri Lanka (in this Act referred to as the “Constitution”) is hereby repealed and the following Chapter is substituted therefor:-

“CHAPTER VIIA

The Constitutional Council

- 41A.(1) There shall be a Constitutional Council (in this Chapter referred to as the “Council”) which shall consist of the following members:-
- (a) the Prime Minister;
 - (b) the Speaker;
 - (c) the Leader of the Opposition in Parliament;
 - (d) one Member of Parliament appointed by the President;
 - (e) five persons appointed by the President, upon being nominated as follows:-
 - (i) one Member of Parliament nominated by agreement of the majority of the Members of Parliament representing the Government;

- (ii) one Member of Parliament nominated by agreement of the majority of the Members of Parliament of the political party or independent group to which the Leader of the Opposition belongs; and
 - (iii) three persons nominated by the Speaker by agreement of the Prime Minister and the Leader of the Opposition; and
 - (f) one Member of Parliament nominated by agreement of the Members of Parliament other than those representing the Government and those belonging to the political party or independent group to which the Leader of the Opposition belongs, and appointed by the President.
- (2) The Speaker shall be the Chairman of the Council.
- (3) It shall be the duty of the Speaker to ensure that nominations for appointments under sub-paragraph (e) or sub-paragraph (f) of paragraph (1) are made, whenever an occasion for such nominations arises.
- (4) In nominating the five persons referred to in sub-paragraph (e) of paragraph (1), the Prime Minister, the Speaker and the Leader of the Opposition or the Members of Parliament, as the case may be, shall ensure that the Council reflects the pluralistic character of Sri Lankan society, including professional and social diversity.
- (5) The persons who are not Members of Parliament to be appointed under sub-paragraph (e) of paragraph (1) shall be persons of eminence and integrity who have distinguished themselves in public or professional life and who are not members of any political party whose nomination shall be approved by Parliament.
- (6) The President shall, within fourteen days of the receipt of a written communication specifying the nominations made under subparagraphs (e) and (f) of paragraph (1), make the necessary appointments.
- (7) (a) On the dissolution of Parliament, notwithstanding the provisions of paragraph (2) of Article 64, the Speaker shall continue to hold office as a member of the Council, until a Member of Parliament is elected to be the Speaker under paragraph (1) of the aforesaid Article.
- (b) Notwithstanding the dissolution of Parliament, the Prime Minister, the Leader of the Opposition and the Members of Parliament who are members of the Council, shall continue to hold office as Members of such Council, until such time after a General Election following such dissolution, a Member of Parliament is appointed as the Prime Minister or recognized as the Leader of the Opposition or such number of Members of Parliament are appointed as Members of the Council under sub-paragraphs (d), (e) and (f) of paragraph (1), as the case may be.
- (8) (a) The member of the Council appointed under sub-paragraph (d) of paragraph (1), shall hold office for a period of three years from the date of appointment unless the member earlier resigns his office by writing addressed to the President or is removed from office by the President.
- (b) Every member of the Council appointed under sub-paragraphs (e) and (f) of paragraph (1) shall hold office for a period of three years from the date of appointment unless the member earlier resigns his office by writing addressed to the President or is removed from office by the President on a resolution passed by the majority of the Members of Parliament (including those not present) voting in its favour on the grounds of physical or mental incapacity and is unable to function further in office or is convicted by a court of law for any offence involving moral turpitude or if a resolution for the imposition of civic disability upon him has been passed in terms of Article 81 of the Constitution or is deemed to have vacated his office under paragraph (7) of Article 41E.
- (9) In the event of there being a vacancy among the members appointed under subparagraph (d), (e) or (f) of paragraph (1), the President shall, within fourteen days of the occurrence of such vacancy and having regard to the provisions of the aforementioned subparagraphs, appoint another person to succeed such member. Any person so appointed, shall hold office during the unexpired part of the period of office of the member whom he succeeds.
- (10) A member appointed under subparagraph (d), (e) or (f) of paragraph (1), shall not be eligible for re-appointment.
- (11) The appointments made by the President under sub-paragraphs (d), (e) and (f) of paragraph (1), shall be communicated to the Speaker.
- 41B.(1) No person shall be appointed by the President as the Chairman or a member of any of the Commissions specified in the Schedule to this Article, except on a recommendation of the Council.
- (2) The provisions of paragraph (1) of this Article shall apply in respect of any person appointed to act as the Chairman or as a member of any such Commission.

- (3) It shall be the duty of the Council to recommend to the President fit and proper persons for appointment as Chairmen or members of the Commissions specified in the Schedule to this Article, whenever the occasion for such appointments arises, and such recommendations shall endeavour to ensure that such recommendations reflect the pluralistic character of Sri Lankan society, including gender. In the case of the Chairmen of such Commissions, the Council shall recommend three persons for appointment, and the President shall appoint one of the persons recommended as Chairman.
- (4) The President shall appoint the Chairmen and the members of the Commissions specified in the Schedule to this Article, within fourteen days of receiving the recommendations of the Council for such appointments.
- (5) No person appointed under paragraph (1) or a person appointed to act as the Chairman or a member of any such Commission, shall be removed except as provided for in the Constitution or in any written law, and where there is no such provision, such person shall be removed by the President only with the prior approval of the Council.
- (6) All the Commissions referred to in the Schedule to this Article shall be responsible and answerable to Parliament.

SCHEDULE

- (a) The Election Commission.
 - (b) The Public Service Commission.
 - (c) The National Police Commission.
 - (d) The Audit Service Commission.
 - (e) The Human Rights Commission of Sri Lanka.
 - (f) The Commission to Investigate Allegations of Bribery or Corruption.
 - (g) The Finance Commission.
 - (h) The Delimitation Commission.
 - (i) The National Procurement Commission.
- 41C.(1) No person shall be appointed by the President to any of the Offices specified in the Schedule to this Article, unless such appointment has been approved by the Council upon a recommendation made to the Council by the President.
- (2) The provisions of paragraph (1) of this Article shall apply in respect of any person appointed to act for a period exceeding fourteen days, in any Office specified in the Schedule to this Article:
 Provided that no person shall be appointed to act in any such office for successive periods not exceeding fourteen days, unless such acting appointment has been approved by the Council on a recommendation by the President.
 - (3) No person appointed to any Office specified in the Schedule to this Article or to act in any such Office, shall be removed from such Office except as provided for in the Constitution or in any law.
 - (4) In the discharge of its function relating to the appointment of Judges of the Supreme Court and the President and Judges of the Court of Appeal, the Council shall obtain the views of the Chief Justice.

SCHEDULE

PART I

- (a) The Chief Justice and the Judges of the Supreme Court.
- (b) The President and the Judges of the Court of Appeal.
- (c) The Members of the Judicial Service Commission, other than the Chairman.

PART II

- (a) The Attorney-General.
 - (b) The Governor of the Central Bank of Sri Lanka.
 - (c) The Auditor-General.
 - (d) The Inspector-General of Police.
 - (e) The Parliamentary Commissioner for Administration (Ombudsman).
 - (f) The Secretary-General of Parliament.
- 41D.(1) There shall be a Secretary-General to the Council who shall be appointed by the Council for a term of three years. Upon the expiration of his term of office, the Secretary-General shall be eligible for reappointment.

- (2) The Council may appoint such officers as it considers necessary for the discharge of its functions, on such terms and conditions as may be determined by the Council.
- 41E. (1) The Council shall meet at least twice every month, and as often as may be necessary to discharge the functions assigned to the Council by the provisions of this Chapter or by any law, and such meetings shall be summoned by the Secretary-General to the Council on the direction of the Chairman of the Council.
- (2) The Chairman shall preside at all meetings of the Council and in the absence of the Chairman, the Prime Minister, and in the absence of the Prime Minister, the Leader of the Opposition shall preside at the meetings of the Council.
- (3) The quorum for any meeting of the Council shall be five members.
- (4) The Council shall endeavour to make every recommendation, approval or decision it is required to make by unanimous decision and in the absence of a unanimous decision, no recommendation, approval or decision made by the Council shall be valid, unless supported by not less than five members of the Council present at such meeting.
- (5) The Chairman or the other member presiding shall not have an original vote, but in the event of an equality of votes on any question for decision at any meeting of the Council, the Chairman or other member presiding at such meeting, shall have a casting vote.
- (6) The procedure in regard to meetings of the Council and the transaction of business at such meetings shall be determined by the Council, including procedures to be followed in regard to the recommendation or approval of persons suitable for any appointment under Article 41B or Article 41C.
- (7) Any member of the Council appointed under sub-paragraph (d), (e) or (f) of paragraph (1) of Article 41A, who without obtaining prior leave of the Council absents himself from three consecutive meetings of the Council, shall be deemed to have vacated office with effect from the date of the third of such meetings.
- (8) The Council shall have the power to act notwithstanding the fact that it has not been fully constituted or that there is a vacancy in its membership. No act, proceeding or decision of the Council carried out or made by the majority vote of the members shall be or deemed to be invalid by reason only of the fact that the Council has not been fully constituted or that there has been a vacancy in its membership or that there has been any defect in the appointment of a member.
- 41F. Notwithstanding the expiration of the term of office of the members of the Council or of the members of any Commission specified in the Schedule to Article 41B, the members of the Council or of such other Commission shall continue in office until the assumption of office by the new members of the Council or of such other Commission.
- 41G. (1) The Council shall, once in every three months, submit to the President and Parliament a report of its activities during the preceding three months.
- (2) The Council shall perform and discharge such other duties and functions as may be imposed or assigned to the Council by the Constitution, or by any other written law.
- (3) The Council shall have the power to make rules relating to the performance and discharge of its duties and functions. All such rules shall be published in the *Gazette* and be placed before Parliament within three months of such publication.
- 41H. The expenses incurred by the Council shall be charged on the Consolidated Fund.
- 41J. Subject to the provisions of Article 126, no court shall have the power or jurisdiction to entertain, hear or decide or call in question, on any ground whatsoever, or in any manner whatsoever, any decision of the Council or any approval or recommendation made by the Council, which decision, approval or recommendation shall be final and conclusive for all purposes.”.
3. Chapter VIII of the Constitution is hereby repealed and the following Chapter is substituted therefor:-

“CHAPTER VIII

THE EXECUTIVE

THE CABINET OF MINISTERS

42. The President shall be responsible to Parliament for the due exercise, performance and discharge of his powers, duties and functions under the Constitution and any written law, including the law for the time being relating to public security.
43. (1) There shall be a Cabinet of Ministers charged with the direction and control of the Government of the Republic.

- (2) The Cabinet of Ministers shall be collectively responsible and answerable to Parliament.
- (3) The President shall be a member of the Cabinet of Ministers and shall be the Head of the Cabinet of Ministers:
Provided that, notwithstanding the dissolution of the Cabinet of Ministers under the provisions of the Constitution, the President shall continue in office.
- (4) The President shall appoint as Prime Minister the Member of Parliament, who, in the President's opinion, is most likely to command the confidence of Parliament.
44. (1) The President shall, in consultation with the Prime Minister, where he considers such consultation to be necessary, determine the number of Ministers of the Cabinet of Ministers and the Ministries and the assignment of subjects and functions to such Ministers.
- (2) The President shall, in consultation with the Prime Minister, appoint from among Members of Parliament, Ministers, to be in charge of the Ministries so determined.
- (3) The President shall be the Minister in charge of the subject of Defence and may exercise, perform and discharge the powers, duties and functions of any Minister of the Cabinet of Ministers or any Minister who is not a member of the Cabinet of Ministers, subject to the provisions of the Constitution, for not exceeding fourteen days during a period within which any subject or function is not assigned to any such Minister under the provisions of paragraph (1) of this Article or under paragraph (1) of Article 45 and accordingly, any reference in the Constitution or any written law to the Minister to whom such subject or function is assigned, shall be read and construed as a reference to the President:
Provided however, preceding provisions of this paragraph shall not preclude the President from assigning any subject or function to himself in consultation with the Prime Minister and accordingly, any reference in the Constitution or any written law to the Minister to whom such subject or function is assigned, shall be read and construed as a reference to the President.
- (4) The President may at any time change the assignment of subjects and functions and the composition of the Cabinet of Ministers. Such changes shall not affect the continuity of the Cabinet of Ministers and the continuity of its responsibility to Parliament.
45. (1) The President may, in consultation with the Prime Minister, appoint from among Members of Parliament, Ministers who shall not be members of the Cabinet of Ministers.
- (2) The President may, in consultation with the Prime Minister where he considers such consultation to be necessary, determine the assignment of subjects and functions to Ministers appointed under paragraph (1) of this Article and the Ministries, if any, which are to be in charge of, such Ministers.
- (3) The President may at any time change any assignment made under paragraph (2).
- (4) Every Minister appointed under paragraph (1) shall be responsible and answerable to the Cabinet of Ministers and to Parliament.
- (5) Any Minister of the Cabinet of Ministers may, by Notification published in the *Gazette*, delegate to any Minister who is not a member of the Cabinet of Ministers, any power or duty pertaining to any subject or function assigned to such Cabinet Minister, or any power or duty conferred or imposed on him by any written law, and it shall be lawful for such other Minister to exercise and perform any power or duty delegated notwithstanding anything to the contrary in the written law by which that power or duty is conferred or imposed on such Minister of the Cabinet of Ministers.
46. (1) The President may, in consultation with the Prime Minister, appoint from among Members of Parliament, Deputy Ministers to assist Ministers of the Cabinet of Ministers in the performance of their duties.
- (2) Any Minister of the Cabinet of Ministers may, by Notification published in the *Gazette*, delegate to his Deputy Minister, any power or duty pertaining to any subject or function assigned to him or any power or duty conferred or imposed on him by any written law, and it shall be lawful for such Deputy Minister to exercise and perform any power or duty delegated notwithstanding anything to the contrary in the written law by which that power or duty is conferred or imposed on such Minister.
47. (1) The total number of—
- (a) Ministers of the Cabinet of Ministers shall not exceed thirty; and
- (b) Ministers who are not members of the Cabinet of Ministers and Deputy Ministers shall not, in the aggregate, exceed forty.

- (2) The Prime Minister shall continue to hold office throughout the period during which the Cabinet of Ministers continues to function under the provisions of the Constitution unless he—
- (a) is removed by a writing under the hand of the President;
 - (b) resigns his office by a writing under his hand addressed to the President; or
 - (c) ceases to be a Member of Parliament.
- (3) A Minister of the Cabinet of Ministers, a Minister who is not a member of the Cabinet of Ministers and a Deputy Minister, shall continue to hold office throughout the period during which the Cabinet of Ministers continues to function under the provisions of the Constitution unless he—
- (a) is removed from office under the hand of the President in consultation with the Prime Minister;
 - (b) resigns from office by a writing under his hand addressed to the President; or
 - (c) ceases to be a Member of Parliament.
- (4) Notwithstanding anything contained in paragraph (1) of this Article, where the recognized political party or the independent group which obtains highest number of seats in Parliament forms a National Government, the number of Ministers in the Cabinet of Ministers, the number of Ministers who are not Cabinet of Ministers and the number of Deputy Ministers shall be determined by Parliament.
- (5) For the purpose of paragraph (4), National Government means, a Government formed by the recognized political party or the independent group which obtains the highest number of seats in Parliament together with the other recognized political parties or the independent groups.
48. (1) The Cabinet of Ministers functioning immediately prior to the dissolution of Parliament shall, notwithstanding such dissolution, continue to function and shall cease to function upon the conclusion of the General Election and accordingly, the Prime Minister and the Ministers of the Cabinet of Ministers, shall continue to function unless they cease to hold office as provided in sub-paragraph (a) of paragraph (2) or sub-paragraph (a) or (b) of paragraph (3) of Article 47 and shall comply with the criteria set out by the Commissioner-General of Elections and shall not cause any undue influence on the General Election.
- (2) Notwithstanding the death, removal from office or resignation of the Prime Minister, during the period intervening between the dissolution of Parliament and the conclusion of the General Election, the Cabinet of Ministers shall continue to function with the other Ministers of the Cabinet of Ministers as its members, until the conclusion of the General Election. The President may appoint one such Minister to exercise, perform and discharge the powers, duties and functions of the Prime Minister.
- (3) On the death, removal from office or resignation, during the period intervening between the dissolution of Parliament and the conclusion of the General Election, of a Minister of the Cabinet of Ministers, the President may, in consultation with the Prime Minister, appoint any other Minister to be the Minister in charge of the Ministry of such Minister or to exercise, perform and discharge the powers, duties and functions of such Minister.
49. (1) On the Prime Minister ceasing to hold office by death, resignation or otherwise, except during the period intervening between the dissolution of Parliament and the conclusion of the General Election, the Cabinet of Ministers shall, unless the President has in the exercise of his powers under Article 70, dissolved Parliament, stand dissolved and the President shall appoint a Prime Minister, Ministers of the Cabinet of Ministers, Ministers who are not members of the Cabinet of Ministers and Deputy Ministers in terms of Articles 43, 44, 45 and 46:
- Provided that if after the Prime Minister so ceases to hold office, Parliament is dissolved, the Cabinet of Ministers shall continue to function with the other Ministers of the Cabinet as its members, until the conclusion of the General Election. The President may appoint one such Minister to exercise, perform and discharge the powers, duties and functions of the Prime Minister, and the provisions of Article 48 shall, *mutatis mutandis*, apply.
- (2) If Parliament rejects the Statement of Government Policy or the Appropriation Bill or passes a vote of no-confidence in the Government, the Cabinet of Ministers shall stand dissolved, and the President shall, unless he has in the exercise of his powers under Article 70, dissolved Parliament, appoint a Prime Minister, Ministers of the Cabinet of Ministers, Ministers who are not members of the Cabinet of Ministers and Deputy Ministers in terms of Articles 43, 44, 45 and 46.
50. Whenever a Minister of the Cabinet of Ministers, a Minister who is not a member of the Cabinet of Ministers or a Deputy Minister is unable to discharge the functions of his office, the President may, in consultation with the Prime Minister, appoint

any Member of Parliament to act in the place of such Minister of the Cabinet of Ministers, Minister who is not a member of the Cabinet of Ministers or a Deputy Minister.

51. (1) (a) There shall be a Secretary to the Prime Minister who shall be appointed by the President.
- (b) The Secretary shall have charge of the office of the Prime Minister and shall perform and discharge the duties and functions of his office, subject to the directions of the Prime Minister.
- (2) (a) There shall be a Secretary to the Cabinet of Ministers who shall be appointed by the President.
- (b) The Secretary shall, subject to the direction of the President, have charge of the office of the Cabinet of Ministers, and shall discharge and perform such other functions and duties as may be assigned to him by the President or the Cabinet of Ministers.
52. (1) There shall be a Secretary for every Ministry of a Minister of the Cabinet of Ministers, who shall be appointed by the President.
- (2) The Secretary to a Ministry shall, subject to the direction and control of his Minister, exercise supervision over the departments of government and other institutions in charge of the Minister.
- (3) Notwithstanding the dissolution of the Cabinet of Ministers under the provisions of the Constitution, the Secretary to a Ministry shall continue to hold office until a new Secretary is appointed to such Ministry, in terms of the provisions of the Constitution:
- Provided however, the Secretary to a Ministry shall cease to hold office upon a determination by the President under Article 44 or 45 which results in such Ministry ceasing to exist.
- (4) For the purposes of this Article, the office of the Secretary to the President, the office of the Secretary to the Cabinet of Ministers, the office of the Auditor-General, the office of the Parliamentary Commissioner for Administration (Ombudsman), the office of the Secretary-General of Parliament, the Constitutional Council, and the Commissions referred to in the Schedule to Article 41b shall be deemed not to be departments of Government.
53. A person appointed to any office referred to in this Chapter shall not enter upon the duties of his office until such person takes and subscribes the oath or makes and subscribes the affirmations set out in the Fourth Schedule and Seventh Schedule.”.
4. Article 54 of the Constitution is hereby amended as follows:-
- (1) by the repeal of paragraph (1) of that Article and the substitution therefor of the following paragraph:-
- “(1) There shall be a Public Service Commission (in this Chapter referred to as the “Commission”) which shall consist of nine members appointed by the President on the recommendation of the Constitutional Council, of whom not less than three members shall be persons who have had over fifteen years experience as a public officer. The President on the recommendation of the Constitutional Council shall appoint one member as its Chairman.”;
- (2) by the repeal of paragraph (4) of that Article and the substitution therefor of the following paragraph:-
- “(4) Every member of the Commission shall hold office for a period of three years from the date of appointment, unless the member becomes subject to any disqualification under paragraph (2) or earlier resigns from his office by writing addressed to the President or is removed from office by the President with the approval of the Constitutional Council or is convicted by a court of law of any offence involving moral turpitude or if a resolution for the imposition of civic disability upon the member has been passed in terms of Article 81 or is deemed to have vacated his office under paragraph (6).”;
- (3) by the substitution, in paragraph (7) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “on the recommendation of the Constitutional Council,”.
5. Article 61E of the Constitution is hereby amended, in paragraph (b) of that Article, by the substitution for the words and figures “subject to the provisions of Article 41A,” of the words “on the approval of the Constitutional Council,”.
6. Article 61F of the Constitution is hereby repealed and the following Article is substituted therefor:-
- 61F. For the purposes of this Chapter, “public officer” does not include a member of the Army, Navy or Air Force, an officer of the Election Commission appointed by such Commission, a police officer appointed by the National Police Commission, a scheduled public officer appointed by the Judicial Service Commission or a member of the Sri Lanka State Audit Service appointed by the Audit Service Commission.”.

7. Article 65 of the Constitution is hereby amended as follows:-
- (1) by the substitution, in paragraph (1) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “on the approval of the Constitutional Council,”; and
 - (2) by the repeal of paragraph (6) of that Article, and the substitution therefor of the following paragraph:-
“(6) Whenever the Secretary-General is unable to discharge the functions of his office, the President may, subject to the approval of the Constitutional Council, appoint a person to act in the place of the Secretary-General.”.
8. Article 91 of the Constitution is hereby amended in sub-paragraph (d) of paragraph (1) of that Article as follows:-
- (1) by the substitution, in item (iv) of that sub-paragraph, for the words and figures “referred to in Schedule I to Article 41A,” of the words and figures “referred to in the Schedule to Article 41B,”;
 - (2) by the insertion, immediately after item (va) of that sub-paragraph, of the following item:-
“(vb) a member of the Constitutional Council referred to in sub-paragraph (e) of paragraph (1) of Article 41A, other than any Member of Parliament,”; and
 - (3) by the insertion, immediately after item (xii) of that sub-paragraph, of the following item:-
“(xiii) a citizen of Sri Lanka who is also a citizen of any other country,”.
9. Article 95 of the Constitution is hereby amended in paragraph (2) of that Article, by the substitution for the words and figures “paragraph (1) of this Article and subject to the provisions of Article 41A, appoint”, of the words and figure “paragraph (1) and on the recommendation of the Constitutional Council, appoint”.
10. Article 103 of the Constitution is hereby amended as follows:-
- (1) by the substitution, in paragraph (1) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “on the recommendation of the Constitutional Council,”; and
 - (2) by the substitution, in paragraph (7) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “on the recommendation of the Constitutional Council,”.
11. Article 104B of the Constitution is hereby amended by the repeal of sub-paragraph (a) of paragraph (5) of that Article and the substitution therefor of the following sub-paragraph:-
“(a) The Commission shall have the power to issue, from time to time, in respect of the holding of any election or the conduct of a referendum, such guidelines as the Commission may consider appropriate, to any broadcasting or telecasting operator or any proprietor or any publisher of a newspaper, as the case may be, as the Commission may consider necessary to ensure a free and fair election.”.
12. Article 107 of the Constitution is hereby amended in paragraph (1) of that Article, by the substitution, for the words and figures “subject to the provisions of Article 41A,” of the words “subject to the approval of the Constitutional Council,”.
13. Article 109 of the Constitution is hereby amended as follows:-
- (1) by the substitution, in paragraph (1) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “on the approval of the Constitutional Council,”; and
 - (2) by the substitution, in paragraph (2) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “on the approval of the Constitutional Council,”.
14. Article 111D of the Constitution is hereby amended as follows:-
- (1) by the substitution in paragraph (1) of that Article, for the words and figures “subject to the provisions of Article 41A.”, of the words “subject to the approval of the Constitutional Council.”; and
 - (2) by the substitution in paragraph (2) of that Article, for the words “a judge of a Court of First Instance” wherever those words occur in that paragraph, of the words “a Magistrate or a District Judge”.
15. Article 111E of the Constitution is hereby amended in paragraph (5) of that Article, by the substitution, for the words and figures “subject to the provisions of Article 41A,” of the words “subject to the approval of the Constitutional Council,”.
16. Article 111M of the Constitution is hereby amended in the definition of the expression “judicial officer” in paragraph (a) thereof, by the substitution for the words “Court of Appeal or of the High Court” of the words “Court of Appeal”.

17. Article 121 of the Constitution is hereby amended in paragraph (1) of that Article, by the substitution, for the words “within one week” of the words “within fourteen days”.
18. Article 153 of the Constitution is hereby amended as follows:-
- (1) by the substitution, in paragraph (1) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “subject to the approval of the Constitutional Council,”; and
 - (2) by the substitution, in paragraph (4) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “subject to the approval of the Constitutional Council,”.
19. The following new Articles are hereby inserted immediately after Article 153 and shall have effect as Articles 153A, 153B, 153C, 153D, 153E, 153F, 153G and 153H of the Constitution:-
- 153A(1) There shall be an Audit Service Commission (in this Chapter referred to as the “Commission”), which shall consist of the Auditor-General who shall be the Chairman of the Commission, and the following members appointed by the President on the recommendation of the Constitutional Council:-
- (a) two retired officers of the Auditor-General’s Department, who have held office as a Deputy Auditor-General or above;
 - (b) a retired judge of the Supreme Court, the Court of Appeal or the High Court of Sri Lanka; and
 - (c) a retired Class I officer of the Sri Lanka Administrative Service.
- (2) A person appointed as a member of the Commission shall hold office for three years, unless he—
- (a) earlier resigns from his office, by letter addressed to the President;
 - (b) is removed from office as hereinafter provided; or
 - (c) becomes a Member of Parliament or a member of a Provincial Council or a local authority.
- (3) A person appointed as a member of the Commission shall be eligible to be appointed for a further term of office, on the recommendation of the Constitutional Council.
- (4) The President may, for cause assigned and with the approval of the Constitutional Council, remove from office any person appointed as a member of the Commission under paragraph (1).
- (5) The Chairman and the members of the Commission shall be paid such allowances as are determined by Parliament. Such allowances shall be charged on the Consolidated Fund and shall not be diminished during the term of office of the Chairman or members.
- (6) The Chairman and the members of the Commission shall be deemed to be public servants within the meaning and for the purposes of Chapter IX of the Penal Code (Chapter 19).
- (7) There shall be a Secretary to the Commission who shall be appointed by the Commission.
- 153B(1) The quorum for any meeting of the Commission shall be three members of the Commission.
- (2) Parliament shall, subject to paragraph (1), provide by law for meetings of the Commission, the establishment of the Sri Lanka State Audit Service and such other matters connected with and incidental thereto.
- 153C(1) The powers of appointment, promotion, transfer, disciplinary control and dismissal of the members belonging to the Sri Lanka State Audit Service, shall be vested in the Commission.
- (2) The Commission shall also exercise, perform and discharge the following powers, duties and functions: -
 - (a) make rules pertaining to schemes of recruitment, the appointment, transfer, disciplinary control and dismissal of the members belonging to the Sri Lanka State Audit Service, subject to any policy determined by the Cabinet of Ministers pertaining to the same;
 - (b) prepare annual estimates of the National Audit Office established by law; and
 - (c) exercise, perform and discharge such other powers, duties and functions as may be provided for by law.
 - (3) The Commission shall cause the rules made under paragraph (2) to be published in the *Gazette*.
 - (4) Every such rule shall come into operation on the date of such publication or on such later date as may be specified in such rule.

- (5) Every such rule shall, within three months of such publication in the *Gazette* be brought before Parliament for approval. Any rule which is not so approved shall be deemed to be rescinded as from the date of such disapproval, but without prejudice to anything previously done thereunder.
- 153D(1) A person who otherwise than in the course of his duty, directly or indirectly, by himself or through any other person, in any manner whatsoever, influences or attempts to influence any decision of the Commission, any member thereof or any officer of the Sri Lanka State Audit Service, commits an offence and shall on conviction be liable to a fine not exceeding one hundred thousand rupees or to imprisonment for a term not exceeding three years or to both such fine and imprisonment.
- (2) Every High Court established under Article 154P of the Constitution shall have jurisdiction to hear and determine any matter referred to in paragraph (1).
- 153E. Subject to the jurisdiction conferred on the Supreme Court under Article 126 and to the powers granted to the Administrative Appeals Tribunal under Article 153G, no court or tribunal shall have the power or jurisdiction to inquire into, pronounce upon or in any manner whatsoever call in question any order or decision made by the Commission, in pursuance of any function assigned to such Commission under this Chapter or under any law.
- 153F. The costs and expenses of the Commission shall be a charge on the Consolidated Fund.
- 153G. Any officer of the Sri Lanka State Audit Service who is aggrieved by any order relating to the appointment, promotion or transfer of such officer or any order on a disciplinary matter or dismissal made by the Commission, in respect of such officer, may appeal therefrom to the Administrative Appeals Tribunal established under Article 59, which shall have the power to alter, vary, rescind or confirm any order or decision made by the Commission.
- 153H. The Commission shall be responsible and answerable to Parliament in accordance with the provisions of the Standing Orders of Parliament for the discharge of its functions and shall forward to Parliament in each calendar year a report of its activities in such year.”.
20. Article 154 of the Constitution is hereby amended in paragraph (1) of that Article, by the substitution for the words and figures “the Parliamentary Council, the Commissions referred to in Schedule I to Article 41A,” of the words and figures “the Constitutional Council, the Commissions referred to in the Schedule to Article 41B,”.
21. Article 154R of the Constitution is hereby amended in sub-paragraph (c) of paragraph (1) of that Article, by the substitution for the words and figures “subject to the provisions of Article 41A,” of the words “on the recommendation of the Constitutional Council,”.
22. Article 155A of the Constitution is hereby amended in paragraph (1) of that Article, by the substitution for the words and figures “subject to the provisions of Article 41A,” of the words “on the recommendation of the Constitutional Council,”.
23. Article 155B of the Constitution is hereby amended, by the insertion, immediately after paragraph (4) of that Article, of following paragraph:-
- “(5) The Inspector-General of Police shall be entitled to be present at meetings of the Commission, except where any matter relating to him is being considered. He shall have no right to vote at such meetings.”.
24. Article 155C of the Constitution is hereby amended, by the substitution, for the words and figures “under paragraph (1) of Article 126,” of the words and figures “under paragraph (1) of Article 126 and the powers granted to the Administrative Appeals Tribunal under Article 155L,”.
25. The following new Articles are hereby inserted immediately after Article 155FFF and shall have effect as Articles 155G, 155H, 155J, 155K and 155L respectively, of the Constitution: -
- 155G.(1) (a) The appointment, promotion, transfer, disciplinary control and dismissal of police officers other than the Inspector-General of Police, shall be vested in the Commission. The Commission shall exercise its powers of promotion, transfer, disciplinary control and dismissal in consultation with the Inspector-General of Police.
- (b) The Commission shall not in the exercise of its powers under this Article, derogate from the powers and functions assigned to the Provincial Police Service Commissions as and when such Commissions are established under Chapter XVIIIA of the Constitution.
- (2) The Commission shall establish procedures to entertain and investigate public complaints and complaints of any aggrieved person made against a police officer or the police service, and provide redress as provided by law. In the event of the Commission providing redress, the Commission shall forthwith inform the Inspector-General of Police.

- (3) The Commission shall, in consultation with the Inspector-General of Police, provide for and determine all matters regarding police officers, including-
 - (a) the formulation of schemes of recruitment, promotion and transfer, subject to any policy determined by the Cabinet of Ministers pertaining to the same;
 - (b) training and the improvement of the efficiency and independence of the police service;
 - (c) the nature and type of the arms, ammunition and other equipment necessary for the use of the National Division and the Provincial Divisions; and
 - (d) codes of conduct and disciplinary procedures.
 - (4) The Commission shall exercise all such powers and discharge and perform all such duties and functions as are vested in it under Appendix I of List I contained in the Ninth Schedule to the Constitution.
- 155H(1) The Commission may delegate to a Committee of the Commission (not consisting of members of the Commission) as shall be nominated by the Commission, the powers of appointment, promotion, transfer, disciplinary control and dismissal of such categories of police officers as are specified by the Commission.
- (2) The Commission shall cause to be published in the *Gazette*, the appointment of any such Committee.
 - (3) The procedure and quorum for meetings of a Committee nominated under paragraph (1) shall be according to rules made by the Commission. The Commission shall cause such rules to be published in the *Gazette*.
- 155J(1) The Commission may, subject to such conditions and procedures as may be specified by the Commission, delegate to the Inspector-General of Police or in consultation with the Inspector-General of Police to any police officer, its powers of appointment, promotion, transfer, disciplinary control and dismissal of any category of police officers.
- (2) The Commission shall cause any such delegation to be published in the *Gazette*.
- 155K(1) Where the Commission has delegated under Article 155J to any police officer its powers of appointment, promotion, transfer, disciplinary control and dismissal of any category of police officers, the Inspector-General of Police shall have a right of appeal to the Commission against any order made by such police officer in the exercise of the powers delegated to him.
- (2) A police officer aggrieved by any order relating to promotion, transfer or any order on a disciplinary matter or dismissal made by a Committee or the Inspector-General of Police or a police officer referred to in Articles 155H and 155J in respect of such officer may appeal to the Commission against such order in accordance with rules made by the Commission, from time to time, regulating the procedure and the period fixed for the making and hearing of an appeal by the Commission.
 - (3) The Commission shall have the power to alter, vary, rescind or confirm such order upon an appeal made under paragraph (1) or paragraph (2), or to give directions in relation thereto or to order such further or other inquiry, as the Commission shall deem fit.
 - (4) The Commission shall, from time to time, cause to be published in the *Gazette*, rules made by it under paragraph (2) of this Article.
 - (5) Upon any delegation of its powers to a Committee or the Inspector-General of Police or police officer under Articles 155H and 155J, the Commission shall not, whilst such delegation is in force, exercise, perform or discharge its powers, duties or functions in respect of the categories of police officers in respect of which such delegation is made, subject to the right of appeal hereinbefore provided.
- 155L Any police officer aggrieved by any order relating to promotion, transfer or any order on a disciplinary matter or dismissal made by the Commission in terms of Article 155K, in respect of such officer, may appeal therefrom to the Administrative Appeals Tribunal established under Article 59, which shall have the power to alter, vary, rescind or confirm any order or decision made by the Commission."
26. Article 155M of the Constitution is hereby repealed and the following Article is substituted therefor:-
- 155M. Until the Commission otherwise provides, all rules, regulations and procedures relating to the Police Force as are in force on the date of the coming into operation of this Article, shall continue to be operative and in force."
27. Article 156 of the Constitution is hereby amended as follows: -

- (1) by the substitution, in paragraph (2) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “subject to the approval of the Constitutional Council,”; and
 - (2) by the substitution, in paragraph (5) of that Article, for the words and figures “subject to the provisions of Article 41A,” of the words “subject to the approval of the Constitutional Council,”.
28. The following new Chapters are hereby inserted immediately after Chapter XIX and shall have effect as Chapter XIXA and Chapter XIXB of the Constitution: -

“CHAPTER XIXA

COMMISSION TO INVESTIGATE ALLEGATIONS OF BRIBERY OR CORRUPTION

- 156A(1) Parliament shall by law provide for the establishment of a Commission to investigate allegations of bribery or corruption. Such law shall provide for—
- (a) the appointment of the members of the Commission by the President on the recommendation of the Constitutional Council;
 - (b) the powers of the Commission, including the power to direct the holding of a preliminary inquiry or the making of an investigation into an allegation of bribery or corruption, whether of its own motion or on a complaint made to it, and the power to institute prosecutions for offences under the law in force relating to bribery or corruption; and
 - (c) measures to implement the United Nations Convention Against Corruption and any other International Convention relating to the prevention of corruption, to which Sri Lanka is a party.
- (2) Until Parliament so provides, the Commission to Investigate Allegations of Bribery or Corruption Act, No. 19 of 1994 shall apply, subject to the modification that it shall be lawful for the Commission appointed under that Act, to inquire into, or investigate, an allegation of bribery or corruption, whether on its own motion or on a written complaint made to it.

“CHAPTER XIXB

NATIONAL PROCUREMENT COMMISSION

- 156B(1) There shall be a National Procurement Commission (in this Chapter referred to as the “Commission”) consisting of five members appointed by the President on the recommendation of the Constitutional Council, of whom at least three members shall be persons who have had proven experience in procurement, accountancy, law or public administration. The President shall, on the recommendation of the Constitutional Council, appoint one member as the Chairman of the Commission.
- (2) Every member of the Commission shall hold office for a period of three years from the date of appointment, unless such member earlier resigns from office by a writing addressed to the President or is removed from office by the President for causes assigned with the approval of the Constitutional Council or is convicted by a court of law for an offence involving moral turpitude or is elected as a Member of Parliament or as a member of a Provincial Council or of a local authority or if a resolution for the imposition of a civic disability on him is passed in terms of Article 81.
 - (3) The Chairman and every member of the Commission shall be paid such allowances as may be determined by a resolution of Parliament. Such allowances shall be charged on the Consolidated Fund and shall not be diminished during the term of office of such Chairman or the member.
- 156C(1) It shall be the function of the Commission to formulate fair, equitable, transparent, competitive and cost effective procedures and guidelines, for the procurement of goods and services, works, consultancy services and information systems by government institutions and cause such guidelines to be published in the *Gazette* and within three months of such publication, to be placed before
- (2) Without prejudice to the generality of paragraph (1), it shall be the function of the Commission to –
 - (a) monitor and report to the appropriate authorities, on whether all procurement of goods and services, works, consultancy services and information systems by government institutions are based on procurement plans prepared in accordance with previously approved action plans;
 - (b) monitor and report to the appropriate authorities on whether all qualified bidders for the provision of goods and services, works, consultancy services and information systems by government institutions are afforded an equal

opportunity to participate in the bidding process for the provision of those goods and services, works, consultancy services and information systems;

- (c) monitor and report to the appropriate authorities on whether the procedures for the selection of contractors, and the awarding of contracts for the provision of goods and services, works, consultancy services and information systems to government institutions, are fair and transparent;
- (d) report on whether members of Procurement Committees and Technical Evaluation Committees relating to the procurements, appointed by government institutions are suitably qualified; and
- (e) investigate reports of procurements made by government institutions outside established procedures and guidelines, and to report the officers responsible for such procurements to the relevant authorities for necessary action.

156D(1) The Commission may, by Notice in writing, require any person to—

- (a) attend before the Commission, to be questioned by the Commission;
- (b) produce to the Commission, any document or thing in the possession or control of that person and specified in such Notice.

(2) Every person who—

- (a) fails, without reasonable cause to appear before the Commission when required to do so by a Notice sent to him under paragraph (1);
- (b) appears before the Commission in compliance with such a Notice, but refuses without reasonable cause, to answer any questions put to him by the Commission; or
- (c) fails or refuses, without reasonable cause, to produce any document or thing which he was required to produce by a Notice sent to him under paragraph (1),

commits an offence and shall on conviction be liable to a fine not exceeding one hundred thousand rupees or to imprisonment for a term not exceeding seven years, or to both such fine and imprisonment.

- (3) Every High Court established under Article 154P of the Constitution shall have jurisdiction to hear and determine any matter referred to in paragraph (2).

156E(1) The Commission shall meet as often as may be necessary for the discharge of its functions.

- (2) The Chairman shall preside at all meetings of the Commission. In the absence of the Chairman from any meeting of the Commission, the members present shall elect a Chairman for that meeting, from among themselves.
- (3) The quorum for any meeting of the Commission shall be three.
- (4) Decisions of the Commission shall be by the majority vote of the members present and voting at the meeting at which the decision is taken, and in the event of an equality of votes, the Chairman or member presiding at the meeting shall have a casting vote.
- (5) Subject to the preceding provisions of this Article, the Commission may determine the procedure with regard to its meetings and the transaction of business at such meetings.
- (6) The Commission shall have the power to act notwithstanding any vacancy in the membership of the Commission, and no act, proceeding or decision of the Commission shall be invalid or deemed to be invalid, by reason only of such vacancy or defect in the appointment of a member.

156F(1) The Commission shall appoint a Secretary-General and such other officers as it may consider necessary for the proper discharge of its functions, on such terms and conditions as may be determined by the Commission.

- (2) All members and officers of the Commission shall be deemed to be public servants within the meaning, and for the purposes of, Chapter IX of the Penal Code (Chapter 19).
- (3) No suit, prosecution or other proceeding shall lie against any member or officer of the Commission for any act or thing which in good faith is done or purported to be done by him in the performance of his duties or the discharge of his functions, under the Constitution.

156G The expenses of the Commission shall be charged on the Consolidated Fund.

156H In this Chapter, "government institution" includes the office of the Secretary to the President, the office of the Secretary

to the Prime Minister, the office of the Secretary to the Cabinet of Ministers, the offices of the Ministers appointed under Article 44 or 45, the Judicial Service Commission, the Constitutional Council, the Commissions referred to in the Schedule to Article 41b, the Parliamentary Commissioner for Administration, the Secretary-General of Parliament, Ministries, government departments, provincial councils, local authorities, public corporations, business or other undertakings vested in the government under any written law and Companies registered or deemed to be registered under the Companies Act, No. 7 of 2007, in which the government, a public corporation or local authority holds more than fifty per centum of the shares of that company.”.

29. Article 170 of the Constitution is hereby amended by the repeal of the definition of the expression “public officer” and the substitution therefor of the following definition: -

“public officer” means a person who holds any paid office under the Republic, other than a judicial officer, but does not include—

- (a) the President;
- (b) the Prime Minister;
- (c) the Speaker;
- (d) a Minister appointed under Article 44 or 45;
- (e) a Deputy Minister appointed under Article 46;
- (f) a Member of Parliament;
- (g) a member of the Constitutional Council;
- (h) a member of the Judicial Service Commission;
- (i) the Chairman or a member of any Commission referred to in Article 41B;
- (j) the Secretary-General of Parliament;
- (k) a member of the staff of the Secretary-General of Parliament;
- (l) a member of the University Grants Commission;
- (m) a member of the Official Languages Commission;
- (n) the Auditor-General; and
- (o) the Governor of the Central Bank of Sri Lanka.”.

30. (1) (a) The ninth Parliament in existence on the day preceding the date on which this Act comes into operation, shall, unless dissolved earlier continue to function until August 19, 2025 and shall thereafter stand dissolved.

(b) The persons holding office respectively as the President and the Prime Minister on the day preceding the date on which this Act comes into operation, shall continue to hold office after such date subject to the provisions of the Constitution.

- (2) Every person holding office on the day preceding the date on which this Act comes into operation, as—

- (a) the Chief Justice;
- (b) the Judges of the Supreme Court;
- (c) the members of the Judicial Service Commission;
- (d) the President of the Court of Appeal;
- (e) the Judges of the Court of Appeal;
- (f) the Attorney-General;
- (g) the Governor of the Central Bank of Sri Lanka;
- (h) the Auditor-General;
- (i) the Inspector-General of Police;
- (j) the Parliamentary Commissioner for Administration (Ombudsman);
- (k) the Secretary-General of Parliament;
- (l) the Judges of the High Court; or
- (m) the judicial officers, scheduled public officers, public officers or police officers,

shall continue to hold such office and shall, subject to paragraph (3) of Article 41C, continue to exercise, perform and discharge the powers, duties and functions of that office, under the same terms and conditions.

- (3) Every person holding office on the day preceding the date on which this Act comes into operation, as a member of the Parliamentary Council shall cease to hold office as a member of the Parliamentary Council with effect from the date on which this Act comes into operation.
- (4) Every person holding office on the day preceding the date on which this Act comes into operation, as the Chairman or a member of –

- (a) the Election Commission;
- (b) the Public Service Commission;
- (c) the National Police Commission;
- (d) the Human Rights Commission of Sri Lanka;
- (e) the Commission to Investigate Allegations of Bribery or Corruption;
- (f) the Finance Commission; and
- (g) the Delimitation Commission,

shall cease to hold such office with effect from the date on which this Act comes into operation:

Provided however, a person holding office on the day preceding the date on which this Act comes into operation, as a Chairman or a member of any such Commission referred to above may continue to exercise and discharge powers and functions of their respective offices until such date on which the respective Commissions are constituted in accordance with Chapter VIIA of the Constitution.

(5) All matters relating to—

- (a) the appointment, promotion, transfer, disciplinary control and dismissal of police officers; and
- (b) appeals by police officers to the Public Service Commission,

pending before the Public Service Commission on the day preceding the date on which this Act comes into operation, shall, with effect from that date, stand transferred to the National Police Commission established by Article 155A and shall be determined by the National Police Commission accordingly.

(6) All matters relating to the appointment, promotion, transfer, disciplinary control and dismissal of members of the Sri Lanka State Audit Service and pending before the Public Service Commission on the day preceding the date on which this Act comes into operation, shall, with effect from that date, stand transferred to the Audit Service Commission established by Article 153A and shall be determined by the Audit Service Commission accordingly.

31. For the avoidance of doubt, it is hereby declared that—

- (a) where there is a requirement in any written law to obtain the recommendation or approval of the Parliamentary Council on the day preceding the date on which this Act comes into operation, the reference to the Parliamentary Council shall be read and construed as a reference to the Constitutional Council with effect from the date on which this Act comes into operation; and
- (b) any Member of the ninth Parliament in existence on the day preceding the date on which this Act comes into operation, who is subject to the disqualification specified in item (xiii) of sub-paragraph (d) of paragraph (1) of Article 91 of the Constitution shall not be qualified to sit and vote in Parliament with effect from the date on which this Act comes into operation.

32. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Notaries (Amendment) Act, No. 31 of 2022

[Certified on 31st of October, 2022]

AN ACT TO AMEND THE NOTARIES ORDINANCE (CHAPTER 107)

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:—

1. This Act may be cited as the Notaries (Amendment) Act, No. 31 of 2022.
2. Section 3 of the Notaries Ordinance (Chapter 107) (hereinafter referred to as the “principal enactment”) is hereby repealed and the following section substituted therefor:—
3. (1) Every attorney-at-law who has passed the examination conducted by the Council of Legal Education in conveyancing, after his admission as such attorney-at-law and who has obtained a certificate substantially in Form B1 set out in the Second Schedule hereto, from an attorney-at-law who has been in active practice as a notary for a consecutive period of at least ten years to the effect that such attorney-at-law has learnt notarial work for a period of one year and is fully acquainted with conveyancing practices, rules and guidelines specified in or under this Ordinance shall be entitled, on an application to a warrant authorizing him to practice as notary in the language in which he has passed the examination in conveyancing, within the judicial zone in which he resides.

- (2) Every notary who has been issued a warrant under subsection (1) shall, prior to commencement of practice as a notary, hand over a letter of commencement to the Registrar of the relevant land registry.”.
3. Section 12 of the principal enactment is hereby amended as follows:-
- (1) by the repeal of in paragraph (b) in subsection (1) thereof and the substitution therefor, of the following:-
- “(b) execute a bond before the High Court by depositing a sum of rupees ten thousand, to the due and faithful discharge of his duties as a notary, which shall be credited to the Consolidated Fund; and”;
- (2) by the repeal of subsection (2) thereof and the substitution therefor, of the following:-
- “(2) Every bond referred to in paragraph (b) of subsection (1) shall be signed in the presence of the High Court Judge having jurisdiction over the area specified in the warrant of the notary.”; and
- (3) by the repeal of subsection (3) thereof.
4. Section 13 of the principal enactment is hereby amended by the substitution for the words “given such bond and security” of the words, “given such bond” and for the words “to a fine not less than ten thousand rupees”, of the words “to a fine not less than twenty-five thousand rupees”.
5. Section 14 of the principal enactment is hereby repealed.
6. Section 15 of the principal enactment is hereby repealed.
7. Section 16 of the principal enactment is hereby repealed.
8. Section 17 of the principal enactment is hereby amended by the substitution for the word “security” of the word “bond”.
9. Section 19 of the principal enactment is hereby amended by the repeal of subsection (1) thereof and substitution therefor of the following:-
- “(1) Where a notary has been indicted before a High Court, the Minister may, on the application of the Attorney-General, suspend him from the office of notary pending his trial.”.
10. Section 20 of the principal enactment is hereby amended by the substitution for the words “which, in the opinion of the Minister”, of the words, “under this Ordinance, which”.
11. Section 21 of the principal enactment is hereby amended as follows:-
- (a) in paragraph (e) of subsection (1) thereof, by the substitution for the words “incompetence, age”, of the word “incompetence”; and
- (b) in subsection (4) thereof, by the substitution for the words “to a fine not less than two thousand five hundred rupees”, of the words “to a fine not less than ten thousand rupees”.
12. Section 24 of the principal enactment is hereby amended by the substitution for the words “to a fine not less than ten thousand rupees and not exceeding fifty thousand rupees” of the words “to a fine not less than one hundred thousand rupees and not exceeding five hundred thousand rupees”.
13. Section 26 of the principal enactment is hereby amended as follows:-
- (1) in subsection (2) thereof, by the substitution for the word “security”, of the word “bond”.;
- (2) in subsection (3) thereof, by the substitution for the word “security” of the word “bond”.
14. Section 27 of the principal enactment is hereby amended in subsection (2) thereof, by the substitution for the word “March” of the word “April”.
15. Section 28 of the principal enactment is hereby amended by the insertion immediately after subsection (1) thereof of that section of the following subsection: -
- “(1A) Every notary shall annex to such application an affidavit to the effect that such notary has forwarded the duplicates of all deeds or instruments attested by him in the previous year, to the Registrar of Lands.”.
16. Section 31 of the principal enactment is hereby amended as follows:-
- (1) by the substitution for the rule (3) thereof, of the following: -
- (3) He shall not require, permit, or suffer any executant or any witness to any deed or instrument executed or to be

executed before him to sign or make a mark of such executant or witness, or such executant to affix the left or right thumb impression or any other finger impression or toe impression, as the case may be, to such deed or instrument or any duplicate or protocol, or require such executant or witness to sign or make the mark of such executant or witness and such executant to affix the left or right thumb impression or any other finger impression or toe impression, as the case may be, upon any paper or other material intended to be used afterwards for any such purpose, until the whole of such deed or instrument shall have been written or engrossed thereon, and in any event no signature or affixing of the left or right thumb impression or any other finger impression or toe impression of such executant shall be obtained for any deed or instrument on a blank paper or in any incomplete form.”;

(2) by the substitution for the rule (4) thereof, of the following:-

(4) He shall not authenticate or attest any deed or instrument unless the same is written, typed or printed on durable parchment paper or blue sheet.”;

(3) by the substitution for the rule (5) thereof, of the following:-

(5) (a) He shall authenticate or attest any deed or instrument which is written on one entire undivided parchment paper or blue sheet; or

(b) where he uses two or more separate sheets of paper, he shall-

(i) number every page;

(ii) place his signature on each such paper; and

(iii) cause every executant, holder of power of attorney (hereinafter referred to as the “attorney”), or authorized person of a corporate body, as the case may be, to place his signature and affix left or right thumb impression or any other finger impression or toe impression to each such paper.”;

(4) by the substitution for the rule (6) thereof, of the following: -

(6) He shall not authenticate or attest any deed or instrument unless he has an assurance that the required stamp duty is provided.”;

(5) by the insertion, immediately after rule (7) thereof, of the following new rule: -

(7A) (a) Notwithstanding anything to the contrary in this Ordinance or any other written law, any stamp duty which is required to be paid in respect of any deed or instrument relating to a transfer, a gift or an exchange executed under any written law, shall be paid by the notary;

(b) The original receipt received by the notary as the proof of such payment, from the relevant State bank shall be affixed to the duplicate of the deed or instrument;

(c) The copies of such receipt shall be affixed to the original and the protocol of such deed or instrument.”;

(6) in rule (9) thereof, by the substitution for the words, “He shall not authenticate or attest any deed or instrument unless the person executing the same be known to him or to at least two of the attesting witnesses thereto;” of the words “He shall not authenticate or attest any deed or instrument unless one of the executants to the deed or instrument or the two attesting witnesses be known to notary or by the identity of the executants to a deed or instrument is established by such notary by inspection of the national identity card, bio-page of the passport or the driving licence of such executants;”;

(7) by the substitution for the rule (14) thereof, of the following: -

(14) He shall, before any executant or witness signs or makes a mark and before any executant affixes his left or right thumb impression or any other finger impression or toe impression, ascertain the full names of the executant and witnesses to such deed or instrument and if an executant to any deed or instrument is a corporate body, cause to be affixed the seal of the corporate body and obtain the signatures of the board of directors or any person authorized by the board by resolution to sign such deed or instrument and if the name of such executant or witness differs from the name given in the identification documents of such executant or witness, he shall, in his attestation of such deed or instrument, describe such executant or witness by such name and by the name written in the signature. Where the executant is a body corporate, he shall attach a copy of the board resolution authorizing the executant to sign such deed or instrument to the protocol of such deed or instrument.”;

(8) by the insertion, immediately after rule (15) thereof, of the following new rule: -

(15A). (1) (a) Every-

- (i) executant;
 - (ii) attorney ; or
 - (iii) board of directors or the authorized person of a corporate body; executing a deed or instrument in respect of an immovable property, in addition to the provisions of rule (15) shall affix his thumb impression of any hand above or beside his signature to the original, duplicate and the protocol of such deed or instrument;
- (b) where such thumb impression of an executant, an attorney or board of directors or an authorized person of a corporate body cannot be obtained, such an executant, an attorney or an authorized person of a corporate body shall affix his finger impression of any hand or toe impression, above or beside his signature to the original, duplicate and the protocol of such deed or instrument;
- (c) where a deed or instrument is signed by an attorney, such attorney shall submit to the notary an affidavit affirming that the Power of Attorney is genuine and in force and the grantor is alive when executing such deed or instrument;
- (d) where the transferee is a minor, the legal guardian or guardian, as the case may be, shall be a competent person to act on behalf of the transferee for the purpose of this section.”;
- (9) in rule (16)–
- (a) in paragraph (a) thereof, by the substitution for the words, “the assessment number and the name, if any, of the street in which it is situated.”, of the following: -
- “the assessment number and the name, if any, of the street in which it is situated and in the case of a condominium property, where the condominium parcel can be identified, the description of such condominium parcel and other elements, and where the condominium parcel cannot be identified, the whole land or the land parcel.”; and
- (b) in paragraph (b) thereof, by the substitution for the words from “which it is a share: Provided, however” to the end of that paragraph of the words “which it is a share.”;
- (10) (a) by the repeal of paragraph (b) of rule (17) thereof, and the substitution therefor, of the following:-
- “(b) (i) he shall obtain from the Registrar of the relevant Land Registry the certified extract of the folio containing the last entry pertaining to such land or immovable property containing the ownership and the registered encumbrances relating to such land or immovable property;
- (ii) he shall, if any previous deed has been registered write in ink or print at the on the front page of the deed the number of the volume and the folio in which the previous deed has been registered; and
- (iii) in the case of a deed of transfer or a deed of gift, or deed of exchange or a will, he shall affix to the original of such deed or instrument passport size certified photographs of the parties, to which the notary has affixed his seal and shall keep copies of such national identity card, passport or driving licence attached to the protocol;”;
- (b) by the addition, immediately after paragraph (b) thereof, of the following new paragraphs: -
- “(c) he shall write on the front page of the deed his full name, number assigned to the notary, address of his office and telephone number. If he is a legal officer working in any organization, entity or company, he shall specify the registered address of such organization, entity or company;
- (d) if a party to any deed or instrument is a corporate body he shall retain a certified copy of the certificate of incorporation or other instrument establishing such corporate entity and details of board of directors; and
- (e) in the case of a deed in relation to a trust, he shall, state the names, addresses and national identity card numbers of trustees who are acting under a Trust Deed and the provision of such Trust Deed under which they are empowered to execute the deed, in the attestation, and retain a copy of the trust deed.”;
- (11) in rule (20) thereof,–
- (a) by the repeal of paragraph (b) thereof, and the substitution therefor of the following:-
- “(b) whether the executants of the said deed or instrument are known to him or whether he has identified them by the inspection of the national identity card, bio-page of the passport or the driving licence or whether the witnesses thereto are known to him and in the latter case he shall specify which of the executants or the person acknowledging are known to the said witness,”;
- (b) by the repeal of paragraph (e) thereof, and the substitution therefor, of the following:-

“(e) whether any money was paid or not in his presence as consideration or part of the consideration of the deed or instrument, and if paid, the actual amount in local currency of such payment and if the payment is made by cheque, pay order, bank draft or a banker’s cheque the details of such instrument shall be set out in the attestation, in proof of such payment.”;

(c) in paragraph (g) thereof, by the substitution for the words “affixed thereto.” of the words “affixed thereto; and”; and

(d) by the addition, immediately after paragraph (g) thereof, the following new paragraph: -

“(h) in the case of a will-

- (i) set out in the attestation of the will that the testator was in good and sound mind to execute the will; and
- (ii) enter in the deed register maintained by him, the number assigned to such will, the date and the name of the testator.”;

(12) by the repeal of rule (27) thereof;

(13) by the substitution in rule (30) thereof, from the words “he shall preserve a true copy of the registered power of attorney with his protocol” to the end of that rule, of the words “he shall annex a certified copy of the power of attorney obtained from the Registrar General to the original, and true copies to the duplicate and the protocol thereof.”;

(14) by the insertion, immediately after rule (30) thereof, of the following new rule:-

(30A) It shall be the duty of every notary to submit for registration to the Registrar, every deed or instrument attested by him before the expiry of thirty days from the date of attestation thereof:

Provided that, where such deed or instrument is required to be registered outside the jurisdiction in which he is practicing, he shall submit such deed or instrument for registration before the expiry of sixty days from the date of attestation.”.

17. Section 34 of the principal enactment is hereby repealed and the following section substituted therefor:-

34. (1) Every notary who acts in violation of or disregards or neglects to observe-

- (a) rules (1), (31) or (32) set out in section 31, shall be guilty of an offence, and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding five thousand rupees, in addition to any civil liability he may incur thereby;
- (b) rules (2), (3),(6),(7),(11),(18),(21),(23), (24) or (30A) set out in section 31, shall be guilty of an offence, and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding twenty thousand rupees, in addition to any civil liability he may incur thereby; or
- (c) any other rule set out in section 31, shall be guilty of an offence, and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding fifty thousand rupees, in addition to any civil liability he may incur thereby.

(2) Where a notary acts in violation of or disregards or neglects to observe the provisions of rule (26) set out in section 31 the Registrar-General may, by a written notice served on him personally or sent by registered post, call upon such notary to comply with the requirements of the said rule within such further period of time as he may specify in such notice for such purpose. In the event of such notary failing to comply with the terms of such notice, the Minister may, on application made in that behalf by the Registrar-General, suspend the notary from his office as notary.

(3) A notary, whose licence is suspended shall not attest any deed or instrument, from the date of receipt of the notice of such suspension.

(4) The Registrar-General shall, forthwith notify the Registrars of Land and the registrars of the High Courts, District Courts and the Magistrates’ Courts, requiring such registrars to display a copy of the notice of such suspension in the relevant land registry or courts’ premises.

(5) A notary who fails to submit the duplicates within the time specified in the notice of suspension, shall be guilty of an offence and shall on conviction after a summary trial before a Magistrate, be liable to a fine not exceeding five hundred thousand rupees and the Minister may, on application made in that behalf by the Registrar-General, cancel the licence of such notary.”.

18. Section 38 of the principal enactment is hereby amended in subsection (2) thereof, by the substitution for the words “not exceeding twenty five thousand rupees” of the words “not exceeding fifty thousand rupees”.

19. Section 39 of the principal enactment is hereby amended as follows:-

- (1) by the substitution, in paragraph (c) thereof for the words, "signature or mark" of the words "signature, and the left or right thumb impression or any other finger impression or toe impression, as the case may be"; and
- (2) by the substitution, for the words "for any period not exceeding five years." of the words "for any period not exceeding ten years, or be liable to a fine of rupees one hundred thousand or both such fine and imprisonment, and to pay such compensation to the person who has suffered any damage or loss as a result of such action of the notary specified in paragraphs (a) to (g) as may be determined by the court."

20. Section 41 of the principal enactment is hereby amended in subsection (1) thereof by the substitution for the words from "to simple or rigorous" to the end of that subsection of the words, "to a fine not exceeding fifty thousand rupees."

21. Section 43 of the principal enactment is hereby amended by the insertion of the following definitions immediately before the definition of the expression "High Court Judge":-

"Council of Legal Education" shall have the same meaning as assigned to it by section 2 of the Council of the Legal Education Ordinance (Chapter 276);

"executant" means-

- (a) in relation to a deed of transfer, the transferor and the transferee; and
- (b) in relation to other deed or instrument the parties to such deed or instrument;

22. The Second Schedule to the principal enactment is hereby amended as follows:-

- (1) by the insertion immediately after Form B thereof, of the following new form which shall have effect as Form B1 of the principal enactment:-

"Form B1

[Section 3]

I, Attorney-at-Law and Notary Public of the Judicial Zone of, do hereby certify that I have commenced practicing as a Notary on..... and have been in active practice for a consecutive period of ten years and that Mr/Mrs/Ms..... Attorney-at-Law has pursued his studies under me on notarial practice for a period of one year since.....

Date

.....

(signature)

Attorney-at-Law and Notary Public
(Imprint of the Seal)";

- (2) by the repeal of Form E of that Schedule, and the substitution therefor, of the following form: -

"FORM E

[Section 31(21)]

Form of Attestation

I, Notary Public of (Address of Notary Public) in the Judicial Zone of..... do hereby certify and attest that the foregoing instrument having been read over by (or, read and explained by) me, the said notary, to the said executants (names), who have signed this deed (illegibly/ as Juvanis, as the case may be) and affixed their (thumb of left/right hand or any other finger or toe) impression in the presence of (insert the names of the witnesses in full and the addresses) holder of National Identity Card/ Passport/ Driving Licence No., the subscribing witnesses hereto, and who signed (illegibly/as, as the case may be) respectively, and the same was signed by the said executants, the said witnesses and also by me the said Notary, in my presence and in the presence of one another, all being present at the same time on the day ofat

And I certify that the (executant is known to me/ witnesses are known to me/ I have checked their identity by the inspection of their (national identity card / passport/ driving licence) and prior to the execution of the foregoing instrument, I have inspected the identity card/ passport/ driving licence of the executant/s.

And I further certify and attest that I have affixed hereto recent photographs of the executants to the original of the deed or instrument and that (in the case of a transfer or a gift) the stamp duty to the value of Rs.(Rs. in figures) was paid to the credit of theProvincial Council in the State Bank of in proof of which the original of such stamp duty

paying in slip No. dated... is affixed to the duplicate of this instrument and, copies are affixed to the original and the protocol / (in all other cases) the original of this instrument bearsstamps of the value of Rs..... and the duplicatestamps of the value of Rs.....

And I further certify that the withinmentioned consideration (was paid in my presence by the Purchaser to the Vendor /Lessee to the Lessor, or was not paid in my presence. However the Vendor/ Lessor acknowledges the receipt of the said consideration from the Purchaser/Lessee prior to the execution hereof).

(in case of a will) And I further certify and attest that the testator was in good and sound mind to execute the will.

And I further certify and attest that on page..... in line..... the word/letter was erased and written over in ink/deleted prior to the execution hereof.

And I have annexed a certified copy of the registered Power of Attorney to the original, and true copies to the duplicate and protocol of this deed. (in case of Power of Attorney)

And I also certify that I have renewed my licence for the year/ I have applied for renewal of the licence for the current year.

Date:

.....
(signature)
Notary Public
(Imprint of the Seal)".

23. For the avoidance of doubt, it is hereby declared that the provisions of this Act shall-

- (a) not affect any deed or instrument lawfully executed prior to the date of commencement of this Act and pending registration in accordance with the provisions of Registration of Documents Ordinance (Chapter 117);
- (b) not derogate from the powers of any Provincial Council to levy or recover any stamp duty on any instrument or deed executed prior to the date of commencement of this Act;
- (c) not affect any action or suit pending before a court of law or any decision of a court of law given prior to the date of commencement of this Act;
- (d) not make a notary who has commenced his practice prior to the date of commencement of this Act, liable to execute a bond in terms of section 12 of the principal enactment.

24. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Registration of Documents (Amendment) Act, No. 32 of 2022

[Certified on 31st of October, 2022]

AN ACT TO AMEND THE REGISTRATION OF DOCUMENTS ORDINANCE (CHAPTER 117)

Be it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:-

1. This Act may be cited as the Registration of Documents (Amendment) Act, No. 32 of 2022.
2. Section 32 of the Registration of Documents Ordinance (Chapter 117) (hereinafter referred to as the "principal enactment") is hereby amended as follows:-

(1) by the repeal of subsection (1) thereof and the substitution therefor of the following subsection: -

"(1) (a) A person (hereinafter referred to as the "caveator") who

- (i) has a right, title or interest; or
- (ii) claims to have a right, title or interest,

to a land, an undivided land, a land parcel or a condominium parcel (hereinafter in this section referred to as the "land") may present for registration a caveat substantially in Form VIII of the Second Schedule hereto requiring him to be served a notice of the presentation for registration of any instrument affecting such land.

(b) Every caveat presented for registration shall-

- (i) be in duplicate and accompanied by an affidavit of the caveator together with a certificate issued by an Attorney-at-law substantiating the right, title or interest in the land or claims to a right, title or interest in the land of the caveator;

- (ii) be accompanied by such number of copies of the notice set out in Form X of the Second Schedule hereto together with stamped envelopes, to be served on the owners of the land whose names and addresses are given in the relevant volume and folio in which such land is registered, where the caveator is not the owner;
 - (iii) be accompanied by a certified copy of the original of the Power of Attorney duly registered with the Registrar General or the Registrar of the relevant Land Registry or the Registrar of Title (hereinafter in this section referred to as the "Registrar") where the caveator is a holder of a Power of Attorney (hereinafter in this section referred to as the "attorney"); and
 - (iv) contain the name, signature and the National Identity Card number or the passport number or the driving licence number and address of the caveator in Sri Lanka at which notices relating to the caveat shall be served, the date of the caveat, the names and addresses of the persons to whom the notice of the caveat shall be sent where the caveator is not the owner, the right, title or interest in the land claimed by the caveator, grounds in support of the claim and the description of the land, including the boundaries, indicating the correct volume and folio in which such land, is registered.
- (c) For the purpose of this section
- (i) "caveator" includes a body of persons, a beneficiary under any trust affecting a land, the lawful guardian or the next friend of a minor or of a person of unsound mind or mentally deficient person, an attorney of a person, a judgement creditor, an executor or an administrator of an estate of a deceased, or a legal heir, or an intended purchaser who has entered into an agreement with the owner of a land or a developer of a land;
 - (ii) "condominium parcel" means a condominium parcel registered under the Registration of Title Act, No.21 of 1998 in terms of section 10 of the Apartment Ownership Law, No.11 of 1973 or registered under this Ordinance; and
 - (iii) "interest" includes an interest arising from an unregistered deed or instrument relating to a land which is incapable of immediate registration, a trust, an inheritance either by testate or intestate succession, instruments relating to a mortgage or an agreement to sell, co-ownership, an ownership arising from a condominium parcel or the estate of a minor, or of a person of unsound mind or mentally deficient person.";

- (2) by the insertion, immediately after subsection (1) thereof, of the following new subsections: -

"(1A) The Registrar, on being satisfied that all required documents and information referred to in paragraph (b) of subsection (1) are provided by the caveator, shall acknowledge the receipt of such caveat and record the prescribed particulars referred to in subsection (1) of section 27.

(1B) Upon the acknowledgement, the Registrar shall forthwith notify the persons, whose names and addresses have been furnished by the caveator under subparagraph (iv) of paragraph (b) of subsection (1) and shall make an endorsement in the Remark Column by inserting the date and the names of the persons to whom and the addresses to which the notices referred to in subparagraph (ii) of paragraph (b) in subsection (1) were sent.";

- (3) by the repeal of subsection (3) thereof and the substitution therefor of the following subsection: -

"(3) A caveat shall be in force for a maximum period of two years.";

- (4) in subsection (4) thereof, by the substitution for the words "The notice to be given to the caveator shall be in the prescribed form", of the words and figures "Where an instrument affecting the same land described in the caveat has been subsequently presented for registration, a notice shall be given to the caveator in Form XI of the Second Schedule hereto";
- (5) in subsection (5) thereof, by the substitution for the words "a competent court within thirty days" of the words "a competent court within sixty days".

3. Section 33 of the principal enactment is hereby amended as follows: -

- (1) in subsection (1) thereof, by the substitution for the words "seizure priority notice, caveat, or *lis pendens*", of the words "seizure priority notice or *lis pendens*";

- (2) by the addition immediately after subsection (1) thereof, of the following new subsection: -

"(1A) (a) A caveat may be withdrawn or cancelled, as the case may be, at the request in writing -

- (i) by the caveator;
- (ii) by an attorney;
- (iii) upon the death of a caveator, by an executor, administrator, or a legal heir;
- (iv) by the guardian or next friend of a minor of a person of unsound mind or mentally deficient person on whose

- interest the caveat was lodged, on the death or removal of the guardian, by the successor or by the minor upon the minor attaining the age of majority;
- (v) where there are joint caveators, and upon the death of one or more of them, by the surviving caveator or caveators;
 - (vi) where the caveator is adjudicated a bankrupt, by the Official Assignee;
 - (vii) where the caveator is a body corporate and is in liquidation, and the estate or interest claimed by the caveator has become vested in the liquidator appointed by court, by the liquidator or by the Official Receiver; or
 - (viii) where an order has been issued by a competent court on an estate which is the subject of a caveat, by a Fiscal officer, or any other person receiving the rights under such order.
- (b) on receipt of the instrument for withdrawal under paragraph (a) hereof, the Registrar shall—
- (i) cancel the entry of the caveat in the register in the aforesaid manner and setting out the date thereof, and
 - (ii) notify the persons or body of persons, whose right, title or interest for registration of an instrument was affected by such caveat.”;
- (3) by the insertion, immediately after subsection (2) thereof, of the following new subsection: -
- “(2A) Notwithstanding anything to the contrary in any other written law, any summons, notice, decree nisi or order in relation to any proceeding under subsection (2) on a caveat, shall be served to the address of the caveator in Sri Lanka referred to in sub-paragraph (iv) of paragraph (b) of subsection (1) of section 32.”;
- (4) by the addition, immediately after subsection (3) thereof, of the following new subsection:—
- “(4) The Registrar shall not register a caveat of the same caveator in respect of the same land or same interest in the land, in respect of which registration of caveat was cancelled under subsection (3).”.
4. Section 50 of the principal enactment is hereby amended by the substitution for the words, “require, but such Schedule may be altered or added to by regulation”, of the words “require.”.
5. The Second Schedule to the principal enactment is hereby amended as follows:—
- (1) by the repeal of Form VIII thereof, and the substitution therefor, of the following new Form:—

“FORM VIII

[section 32(b)]

FORM OF THE CAVEAT

Take notice that, I, (full name and the address of the caveator) bearing (NIC/passport/ driving licence) no..... require to be served with notice of the presentation for registration of any instrument affecting land..... (owned by me / owned by other specify the right/title/ or interest) referred to in the Schedule hereto.

And I further declare that I present this caveat in my behalf/ in behalf of (where the caveator is not the owner) on the following ground/s.

Title under deed no.....

Under the last will of.....

Other (specify)

And I appoint (the address in Sri Lanka) as the place at which notices relating hereto shall be sent.

.....
(Signature of the caveator/his
Attorney-at-Law or notary/attorney)

Date

Signed by the above-named..... in the presence of (full name and address of the two witnesses)

1. Signature of the first witness

2. Signature of the second witness

Schedule

(describe land as in section 13 and previous registration, if known)”; and

(2) by the insertion immediately after Form IX of that Schedule, of the following new Forms: -

“FORM X

[section 32(1)(b)(ii)]

NOTICE TO AN OWNER OF A PROPERTY IN RESPECT OF WHICH A CAVEAT HAS BEEN LODGED

Take notice that a caveat has been lodged by of in respect of the property named..... bearing assessment no..... and registered under folio..... of volume at this land registry.

(signature)

.....
Registrar of Lands
of.....

Date :.....

FORM XI

[section 32(4)]

NOTICE TO THE CAVEATOR OF AN INSTRUMENT PENDING REGISTRATION

You are hereby notified that the instrument specified in the Schedule hereto is pending registration in volume..... and folio..... of at this Land Registry, as opposed to caveat No..... dated..... submitted by you.

(signature)

.....
Registrar of Lands
of.....

Date :.....

Deed No.	Nature of the deed/ instrument	Name of the Notary who attested the deed/ instrument	Description of the Land (as per the Schedule)	Parties

6. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Judicature (Amendment) Act, No. 34 of 2022

[Certified on 17th of November, 2022]

AN ACT TO AMEND THE JUDICATURE ACT, No. 2 OF 1978

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Judicature (Amendment) Act, No. 34 of 2022.
- (2) The provisions of this Act shall come into operation on such date or dates as the Minister may appoint by Order published in the *Gazette*.
- (3) Different dates may be appointed for bringing into operation different provisions of this Act.
2. Section 2 of the Judicature Act, No. 2 of 1978, (hereinafter referred to as the “principal enactment”) is hereby repealed and the following section is substituted therefor :-
 2. The Courts of First Instance for the administration of justice in the Republic of Sri Lanka shall be-

- (a) the High Court of the Republic of Sri Lanka;
 - (b) the High Courts for the Provinces established by Article 154P of the Constitution;
 - (c) the District Courts;
 - (d) the Family Courts;
 - (e) the Small Claims Courts;
 - (f) the Magistrates' Courts; and
 - (g) the Primary Courts."
3. Section 5 of the principal enactment is hereby repealed and the following section is substituted therefor: -
5. (1) There shall be in each judicial district of Sri Lanka a "District Court" which shall be deemed to be the "Family Court" when exercising the jurisdiction vested in a Family Court under this Act or any written law, and which shall be deemed to be the "Small Claims Court" when exercising the jurisdiction vested in a Small Claims Court under this Act or any other written law, and in every judicial division there shall be a "Magistrate's Court" and a "Primary Court" and, each such Court shall be holden by and before a person to be called the "District Judge", "Judge of the Family Court", "Judge of the Small Claims Court", "Magistrate" and "Judge of the Primary Court" respectively.
 - (2) Each Court referred to in subsection (1) may be held at such convenient place or places within such judicial district or division, as the case may be, as the Minister shall, by regulation from time to time appoint:

Provided that nothing in this section shall be construed to restrict or curtail the power possessed by every Judge to hold the Court at any convenient place within his territorial jurisdiction."
4. Section 5B of the principal enactment is hereby repealed and the following section is substituted therefor: -
- 5B. (1) The Judicial Service Commission shall appoint a judicial officer from among the District Judges and Magistrates to be called the Pre-Trial Judge, to any one or more Court of First Instance exercising civil jurisdiction, where the Judicial Service Commission is of the opinion that such appointment is required.
 - (2) The Pre-Trial Judge shall attend to and deal with pre-trial conferences as specified in the provisions of the Civil Procedure Code (Chapter 101) and post-trial matters assigned by the Judicial Service Commission which have arisen in the course of a civil proceeding instituted in the Court to which he is appointed."
5. Section 6 of the principal enactment is hereby amended by the repeal of subsection (1) thereof and the substitution therefor, of the following: -
- "(1) All District Judges, Judges of the Family Courts, Judges of the Small Claims Courts, Magistrates and Judges of the Primary Courts and all such Additional Judges and Additional Magistrates of such Courts shall be appointed to their offices by the Judicial Service Commission."
6. Section 8 of the principal enactment is hereby amended by the repeal of subsections (1) and (2) thereof and the substitution therefor, of the following: -
- "(1) The Judicial Service Commission may appoint as many additional District Judges, Additional Judges of the Family Court, Additional Judges of the Small Claims Court, Additional Magistrates or Additional Judges of the Primary Court to the same District Court, Family Court, Small Claims Court, Magistrate's Court, and Primary Court respectively as the occasion may require.
- (2) Every Additional District Judge, Additional Judge of the Family Court, Additional Judge of the Small Claims Court, Additional Magistrate, or Additional Judge of the Primary Court appointed to any such Court, shall sit separately and exercise all the powers and the jurisdiction vested in the District Court, Family Court, Small Claims Court, Magistrate's Court and Primary Court, respectively, of that district or division, as the case may be, for which such Additional District Judge, Additional Judge of the Family Court, Additional Judge of the Small Claims Court, Additional Magistrate or Additional Judge of the Primary Court, is so appointed."
7. Section 14 of the principal enactment is hereby amended by the substitution for the words "the High Court may", of the words and figures "the High Court of the Republic of Sri Lanka or the High Court for the Province established by Article 154P of the Constitution may".
8. Section 15 of the principal enactment is hereby amended as follows:-

- (1) in paragraph (a) thereof, by the substitution for the words “by a High Court-”, of the words and figures “by a High Court of the Republic of Sri Lanka or a High Court for the Province established by Article 154P of the Constitution-”; and
 - (2) in paragraph (b) thereof, by the substitution for the words “order of the High Court.”, of the words and figures “order of the High Court of the Republic of Sri Lanka or the High Court for the Province established by Article 154P of the Constitution.”.
9. Section 16 of the principal enactment is hereby amended in subsection (1) thereof by the substitution for the words “of the High Court”, of the words and figures “of the High Court of the Republic of Sri Lanka or the High Court for the Province established by Article 154P of the Constitution”.
10. Section 19 of the principal enactment is hereby repealed and the following section is substituted therefor: -
19. Every District Court shall be a court of record and shall within its district have unlimited original jurisdiction in all civil, revenue, trust, insolvency and testamentary matters, save and except such of the aforesaid matters as are by or under Chapter Va of this Act or by virtue of the provisions of any other enactment exclusively assigned by way of original jurisdiction to any other court or vested in any other authority and in the exercise of such jurisdiction to impose fines, penalties and forfeitures and shall, in like manner also have jurisdiction over the persons and estates of persons of unsound mind and wards, over the estates of cestuis que trust and over guardians and trustees and in any other matter in which jurisdiction is given to District Court by law.”.
11. Section 19A of the principal enactment is hereby repealed.
12. Section 23 of the principal enactment is hereby amended as follows:-
- (1) in subsection (1) thereof, by the substitution for the words “the Court of Appeal”, of the words and figures “the High Court for the Province established by Article 154P of the Constitution”; and
 - (2) in subsection (2) thereof, by the substitution for the words “to the Court of Appeal” and “of the Court of Appeal”, respectively, of the words and figures “to the High Court for the Province established by Article 154P of the Constitution” and “of the High Court for the Province established by Article 154P of the Constitution”.
13. Chapter V of the principal enactment is hereby repealed and the following Chapter is substituted therefor: -

“CHAPTER V

FAMILY COURTS

24. (1) Every Family Court shall be a court of record and shall have sole original jurisdiction in respect of matrimonial disputes, actions for divorce, nullity and separation, damages for adultery, claims for alimony, disputes between spouses, parents and children as to matrimonial property, custody of minor children, dependants’ claims, guardianship and curatorship matters, claims in respect of declaration of legitimacy and, illegitimacy and marriage, adoption and applications for amendment of birth registration entries, claims for seduction and breach of promise of marriage and such other matters provided for by any other written law:
- Provided that anything in the preceding provisions of this subsection shall not affect the provisions of the Kandyan Marriage and Divorce Act (Chapter 113) and the provisions of the Muslim Marriage and Divorce Act (Chapter 115).
- (2) The Family Court shall also have sole and exclusive jurisdiction in respect of all matters specified in subsection (1) and where reference is made to any court in respect of such matters in any of the enactments referred to in the Third Schedule hereto, it shall be deemed to be a reference to a Family Court:
- Provided that this subsection shall have no application to any offences alleged to have been committed in violation of the provisions of any such enactment.
- (3) An application for the custody of a minor child or of the spouse of any marriage alleged to be kept in wrongful or illegal custody by any parent or by the other spouse or guardian or relative of such minor child or spouse shall be heard and determined by the Family Court; and such Court shall have full power and jurisdiction to hear and determine the same and make such orders both interim and final as the justice of the case shall require.
25. The jurisdiction and powers of District Courts under section 20 as regards the care and custody of persons of unsound mind and mentally deficient persons and the charge of their property shall, in like manner and with the same powers be exercised by a Family Court as regards the care of the persons of minors and wards and the charge of their property and shall extend to the charge of the property in Sri Lanka of minors and wards who are not resident in Sri Lanka.

26. (1) There shall be for every judicial district an officer who shall be called the "Family Counsellor".
- (2) Where a dispute in any action in respect of any matter within the jurisdiction of a Family Court, or any application for maintenance, comes up for inquiry or trial before a District Judge, Judge of the Family Court or Magistrate, as the case may be, such District Judge, Judge of the Family Court or Magistrate shall, unless any party to the action expresses in writing a desire to the contrary, refer such dispute to a Family Counsellor, who shall-
- (a) make every effort to induce the parties to settle such dispute; and
- (b) submit his report thereon to the District Judge, Judge of the Family Court or Magistrate as the case may be, within such time as may be specified by such District Judge, Judge of the Family Court or Magistrate.
- (3) Where any dispute is settled, the terms of settlement shall be entered, signed by each party to the dispute and the Family Counsellor, and be forwarded to the District Judge, Judge of the Family Court or Magistrate as the case may be who shall enter such terms of settlement as a decree of such Court.
- (4) Where a Family Counsellor is not able to settle any dispute referred to in subsection (1), he shall refer such dispute to the District Judge, Judge of the Family Court or Magistrate for determination after inquiry or trial.
- (5) No District Judge, Judge of a Family Court or Magistrate shall hold any inquiry or trial in respect of any dispute, until such dispute is referred to him by the Family Counsellor under subsection (4).
27. A person who is dissatisfied with a judgment, decree or order pronounced by the Family Court after inquiry or trial may, in accordance with any law, regulation or rule governing the manner and procedure for appeals from the District Court, prefer an appeal therefrom to the High Court for the Province established by Article 154P of the Constitution for any error in law or in fact.
28. (1) In the event of two or more separate proceedings or actions being instituted in respect of the same or substantially the same family dispute in more than one Family Court, any party to such proceedings or actions may apply, or any Judge of such Family Court in which the said proceedings or actions had been instituted may refer the matter, to the Court of Appeal which shall, in the exercise of its powers, as it may deem fit, transfer one or more of such proceedings or actions to one of the Family Courts, in which proceedings or actions have already been instituted by the said parties; so that, all such disputes may be conveniently or expeditiously heard and determined in one Family Court.
- (2) In the event of there being two or more proceedings or actions instituted or pending in the same Family Court as between the same parties or relating to substantially the same matter, it shall be competent for the said Court to direct that such proceedings or actions be consolidated into a single proceeding, if in the opinion of the said Court it is convenient to do so or it be so necessary in the interest of justice and the expeditious disposal of such matters in dispute. The Court may, in such an event make such order or deliver such judgment or enter such decree from time to time as the exigencies and justice of the case may require.
29. (1) All proceedings in a Family Court shall be instituted and conducted as expeditiously as possible in accordance with such regulations as may be prescribed:
- Provided that until such regulations have been so prescribed, the Family Court shall, as far as practicable, follow the provisions relating to summary procedure in the Civil Procedure Code (Chapter 101).
- (2) The provisions of the Adoption of Children Ordinance (Chapter 61) governing the institution and conducting of proceedings under the said Ordinance shall be deemed to apply to such proceedings that may be instituted in the Family Court.
- (3) All applications for the care and custody of minor children shall take precedence over all other matters in every Family Court and shall, unless exceptional circumstances so warrant, be heard from day to day to ensure the expeditious disposal of the same."
14. The following new Chapter is hereby inserted immediately after Chapter V of the principal enactment and shall have effect as Chapter VA of that enactment: -

"CHAPTER VA

SMALL CLAIMS COURTS

- 29A.(1) Every Small Claims Court shall be a court of record and shall have exclusive original civil jurisdiction and shall have cognizance of and full power to hear and determine all actions specified in the Seventh Schedule hereto:

Provided however, a Small Claims Court shall have no jurisdiction or power to hear and determine any action filed under the provisions of Chapter LIII of the Civil Procedure Code (Chapter 101) or action for the recovery of money to which special provisions are made under any other written law.

- (2) All actions specified in the Seventh Schedule shall not exceed a sum of rupees one million and five hundred thousand excluding interest, or such other amount as may be fixed by the Minister from time to time, by an Order published in the *Gazette*.
 - (3) An Order made under subsection (2) shall not have effect, until it is approved by Parliament and notification of such approval is published in the *Gazette*.
- 29B. The proceedings before any Small Claims Court may be taken by the special procedure for Small Claims Court as provided in the Small Claims Courts' Procedure Act, No. 33 of 2022 and any other written law.
- 29C. It shall be lawful for the Judge of every Small Claims Court, in pronouncing his order or judgment in any case, to make such order in respect of the payment of costs and expenses as to him shall appear just and reasonable.
- 29D.(1) Any person who is dissatisfied with any judgment pronounced by any Small Claims Court in any action, proceeding or matter to which he is a party, may, except where such right is expressly disallowed, prefer an appeal therefrom to the High Court for the Province established by Article 154P of the Constitution in which such Small Claims Court is situated for any error in law or in fact.
- (2) Any person who is dissatisfied with any order made by any Small Claims Court in the course of any action, proceeding, or matter to which he is or seeks to be a party, may prefer an appeal to the High Court for the Province established by Article 154P of the Constitution in which such Small Claims Court is situated against such order for the correction of any error in law or in fact, with the leave of such High Court first had and obtained.
 - (3) Any person who is dissatisfied with any order made by any Small Claims Court setting aside or refusing to set aside the judgment entered upon default in the course of any action, proceeding or matter to which he is, or seeks to be a party, may prefer an appeal to the High Court for the Province established by Article 154P of the Constitution in which such Small Claims Court is situated, for the correction of any error of law or fact, with the leave of such High Court first had and obtained.
 - (4) The provisions of Chapters LVIII, LIX, LX and LXI of the Civil Procedure Code (Chapter 101) with reference to appeal and the stay of execution pending appeal, shall apply so far as they are not inconsistent with the provisions of this Chapter.
 - (5) The Judge of every Small Claims Court shall conform to and execute all such judgments, orders, and decrees of the Supreme Court, Court of Appeal or High Court for the Province established by Article 154P of the Constitution as shall be made and pronounced in any appeal, in like manner as any original judgment or order pronounced by the said Judge could or might have been executed.
- 29E. It shall be the duty of the Judge of the Small Claims Court by all lawful means to make every effort to induce the parties, before or during the trial, to arrive at a settlement where appropriate and if the parties agree to a settlement, the settlement shall be recorded and signed by the parties and a judgment made in accordance with the terms as settled.”.
15. Section 31 of the principal enactment is hereby amended by the substitution for the words “appeal therefrom to the Court of Appeal”, of the words and figures “appeal therefrom to the High Court for the Province established by Article 154P of the Constitution.”.
16. The following new Chapter is hereby inserted immediately after Chapter VI of the principal enactment and shall have effect as Chapter VII of that enactment: -

“CHAPTER VII

PRIMARY COURTS

32. (1) Every Primary Court shall, subject to the provisions of any other law, have original civil jurisdiction where the debt, damage, demand or claim does not exceed one thousand five hundred rupees and shall also have jurisdiction in respect of the enforcement of bylaws of local authorities and matters relating to the recovery of revenue of such local authorities.

- (2) The Primary Courts shall have no jurisdiction in respect of the disputes referred to in the Fourth Schedule hereto, irrespective of the value of such claim.
33. (1) Every Primary Court shall have exclusive original criminal jurisdiction in respect of such offences as may, by regulation, be prescribed by the Minister and the Minister may, in that regulation specify in the case of each offence the limitations, restrictions and conditions in respect of each such offence.
- (2) The Primary Courts shall have sole and exclusive jurisdiction in respect of all offences alleged to have been committed in violation of the provisions of any enactment or any subsidiary legislation made thereunder, in respect of which jurisdiction is vested in such Court.
- (3) Anything in this section shall not preclude a Magistrate from convicting and passing sentence on any person found guilty after trial of any offence specified in subsection (1).
34. (1) Where any civil proceeding or matter is instituted in a Primary Court, it shall be the duty of the Judge of that Primary Court to summon the parties to appear before him and wherever appropriate to make every effort to induce such parties to arrive at a settlement before proceeding to inquiry or trial. Where such parties agree to a settlement, such settlement shall be recorded and signed by the parties thereto and shall be entered as a decree of the said Primary Court and be enforceable, as a decree thereof.
- (2) Where any criminal proceeding or matter is instituted in a Primary Court, it shall be the duty of the Judge of that Court to summon the parties concerned to appear before him and wherever appropriate to induce such parties to arrive at a settlement. Where such parties agree to a settlement, such settlement shall be recorded and signed by the parties concerned and notwithstanding anything to the contrary in any other law, the offence to which the proceeding or matter relates shall be compounded.
35. (1) Any party aggrieved by any judgment, order, decree, conviction or sentence, entered or imposed after inquiry or trial by a Primary Court may, subject to any law and in accordance with any law, regulation or rule governing the procedure and manner for so appealing, prefer an appeal therefrom to the High Court for the Province established by Article 154P of the Constitution for any error in law or in fact:
- Provided that where there is no such law, regulation or rule governing the procedure and manner for so appealing, the provisions relating to appeals from a Magistrate's Court shall apply to an appeal in a criminal matter or proceeding and the provisions relating to appeals from a District Court shall apply to an appeal in a civil matter or proceeding.
- (2) No appeal shall lie from any judgment, order, decree, conviction or sentence entered or imposed by reason of a settlement of the dispute between the parties arrived at under the provisions of this Chapter.
36. All proceedings in a Primary Court shall be instituted and conducted as expeditiously as possible in accordance with such law as may be applicable thereto and, if there be no such law, in accordance with the provisions relating to summary procedure in the Civil Procedure Code (Chapter 101) in respect of a civil matter or proceeding and in accordance with the provisions relating to summary trials in a Magistrate's Court in respect of a criminal matter or proceeding."
17. Section 37 of the principal enactment is hereby repealed and the following section is substituted therefor:-
37. There shall be a right of appeal to the Supreme Court in accordance with the provisions of the Constitution and of any other law-
- (a) from any judgment or order of the Court of Appeal in any appeal from the High Court of the Republic of Sri Lanka or the High Court for the Province established by Article 154P of the Constitution; or
- (b) from any judgment or order of the High Court for the Province established by Article 154P of the Constitution in any appeal from the District Courts, the family Courts, the Small Claims Courts, the Magistrates' Courts or the Primary Courts."
18. Section 38 of the principal enactment is hereby amended follows:-
- (1) by the renumbering of that section as subsection (1) thereof ; and
- (2) by the addition immediately after the renumbered subsection (1) thereof, of the following subsection:-
- "(2) Every Courts of First Instance other than the High Court for the Province established by Article 154P of the Constitution shall in all cases of appeal from such Courts of First Instance to the High Court for the Province established by Article 154P

of the Constitution conform to and execute all such judgments, orders and decrees of the High Court for the Province established by Article 154P of the Constitution, as shall be made and pronounced in such appeal in like manner as though such judgment, order or decree was made and pronounced by such Courts of First Instance.”.

19. Section 45 of the principal enactment is hereby amended by the repeal of subsection (4) thereof and the substitution thereof, of the following: -

“(4) Every Justice of the Peace and every Unofficial Magistrate appointed under subsections (2) and (3) shall take and subscribe or make and subscribe an oath or affirmation of office in such form as may be determined by the Minister before a Judge of the High Court, District Judge, Judge of the Family Court, Judge of the Small Claims Court, Magistrate, or Judge of the Primary Court and every such Judge is empowered and required, upon application in that behalf, to administer the same and to enter in the records of his court that the said oath or affirmation was duly administered and taken by him, and forthwith to transmit a copy of such entry to the Registrar of the Supreme Court to be entered in the records of that Court.”.

20. Section 49 of the principal enactment is hereby amended by the repeal of the proviso to subsection (3) of that section and the substitution thereof, of the following :-

“Provided that in every other case some other Judge of the High Court of the Republic of Sri Lanka, the High Court for the Province established by Article 154P of the Constitution, the District Court, Family Court, Small Claims Court, Magistrate of the Magistrate’s Court and Judge of the Primary Court, as the case may be, of any adjoining zone, district or division shall have jurisdiction to hear, try and determine such action, prosecution, proceeding or matter.”.

21. Section 52 of the principal enactment is hereby amended as follows:-

(1) in subsection (1) thereof, by the substitution for the words “to the High Court and to each of the District Courts, Small Claims Courts and Magistrates’ Courts”, of the words and figures “to the High Court of the Republic of Sri Lanka, and to the High Court for the Province established by Article 154P of the Constitution and to each of the District Courts, Family Courts, Small Claims Courts, Magistrates’ Courts and Primary Courts”; and

(2) in subsection (2) thereof, by the substitution for the words “Registrar of the High Court”, of the words and figures “Registrar of the High Court of the Republic of Sri Lanka and the Registrar of the High Court for the Province established by Article 154P of the Constitution”.

22. Section 54 of the principal enactment is hereby amended in subsection (1) thereto by the substitution for the words “Where in any action instituted in a High Court, District Court or Small Claims Court, it appears-”, of the words “Where in any action instituted in a High Court of the Republic of Sri Lanka, High Court for the Province established by Article 154P of the Constitution, District Court, Family Court or Small Claims Court, it appears-”.

23. Section 55 of the principal enactment is hereby repealed and the following section is substituted therefor:-

55. (1) Every District Court, Family Court, Small Claims Court, Magistrate’s Court and Primary Court shall, for the purpose of maintaining its proper authority and efficiency, have a special jurisdiction to take cognizance of, and to punish with the penalties in that behalf as hereinafter provided, every offence of contempt of court committed in the presence of the court itself and all offences which are committed in the course of any act or proceeding in the said court respectively, and which are declared by any law for the time being in force to be punishable as contempt of court.

(2) The following sentences of fines or imprisonment as the case may be, may be imposed on conviction for contempt by the following courts respectively, namely-

(a) by a District Court and Family Court a fine not exceeding two thousand five hundred rupees or imprisonment, either simple or rigorous, for a period not exceeding two years;

(b) by a Small Claims Court and Magistrate’s Court – a fine not exceeding one thousand five hundred rupees or imprisonment either simple or rigorous, for a period not exceeding eighteen months; and

(c) by a Primary Court – a fine not exceeding five hundred rupees or imprisonment, either simple or rigorous, for a period not exceeding three months.”.

24. The following new section is hereby inserted immediately after section 56 of the principal enactment and shall have effect as section 57 of that enactment: -

57. Where a Judge of a primary Court of any judicial division established under this Act has not been appointed, the Magistrate

of such division shall be deemed for all purpose to be and shall exercise all jurisdiction of the Judge of the Primary Court of such division until a Judge of such Primary Court is appointed:

Provided that where a Judge of a Primary Court of such division is appointed, the Magistrate of such division may hear and determine all prosecutions, actions, proceedings or matters in which such Magistrate has commenced the recording of any evidence.”.

25. The principal enactment is hereby amended by the insertion immediately after the Second Schedule thereof, of the following new Schedules: -

“THIRD SCHEDULE

[Section 24(2)]

Enactments

- (1) Adoption of Children Ordinance (Chapter 61)
- (2) Births and Deaths Registration Act (Chapter 110)
- (3) Civil Procedure Code (Chapter 101)
- (4) Jaffna Matrimonial Rights and Inheritance Ordinance (Chapter 58)
- (5) Legitimacy Act, No. 3 of 1970
- (6) Marriage Registration Ordinance (Chapter 112)
- (7) Married Women’s Property Ordinance (Chapter 56)
- (8) Matrimonial Rights and Inheritance Ordinance (Chapter 57)

FOURTH SCHEDULE

[Section 32(2)]

Actions excluded from the jurisdiction of Primary Courts

- (1) Any action concerning an act or order purporting to be done or made by the State or concerning an act purporting to be done by any person by order of the State.
- (2) Any action concerning an act purporting to be done by any person in pursuance of a judgement or order of a court or of a judicial officer acting in the execution of his office.
- (3) Any action concerning any act or order purporting to be done or made by any officer of the State in his official capacity.
- (4) Any action for the partition or sale of immovable property under the law relating to partition for the time being in force.
- (5) Any action by a mortgagee of immovable property for the enforcement of the mortgage or for the sale of the property, or by a mortgagor of immovable property for the redemption of the mortgage.
- (6) Any action to restrain waste.
- (7) Any action to recover from a person to whom compensation has been paid under the Land Acquisition Act (Chapter 460) or Land Reform Law No. 1 of 1972, the whole or any part of the compensation.
- (8) Any action for the specific performance or rescission of a contract or for damages for breach of contract.
- (9) Any action for the rectification or cancellation of an injunction.
- (10) Any action to obtain an injunction.
- (11) Any action relating to a trust including an action to make good out of the general estate of a deceased trustee the loss occasioned by a breach of trust, and any action by a co-trustee to enforce against the estate of a deceased trustee a claim for the contribution.
- (12) Any action for a declaratory decree including a decree for the declaration of title to land.
- (13) Any action for a property which the plaintiff has conveyed while insane or under other incapacity.
- (14) Any action to contest an award made by an arbitrator.

- (15) Any action upon a foreign judgement as defined in the Civil Procedure Code (Chapter 101) or upon a judgement obtained in any court in Sri Lanka.
- (16) Any action to compel a refund by a person to whom an executor or administrator has paid a legacy or distributed assets.
- (17) Any action for a legacy or for the whole or a share of a residue bequeathed by a testator or for the whole or a share of the property of an intestate.
- (18) Any action-
 - (a) for a dissolution of partnership or for the winding up of the business of a partnership after its dissolution;
 - (b) for an account of partnership transactions; or
 - (c) for a balance of partnership-account.
- (19) Any action for an account of property administered under decree or order of any court.
- (20) Any other action for an account, including an action by a mortgagor, after the mortgage has been satisfied, to recover surplus collection received by the mortgagee, and any action for the profits on immovable property belonging to the plaintiff which has been wrongfully received by the defendant.
- (21) Any action for a general average loss or for salvage.
- (22) Any action for compensation in respect of collision between ships.
- (23) Any action on a policy of insurance or for the recovery of any premium paid under any such policy.
- (24) Any action for compensation or damages -
 - (a) for loss resulting from the death of a person caused by actionable wrong;
 - (b) for wrongful arrest;
 - (c) for malicious prosecution;
 - (d) for wrongful restraint or confinement;
 - (e) for defamation;
 - (f) for adultery or seduction;
 - (g) for breach of contract of betrothal or promise of marriage;
 - (h) for inducing a person to break a contract made with the plaintiff;
 - (i) for obstruction to or interference with the enjoyment of any servitude or the exercise of any right over property.
- (25) Any action by a Muslim for the recovery of Mahr.
- (26) Any action for the custody of a minor.
- (27) Any action for a divorce or a judicial separation.
- (28) Any action relating to maintenance, affiliation or adoption.
- (29) Any action for contribution by a sharer in joint property in respect of a payment made by him of money due from a co-sharer.
- (30) Any action by one of several joint mortgagors of immovable property for contribution in respect of money paid by him for the redemption of the mortgaged property.
- (31) Any action against the State or a local authority to recover money paid under protest in satisfaction of a claim made on account of any tax or rate or other levy.
- (32) Any action under the Companies Act, No. 7 of 2007 as amended from time to time.
- (33) Any action relating to trade marks, patents or copyrights under the Intellectual Property Act, No. 36 of 2003.
- (34) Any action founded on nuisance.
- (35) Any action for rent and ejection and proceedings under the Rent Act, No. 7 of 1972.

- (36) Any action expressly or by implication excluded from the jurisdiction of Primary Courts by any written law (other than this Act) for the time being in force.”.
26. The principal enactment is hereby amended by the addition immediately after the Sixth Schedule thereof, of the following new Schedule: -

“SEVENTH SCHEDULE

[Section 29A(2)]

Actions

1. Any action for the recovery of money (either as a debt or fee or payment or damage or demand including an action for the recovery of damages on accident or personal injury or in any other similar category);
 2. Any action for the recovery of movable property;
 3. Any action for a counterclaim in respect of any cause of action specified in items 1 and 2;
 4. Any other jurisdiction as is conferred upon it by any other law.”.
27. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Value Added Tax (Amendment) Act, No. 44 of 2022

[Certified on 14th of December, 2022]

AN ACT TO AMEND THE VALUE ADDED TAX ACT, NO. 14 OF 2002

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:-

1. This Act may be cited as the Value Added Tax (Amendment) Act, No. 44 of 2022.
2. Section 2 of the Value Added Tax Act, No. 14 of 2002 (hereinafter referred to as the “principal enactment”) is hereby amended as follows:-
 - (1) in item (v) of sub-paragraph (v) of subsection (1) of that section by the substitution for the words and figures “November 30, 2019; and” of the words and figures “November 30, 2019;”;
 - (2) in item (vi) of sub-paragraph (v) of subsection (1) of that section by the substitution for the words and figures, “commencing on or after January 1, 2020” of the words and figures “commencing on or after January 1, 2020 but ending on or before May 31, 2022;” and
 - (3) by the insertion immediately after the item (vi) of subparagraph (v) of subsection (1) of that section of the following:-

“(vii) for the period commencing on June 1, 2022 and ending on June 30, 2022 and for any taxable period commencing on or after July 1, 2022 but ending on August 31, 2022 at the rate of twelve *per centum* (of which the tax fraction is 3/28); and

“(viii) for the period commencing on September 1, 2022 and ending on September 30, 2022 and for any taxable period commencing on or after October 1, 2022 at the rate of fifteen *per centum* (of which the tax fraction is 3/23).”.
3. Section 10 of the principal enactment is hereby amended in subsection (1) of that section as follows:-
 - (1) by the substitution in paragraph (vi), for the words and figures, “on or after January 1, 2020, carries on” of the words and figures “on or after January 1, 2020 but on or before September 30, 2022, carries on”;
 - (2) by the insertion immediately after paragraph (vi), of the following:-

“(vii) on or after October 1, 2022, carries on or carries out any taxable activity in Sri Lanka shall be required to be registered under this Act, if-

 - (a) at the end of any taxable period of one month or three months, as the case may be, the total value of the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka in that taxable period of one month or three months, as the case may be, is twenty million rupees or more; or
 - (b) in the twelve months period then ending, the total value of the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka has exceeded eighty million rupees; or

- (c) at any time, there are reasonable grounds to believe that the total value of the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka, in the succeeding one month or three months taxable period, as the case may be, is likely to exceed twenty million rupees or in the succeeding twelve months period is likely to exceed eighty million rupees.”.
- (3) in the second proviso to subsection (1), by the substitution for the words and figures “from May 2, 2016.” of the following:-
“from May 2, 2016:
Provided further, for the purposes of paragraph (vii), the requirement for the registration shall arise from the date on which this (Amendment) Act comes into operation.”;
4. The First Schedule to the principal enactment is hereby amended in Part II thereof as follows:-
- (1) by the substitution in sub-item (d) of item (xi) of paragraph (b) of that PART, by the substitution for the words and figures “if such supply has taken place on or after December 1, 2019, by any person,” of the words and figures “if such supply has taken place on or after December 1, 2019, but on or before December 31, 2022, by any person,”; and
- (2) by the addition immediately after sub-item (d) of item (xi) of paragraph (b), of the following:-
“(e) if such supply has taken place on or after January 1, 2023, by any person, other than any lease or rent of residential accommodation or supply of any condominium residential accommodation.”.
5. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Inland Revenue (Amendment) Act, No. 45 of 2022

[Certified on 19th of December, 2022]

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 24 OF 2017

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. 45 of 2022.
- (2) The provisions of this Act (other than the provisions of sections referred to in *Table 'A', Table 'B' and Table 'C'*) shall come into operation on the date on which the certificate of the Speaker is endorsed thereon.
- (3) The provisions of sections referred to in *Table 'A'* shall be deemed to have come into operation on April 1, 2022.
- (4) The provisions of sections referred to in *Table 'B'* shall be deemed to have come into operation on October 1, 2022.
- (5) The provisions of sections referred to in *Table 'C'* shall be deemed to have come into operation on the respective dates specified in the Table.
2. Section 5 of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as the “principal enactment”) is hereby amended as follows: -
- (1) in subsection (2) of that section-
- (a) in paragraph (c) of that subsection, by the substitution for the words “payments providing” of the words “payments providing”;
- (b) in paragraph (f) of that subsection, by the substitution for the words “retirement payments received” of the words “retirement payments received”; and
- (c) in paragraph (i) of that subsection, by the substitution for the words “the employment; and” of the words “the employment; and”;
- (2) in subsection (3) of that section-
- (a) in paragraph (e) of that subsection, by the substitution for the words “subsection (2)); and” of the words “subsection (2));”;
- (b) in paragraph (f) of that subsection, by the substitution for the words “approved by the Commissioner-General.” of the words “approved by the Commissioner-General; and”; and
- (c) by the addition immediately after paragraph (f) of that subsection, of the following new paragraph: -

“(g) any retirement payments received at the time of the retirement from employment, subject to the condition that the respective retirement contributions have already been considered for income tax purposes and the employee has paid tax on such contributions in a previous year of assessment.”.

3. Section 10 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section as follows: -
 - (1) in subparagraph (iv) of that paragraph, by the substitution for the word “expenditure” of the words “expenditure or any other deduction”; and
 - (2) in subparagraph (x) of that paragraph, by the substitution for the words “the Commissioner- General.” of the words “the Commissioner-General and any tax or levy which is not allowed to be deducted in calculating a person’s income in terms of any other written law.”.
4. Section 12 of the principal enactment is hereby amended in paragraph (a) of that section, by the substitution for the words “where the debt obligation was incurred in borrowing money, the money is used during the year or was used”, of the words “the money borrowed under such debt obligation was used”.
5. Section 14 of the principal enactment is hereby amended as follows: -
 - (1) by the re-numbering of subsection (4) of that section, as subsection (5) of that section; and
 - (2) by the insertion immediately after subsection (3) of that section, of the following new subsection: -

“(4) In the event of the written down value referred to in subsection (2) is zero for a depreciable asset, notwithstanding the provisions of subsection (2), the deduction for improvement referred to in subsection (1) shall be deducted in equal amounts apportioned over-

 - (a) twelve years of assessment, for a Class 4 depreciable asset;
 - (b) three years of assessment, for other Classes of depreciable assets,

commencing from the year of assessment in which the expenditure was incurred.”.
6. Section 16 of the principal enactment is hereby amended as follows: -
 - (1) in paragraph (a) of subsection (1) of that section, by the substitution for the words “the Capital allowances” of the words and figures “subject to subsections (3) and (3A), the Capital allowances”; and
 - (2) by the insertion immediately after subsection (3) of that section, of the following new subsection: -

“(3A) The total of the Capital allowances granted and calculated under the Fourth Schedule to this Act in respect of a depreciable asset shall not exceed the cost of such depreciable asset in any circumstances.”.
7. Section 18 of the principal enactment is hereby amended as follows: -
 - (1) by the repeal of subsection (1) and subsection (2) of that section, and the substitution therefor of the following subsections: -

“(1) The amount of financial costs deducted in calculating-

 - (a) the income of an entity (other than a financial institution) from conducting a business or investment, for any year of assessment commencing prior to April 1, 2021 shall not exceed the amount of financial costs attributable to financial instruments within the limit referred to in paragraph (a) of subsection (2);
 - (b) the income of a company (other than a financial institution) which is incorporated in or outside Sri Lanka and having an issued share capital as at the date on which the year of assessment ends, from conducting a business or investment for any year of assessment commencing on or after April 1, 2021, shall not exceed the limit referred to in paragraph (b) of subsection (2).
 - (2) The limit shall be computed according to the following formula: -
 - (a) $A \times B$

Where:

‘A’ is the total of the issued share capital and reserves of the entity; and

‘B’ is-

 - (i) in the case of a manufacturing entity, the number 3; and

(ii) in the case of an entity other than a manufacturing entity, the number 4;

$$(b) \frac{A}{B} \times C$$

Where:

'A' = financial cost of the year;

'B' = value of financial instruments on which the financial cost incurred during the year; and

'C' = 4 x total of the issued share capital and reserves of the company as at the end of the year." ; and

(2) in subsection (3) of that section, by the substitution for the words "for the year." of the following: -

"for the year:

Provided that, in the case where there is no financial cost incurred during the year, in calculating the unused limitation for the above purpose, the limit referred to in subsection (2) shall be calculated by using the same amounts of the immediately preceding year and so on."

8. Section 19 of the principal enactment is hereby amended as follows: -

(1) in subsection (3) of that section, by the substitution for the words "in calculating exempt amounts.", of the words as follows:-

"in calculating exempt amounts:

Provided however, where a person had incurred a loss, in relation to a business which if it had been a profit would have been taxable at a rate specified under this Act and such rate is subsequently increased, such loss shall not be considered as being taxable at a reduced rate." ;

(2) in subsection (4) of that section-

(a) in paragraph (b) of that subsection, by the substitution for the words "income from an investment.", of the words "income from an investment; and";

(b) by the addition immediately after paragraph (b) of that subsection, of the following new paragraph: -

"(c) unrelieved losses from an investment shall be deducted only within the six years of assessment commencing on the first date of the year of assessment immediately succeeding the year of assessment in which such losses were incurred." ; and

(3) in subsection (5) of that section, by the substitution for the words "by any loss on the disposal of another investment asset.", of the words "by any loss."

9. Section 46 of the principal enactment is hereby amended in subsection (5) of that section by the repeal of paragraph (c) of that subsection and the substitution therefor, of the following paragraph: -

"(c) at the time of the transfer-

(i) prior to April 1, 2021-

(ia) the person and the associate were residents; and

(ib) the associate or, in the case of an associate partnership, none of its partners is exempt from income tax; and

(ii) on or after April 1, 2021-

(iia) the person and the associates are residents;

(iib) in the case of an associate partnership, any of its partners, or the associate, is not exempt from income tax; and

(iic) the tax rate applicable on the person's gain from the realisation of an asset referred to in subsection (4) is equal or less than the tax rate which is applicable on the gain of the associate from realisation of such asset; and"

10. Section 54 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures "its business or investment for that year of assessment (sections 6 and 7)." of the words "its business, investment or other income for that year of assessment."

11. Section 66 of the principal enactment is hereby amended in paragraph (c) of subsection (4) of that section, by the substitution for the words and figures "issued to make specific provisions relating to bad and doubtful debts under subsection (1) of section 76J", of the words and figures "issued for classification, recognition and measurement of credit facilities under the powers

- conferred by, subsection (1) of section 46, section 46A and subsection (1) of section 76J”.
12. Section 69 of the principal enactment is hereby amended in paragraph (b) of subsection (4) of that section, by the substitution for the words “in Sri Lanka; or” of the words “in Sri Lanka; or”.
13. Section 72 of the principal enactment is hereby amended in paragraph (a) of subsection (1) of that section, by the substitution for the word and figure “subsection (3)” of the word and figure “subsection (2)”.
14. Section 73 of the principal enactment is hereby amended in paragraph (c) of subsection (1) of that section as follows: -
- (1) in sub-paragraph (i) of that paragraph, by the substitution for the words “Sri Lanka; or”, of the words “Sri Lanka;”;
 - (2) in sub-paragraph (ii) of that paragraph, by the substitution for the words “permanent establishment;” of the words “permanent establishment; or”; and
 - (3) by the addition immediately after sub-paragraph (ii) of that paragraph, of the following new subparagraph:-

“(iii) paid by the Government of Sri Lanka, including such payments made by any institution on behalf of the Government of Sri Lanka;”.
15. Section 83A of the principal enactment is hereby amended as follows: -
- (1) in subsection (1) of that section, by the substitution for the words and figures “from April 1, 2020 on” of the words and figures “from April 1, 2020, but prior to January 1, 2023 on”;
 - (2) by the insertion immediately after subsection (1) of that section, of the following new subsection: -

“(1A) An employer shall deduct the Advance Personal Income Tax with effect from January 1, 2023 on any payment which falls under section 5 made to his employee, as specified by the Commissioner-General.”; and
 - (3) in subsection (2) of that section, by the substitution for the word and figure “subsection (1)”, of the words and figures “subsection (1) or subsection (1A)”.
16. Section 84A of the principal enactment is hereby amended as follows: -
- (1) in subsection (1) of that section, by the substitution for the words and figures “with effect from April 1, 2020, the taxpayer”, of the words and figures “with effect from April 1, 2020 but prior to January 1, 2023, the taxpayer”; and
 - (2) by the insertion immediately after subsection (1) of that section, of the following new subsection: -

“(1A) Subject to section 83A and subsection (3) of section 84, with effect from January 1, 2023, a person shall deduct Advance Income Tax from the payment of dividend, interest, discount, charge, natural resource payment, rent, royalty or premium which has a source in Sri Lanka, at the rate provided in paragraph 10 of the First Schedule to this Act.”.
17. Section 85 of the principal enactment is hereby amended as follows: -
- (1) in subsection (1A) of that section, by the substitution for the words “a person shall.”, of the words “a person shall, prior to January 1, 2023”;
 - (2) by the insertion immediately after subsection (1A) of that section, of the following new subsections: -

“(1B) Subject to subsections (2) and (3), with effect from January 1, 2023, a person shall withhold tax at the rate of 14% of the payment, where such person pays a service fee or an insurance premium with a source in Sri Lanka to a non- resident person.

(1C) Subject to subsection (3), with effect from January 1, 2023, a person shall withhold tax at the rate of 5% of the payment, where such person pays a service fee with a source in Sri Lanka to a resident individual who is not an employee of the payer –

 - (a) for teaching, lecturing, examining, invigilating or supervising an examination;
 - (b) as a commission or brokerage to a resident insurance, sales or canvassing agent; or
 - (c) for services provided by such individual in the capacity of independent service provider such as doctor, engineer, accountant, lawyer, software developer, researcher, academic or any individual service provider as may be prescribed by regulation:

Provided however, this subsection shall not apply to a service payment which does not exceed Rs.100,000 per month.”;

and

- (3) in paragraph (a) of subsection (3) of that section, by the substitution for the word and figures "section 83;", of the words and figures "section 83, section 83A or section 84A;".
18. Section 87 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the word and figures "section 83,", of the words and figures "section 83 or section 83A,".
19. Section 88 of the principal enactment is hereby amended in subsection (1A) of that section, by the insertion immediately after paragraph (a) of that subsection of the following new paragraph: -
 "(aa) on or after January 1, 2023, dividends paid by a resident company;".
20. Section 90 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section, by the substitution for the word and figures "section 83.", of the following: -
 "section 83 or section 83A:
 Provided however, gains derived or expected to be derived from the realisation of an investment asset, during a year of assessment shall not be considered for the purpose of quarterly installments.".
21. Section 94 of the principal enactment is hereby amended as follows: -
 (1) in subsection (1) of that section-
 (a) in paragraph (b) of that subsection, by the substitution for the word and figure "section 2.", of the words and figure "section 2; or"; and
 (b) by the addition immediately after paragraph (b) of that subsection, of the following new paragraph: -
 "(c) an individual whose tax payable for the year of assessment under paragraph (a) of subsection (1) of section 2 relates exclusively to income from employment where the employer has deducted Advance Personal Income Tax under section 83A and no tax shall be payable under paragraph (b) or (c) of subsection (2) of section 82."; and
 (2) in subsection (3) of that section, by the substitution for the words "during the year.", of the words and figures "during the year or where such person's employer has deducted Advance Personal Income Tax on his employment income, under section 83A.".
22. Section 120 of the principal enactment is hereby amended in subsection (1A) of that section, by the substitution for the words "exempted gains and profits.", of the following: -
 "exempted gains and profits:
 Provided however, in the case where such person has commonly incurred expenses or commonly used any assets, on all business or investment activities and any expense or deduction cannot be separately identified for the purpose of this subsection, it shall be lawful to divide such expenses or deductions on a proportionate basis (according to the proportion of turnover or proportion of asset usage) in preparing such financial statements.".
23. Section 123 of the principal enactment is hereby amended as follows: -
 (1) in subsection (1) of that section, by the substitution for the words "notice in writing-", of the words "notice in writing or by electronic means-"; and
 (2) by the addition immediately after subsection (5) of that section of the following new subsections: -
 "(6) Notwithstanding anything to the contrary in any other written law, the Commissioner-General may, by notice, require the Commissioner-General of Elections to provide the names, addresses or National Identity Card numbers of such persons as may be specified in such notice, and it shall be the duty of the Commissioner-General of Elections to provide such particulars to the Commissioner-General or provide access to the records under his custody, to a tax official authorized by the Commissioner-General.
 (7) Notwithstanding anything to the contrary in any other written law, the Registrar-General of Companies shall provide information to the Commissioner-General on any changes or new appointments in relation to the directors of companies registered with the Registrar-General of Companies, including the names and addresses of such directors, once in every six months.".
24. Section 133 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words "with notice, in writing," of the words "with notice, in writing or by electronic means,".
25. Section 134 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the words "with notice, in writing," of the words "with notice, in writing or by electronic means,".

26. Section 135 of the principal enactment is hereby amended in subsection (5) of that section, by the substitution for the words “with notice, in writing,” of the words “with notice, in writing or by electronic means,”.
27. Section 136 of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section, by the substitution for the word and figures “section 135.”, of the words and figures “section 135, for any year of assessment ending prior to April 1, 2022 and within a period of twelve months from the date on which the self-assessment return was filed, for any year of assessment commencing on or after April 1, 2022.”.
28. Section 151 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “in writing”, of the words “in writing or by electronic means”.
29. Section 163 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsections:-
- “(5) The amount of tax, any penalty and interest due as at the date of the certificate referred to in subsection (3) and any legal interest due on the amount stated in the certificate from the date of such certificate up to the date of the judgement shall be the tax that is due and payable to the Commissioner-General.
- (6) The proceedings instituted on or after January 1, 2023, under this section shall be completed within thirty months from the date of production of the certificate referred to in subsection (3).”.
30. Section 176 of the principal enactment is hereby amended as follows: -
- (1) by the repeal of subsection (2) of that section, and the substitution therefor of the following subsection: -
- “(2) Procedures for the assessment, payment, collection, and dispute of a tax shall apply equally to penalties relating to a tax.”; and
- (2) by the insertion immediately after subsection (6) of that section, of the following new subsection: -
- “(6A) For the purposes of subsection (6), it shall be lawful to issue a single notice of assessment stating the penalty charged under this Chapter together with the tax and interest payable in complying with the other provisions of this Act.”.
31. Section 182 of the principal enactment is hereby amended as follows: -
- (1) in subsection (1) of that section, by the substitution for the words “A person”, of the words and figures “For any year of assessment ending prior to April 1, 2023, a person”; and
- (2) by the insertion immediately after subsection (1) of that section, of the following new subsection: -
- “(1A) For any year of assessment commencing on or after April 1, 2023, a person who fails to maintain proper accounts, records or documents as required by this Act shall be liable for a penalty calculated as provided for in subsection (2).”.
32. Section 195 of the principal enactment is hereby amended as follows: -
- (1) in the definition of the expression “export” of that section, by the substitution for the word “undertaking;”, of the words and figures “undertaking, prior to April 1, 2022;”;
- (2) in the definition of the expression “Small and Medium Enterprise” of that section, by the substitution in paragraph (d) of that definition for the words “the person’s or his” of the words “the person’s and his”; and
- (3) in the definition of the expression “specified undertaking” of that section, by the substitution in paragraph (h) of that definition, for the words “in Sri Lanka in foreign currency;”, of the following: -
- “in Sri Lanka in foreign currency:
- Provided however, where the exporter was prevented from making payments in foreign currency for services referred to in this paragraph, due to any directive of the Central Bank, the exporter shall issue a confirmation of his foreign currency receipts;”.
33. The First Schedule to the principal enactment is hereby amended as follows: -
- (1) in paragraph 1 of that Schedule –

- (a) in subparagraph (1A) of that paragraph, by the substitution for the word and figures “January 1, 2020”, of the words and figures “January 1, 2020, but prior to April 1, 2022”;
- (b) by the insertion immediately after subparagraph (1A) of that paragraph, of the following new subparagraphs: -

“(1B) Subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual for the year of assessment commencing from April 1, 2022 shall be taxed at the following rates: -

(a) Taxable income for the first nine months period of the year of assessment commencing from April 1, 2022:-

<i>Taxable Income</i>	<i>Tax payable</i>
Not exceeding Rs. 2,250,000	6% of the amount in excess of Rs. 0
Exceeding Rs. 2,250,000 but not exceeding Rs. 4,500,000	Rs. 135,000 plus 12% of the amount in excess of Rs. 2,250,000
Exceeding Rs. 4,500,000	Rs. 405,000 plus 18% of the amount in excess of Rs. 4,500,000;

(b) Taxable income for the second three months period of the year of assessment commencing from April 1, 2022:-

<i>Taxable Income</i>	<i>Tax payable</i>
Not exceeding Rs. 125,000	6% of the amount in excess of Rs. 0
Exceeding Rs. 125,000 but not exceeding Rs. 250,000	Rs. 7,500 plus 12% of the amount in excess of Rs. 125,000
Exceeding Rs. 250,000 but not exceeding Rs. 375,000	Rs. 22,500 plus 18% of the amount in excess of Rs. 250,000
Exceeding Rs. 375,000 but not exceeding Rs. 500,000	Rs. 45,000 plus 24% of the amount in excess of Rs. 375,000
Exceeding Rs. 500,000 but not exceeding Rs. 625,000	Rs. 75,000 plus 30% of the amount in excess of Rs. 500,000
Exceeding Rs. 625,000	Rs. 112,500 plus 36% of the amount in excess of Rs. 625,000;

(1C) Subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual for a year of assessment commencing from April 1, 2023 shall be taxed at the following rates:-

<i>Taxable Income</i>	<i>Tax payable</i>
Not exceeding Rs. 500,000	6% of the amount in excess of Rs.0
Exceeding Rs. 500,000 but not exceeding Rs. 1,000,000	Rs. 30,000 plus 12% of the amount in excess of Rs. 500,000
Exceeding Rs. 1,000,000 but not exceeding Rs. 1,000,000	Rs. 30,000 plus 12% of the amount in excess of Rs. 500,000
Exceeding Rs.1,000,000 but not exceeding Rs. 1,500,000	Rs. 90,000 plus 18% of the amount in excess of Rs. 1,000,000
Exceeding Rs. 1,500,000 but not exceeding Rs. 2,000,000	Rs. 180,000 plus 24% of the amount in excess of Rs. 1,500,000
Exceeding Rs. 2,000,000 but not exceeding Rs. 2,500,000	Rs. 300,000 plus 30% of the amount in excess of Rs. 2,000,000
Exceeding Rs. 2,500,000	Rs. 450,000 plus 36% of the amount in excess of Rs. 2,500,000”;

- (c) in subparagraph (5) of that paragraph, by the substitution for the word and figures “April 1, 2021: -”, of the words and figures “April 1, 2021, but prior to January 1, 2023: -”;

- (2) in paragraph 3 of that Schedule, by the repeal of subparagraph (1) of that paragraph and the substitution therefor, of the following subparagraph: -
- “(1) Subject to the provisions of subparagraph (2), the taxable income of a trust for a year of assessment to which subsection (1) of section 57 applies shall be taxed at the rate of –
- (a) 24% prior to January 1, 2020;
 - (b) 18% with effect from January 1, 2020, but prior to April 1, 2022;
 - (c) 18% for the first six months of the year of assessment commencing on April 1, 2022 and for the second six months of the same year of assessment at the rate of 30%; and
 - (d) 30% with effect from April 1, 2023.”;
- (3) in paragraph 4 of that Schedule-
- (a) in subparagraph (1) of that paragraph-
 - (i) by the repeal of item (b) of that subparagraph, and the substitution therefor of the following item: -

“(b) with effect from January 1, 2020, but prior to April 1, 2022, shall be taxed at the rate of 24%.”;
 - (ii) by the addition immediately after item (b) of that subparagraph, of the following new items: -

“(c) shall be taxed at the rate of 24% for first six months of the year of assessment commencing on April 1, 2022 and for second six months of the same year of assessment at the rate of 30%; and

(d) with effect from April 1, 2023 shall be taxed at the rate of 30%.”;
 - (b) in subparagraph (2A) of that paragraph, by the substitution for the word and figures “January 1, 2020: -”, of the words and figures “January 1, 2020 but prior to April 1, 2022 and for the first six months of the year of assessment commencing on April 1, 2022: -”;
 - (c) by the addition immediately after subparagraph (2A) of that paragraph, of the following new subparagraph:-

“(2B) Such part of the following gains and profits of a company which includes in its taxable income for the six months period commencing on October 1, 2022 in the year of assessment commencing on April 1, 2022 and for any year of assessment commencing on or after April 1, 2023, the gains and profits of a company shall be taxed at the following rates:-

 - (a) gains and profits from conducting betting and gaming-40%; and
 - (b) gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product-40%.”;
 - (d) in item (a) of subparagraph (4) of that paragraph, by the substitution for the words and figures “rate of 10%; and” of the words and figures “rate of 10% prior to October 1, 2022 and 30% with effect from October 1, 2022; and”;
 - (e) in subparagraph (5) of that paragraph, -
 - (i) by the substitution for the word and figures “subparagraphs (1), (2A),” of the word and figures “subparagraphs (1), (2A), (2B),”;
 - (ii) in item (b) of that subparagraph, by the substitution for the words “for the two years of assessment immediately succeeding that year of assessment,” of the words and figures “for the first six months of the year of assessment commencing from April 1, 2022”; and
 - (iii) by the repeal of item (ii) of sub-paragraph (b) of that subparagraph and the substitution therefore of the following:-

“(ii) an increase in exports (other than specified undertakings) by fifty *per centum* in the first six months of the year of assessment commencing from April 1, 2022, compared to the first six months of the first year.”;
- (4) in subparagraph (1) of paragraph 5 of that Schedule, by the substitution for the words and figures “shall be taxed at the rate of 28% prior to January 1, 2020 and 24% with effect from January 1, 2020.”, of the following: -
- “shall be taxed at the rate of –
- (a) 28% prior to January 1, 2020;
 - (b) 24% with effect from January 1, 2020, but prior to April 1, 2022;

- (c) 24% for the first six months of the year of assessment commencing on April 1, 2022 and for the second six months of the same year of assessment at the rate of 30%; and
- (d) 30% with effect from April 1, 2023.”;
- (5) in paragraph 7 of that Schedule-
- (a) by the repeal of subparagraph (1) of that paragraph and the substitution therefor, of the following subparagraph: -
- “(1) Subject to subparagraph (2), the taxable income of a non-governmental organization for a year of assessment shall be taxed at the rate of –
- (a) 28% prior to January 1, 2020;
- (b) 24% with effect from January 1, 2020, but prior to April 1, 2022;
- (c) 24% for the first six months of the year of assessment commencing on April 1, 2022 and for the second six months of the same year of assessment at the rate of 30%; and
- (d) 30% with effect from April 1, 2023.”;
- (b) by the repeal of subparagraph (3) of that paragraph and the substitution therefor, of the following subparagraph: -
- “(3) The rate of tax payable by a nongovernmental organization on amounts received in a year of assessment by way of grant, donation or contribution or in any other manner under section 68 shall-
- (a) prior to January 1, 2020, be 28%;
- (b) be 24% with effect from January 1, 2020, but prior to April 1, 2022;
- (c) be 24% for the first six months of the year of assessment commencing on April 1, 2022 and for the second six months of the same year of assessment, be 30%; and
- (d) be 30% with effect from April 1, 2023.”; and
- (6) in subparagraph (1) of paragraph 10 of that Schedule -
- (a) in item (a) of that subparagraph, by the substitution for the words and figures “section 83 applies-”, of the words and figures “section 83 or section 83A applies-”;
- (b) in item (b) of that subparagraph, by the substitution for the words and figures “section 84(1)(a)(i) applies-”, of the words and figures “section 84(1)(a) applies-”; and
- (c) by the addition immediately after item (c) of that subparagraph, of the following new item:-
- “(d) for payments to which section 84A (1A) applies –
- (i) rent payments made to a resident person where the aggregate payment does not exceed Rs. 100,000 per month – 0%;
- (ii) interest or discount paid – 5%;
- (iii) rent payments made to a resident person where the aggregate payment exceeds or is equal to Rs. 100,000 per month – 10% on full amount;
- (iv) all other payments except dividend – 14%; and
- (v) dividend paid-15%.”; and
- (7) in paragraph 11 of that Schedule, by the substitution for the words “five years”, of the words “two years”.
34. The Second Schedule to the principal enactment is hereby amended in paragraph 1 of that Schedule, by the insertion immediately after subparagraph (6) of that paragraph, of the following new subparagraph: -
- “(6A) Commencing from the first date of investment on a depreciable asset, three years of project implementation period shall be provided to a person who has not made his intended total investment under a subparagraph of this paragraph. Notwithstanding the provisions of subparagraph (6), capital allowance arising under a subparagraph of this paragraph shall be deducted in that year of assessment in which he has completed the total intended investment, but before the expiration of such project implementation period.”.

35. The Third Schedule to the principal enactment is hereby amended as follows: -

- (1) by the insertion immediately after paragraph (g) of that Schedule, of the following new paragraph: -

“(gg) a gain made by an entity fully owned by the Government of Sri Lanka as a gain from the realisation of a capital asset or liability of the business or realisation of an investment asset, if such gain was made due to any decision by the Government of Sri Lanka as being essential for the economic development of Sri Lanka and subject to the prior written approval of the Minister;”;
- (2) in paragraph (hh) of that Schedule, by the substitution for the word and figures “April 1, 2021”, of the words and figures “April 1, 2021 but prior to October 1, 2022”;
- (3) in paragraph (oo) of that Schedule, by the substitution for the words and figures “on or after January 1, 2020”, of the words and figures “on or after January 1, 2020 but prior to October 1, 2022”;
- (4) by the insertion immediately after paragraph (oo) of that Schedule, of the following new paragraph: -

“(ooo) on or after October 1, 2022, a dividend paid by a resident company-

 - (i) which is engaged in any one or more of the following businesses in accordance with the provisions of Part IV of the Finance Act, No. 12 of 2012 and which has entered into an agreement with the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No. 4 of 1978: -
 - (ia) entrepot trade involving import, minor processing and re-export;
 - (ib) offshore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
 - (ic) providing front-end services to clients abroad;
 - (id) headquarters operations of leading buyers for management of financial supply chain and billing operations;
 - (ie) logistics services including bonded warehouse or multi-country consolidation in Sri Lanka;
 - (ii) to a member to the extent that such dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company which is subject to Advance Income Tax under subsection (1A) of section 84A;”;
- (5) in paragraph (rr) of that Schedule, by the substitution for the words “dividends and gains”, of the words and figures “dividends and gains prior to October 1, 2022,”;
- (6) in paragraph (u) of that Schedule-
 - (a) in subparagraph (ii) of that paragraph, by the substitution for the word and figures “January 1, 2020,”, of the words and figures “January 1, 2020, but prior to April 1, 2023,”;
 - (b) in subparagraph (v) of that paragraph-
 - (i) in that subparagraph, by the substitution for the words “any vocational”, of the words and figures “prior to April 1, 2023, any vocational”;
 - (ii) in item (b) of that subparagraph, by the substitution for the words “five years”, of the words “two years”;
 - (iii) in the proviso to that subparagraph, by the substitution for the words “next four years”, of the words “next year”;

and
 - (c) in subparagraph (vi) of that paragraph, by the substitution for the words “any business”, of the words and figures “prior to April 1, 2023, any business”; and
- (7) in paragraph (w) of that Schedule, by the substitution for the words and figures “on or after April 1, 2021,”, of the words and figures “on or after April 1, 2021 but prior to April 1, 2023,”.

36. The Fifth Schedule to the principal enactment is hereby amended as follows: -

- (1) in subparagraph (e) of paragraph 1 of that Schedule, by the substitution for the words “acquisition or merger of any other financial institution where”, of the words and figures “acquisition, partial acquisition, absorption of business or merger of, any other bank licensed under the Banking Act, No. 30 of 1988, finance company licensed under the Finance Business Act, No. 42 of 2011 or finance leasing company registered in terms of paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 where”; and

(2) in paragraph 2 of that Schedule-

(a) by the repeal of subparagraph (a) of that paragraph and the substitution therefor, of the following subparagraph: -

“(a) (i) Rs. 500,000, for each year of assessment prior to January 1, 2020;

(ii) Rs. 3,000,000, for each year of assessment commencing on or after January 1, 2020, but prior to April 1, 2022;

(iii) Rs. 2,250,000, for first nine months and Rs. 300,000 for second three months of the year of assessment commencing on April 1, 2022; and

(iv) Rs. 1,200,000, for each year of assessment commencing on or after April 1, 2023,

except that an individual who is a trustee, receiver, executor or liquidator shall not be entitled to deduct this personal relief as such trustee, receiver, executor or liquidator, and the relief shall not be deducted against gains from the realisation of investment assets;” and

(b) in subparagraph (f) of that paragraph, by the substitution for the words and figures “on or after January 1, 2020: -”, of the words and figures “on or after January 1, 2020, but prior to April 1, 2022 and sum of Rs. 900,000, incurred for the first nine months of the year of assessment commencing on April 1, 2022: -”.

37. The Sixth Schedule to the principal enactment is hereby amended as follows: -

(1) in item (b) of subparagraph (4) of paragraph 1 of that Schedule, by the substitution for the words “that are used to improve business processes or productivity and fixed”, of the words “that are fixed”;

(2) by the re-numbering of paragraphs 3, 4, 5, 6, 7, 8, 9 and 11 of that Schedule as paragraphs 2, 3, 4, 5, 6, 7, 8 and 9 of that Schedule, respectively;

(3) in the re-numbered paragraph 8 of that Schedule, by the substitution for the words “zero percent.”, of the words and figures “zero percent, if such payment has been made to the Commissioner-General prior to October 1, 2022.”; and

(4) in subparagraph (1) of paragraph 10 of that Schedule, by the substitution for the words “three years”, of the words “two years”.

38. (1) The income tax payable by a person for the year of assessment commencing on April 1, 2022, shall be calculated separately for two periods of the year of assessment as first nine months and second three months by individuals and first six months and second six months by persons other than individuals. For the purpose of such calculation of business income, the person may use pro-rata basis (as 75% for first nine months and balance 25% for second three months by individuals and 50% for first six months and balance 50% for second six months by persons other than individuals) to arrive the taxable income for such two periods.

(2) Subject to the provisions of this Act, a person may submit a revised estimate for the purpose of tax payable by instalments.

39. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Table 'A'

(section 1)

<i>Column I</i>	<i>Column II</i>
<i>section of this Act</i>	<i>section of the principal enactment</i>
2	5
4	12
5	14
6	16
11	66
18	87
21	92A
22	94
23	120
25	133
26	134
27	135
28	136
35(1) and (3)	195
36(1), (2), (3), (4) and (5)	subparagraphs (1A) and (1B) of paragraph 1, paragraphs 3, 4, 5 and 7 of the First Schedule
37	subparagraph (6A) of paragraph 1 of the Second Schedule
38(1)	paragraph (gg) of the Third Schedule
40(1) and (2) Schedule	item (b) of subparagraph (4) of paragraph 1 and paragraphs 2,3,4,5,6,7,8 and 9 of the Sixth
41	new section

Table 'B'

(section 1)

<i>Column I</i>	<i>Column II</i>
<i>section of this Act</i>	<i>section of the principal enactment</i>
36(1)	subparagraph (5) of paragraph (1) of the First Schedule
38 (2), (3), (4) and (5)	paragraphs (hh), (oo), (ooo) and (rr) of the Third Schedule
39(2)	paragraph (2) of the Fifth Schedule
40 (3) and (4)	paragraphs (8) and (10) of the Sixth Schedule

Table 'C'

(section 1)

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>section of this Act</i>	<i>section of the principal enactment</i>	<i>Date of operation</i>
3	10	01.04.2021
7	18	01.04.2021
8	19	01.04.2018
9	46	01.04.2021
10	54	01.04.2018
12	69	01.04.2018
13	72	01.04.2018
14	73	01.04.2018
15	83A	01.01.2023
16	84A	01.01.2023
17	85	01.01.2023
19	88	01.01.2023
20	90	01.04.2021
29	139	01.04.2023
35(2)	195	01.04.2020
36(1) and (7)	subparagraph (1C) of paragraph 1 and paragraph 11 of the First Schedule	01.04.2023
38(6) and (7)	paragraph (u) and (w) of the Third Schedule	31.03.2023
39(1)	subparagraph (e) of paragraph (1) of the Fifth Schedule	01.04.2021

