

Agreement, was Rs. 281.7 million. The amount lying to the credit of the Government of Ceylon at the end of December, 1955, was Rs. 30.9 million representing an increase of Rs. 21.6 million over the year. Drawings on the I.B.R.D. loan amounted to Rs. 8.9 million during the period under review.

V. Operations and Accounts of The Central Bank

106. Financial accounts of the Central Bank for the year 1955 are given in table 6. The main changes in comparison with 1954 were :—

	Change	
	Rs. Million	Per cent
Total demand liabilities	+ 120.9	+ 23.9
Currency circulation	+ 48.8	+ 13.0
Demand deposits	+ 72.2	+ 55.6
(of which commercial banks)	+ 33.1	+ 31.4
International Reserve	+ 130.7	+ 24.9
Domestic Assets	+ 2.2	+ 7.0
Government and Government Guaranteed Securities ..	- 8.6	- 31.9

Increase + ; decrease —.

107. The ratio of the International Reserve to total demand liabilities increased from 103.6 per cent at the end of 1954 to 104.5 per cent at the end of 1955.

108. The Central Bank's rate for advances to commercial banks against the pledge of Government securities which was reduced from 3 per cent to 2½ per cent on June 11, 1954, remained unchanged during the year. The Central Bank's discount rate for treasury bills continued to be fixed at 1/8 of one per cent over the last accepted average tender rate.

109. There were no changes in the reserve ratios to be maintained by commercial banks with the Central Bank. The ratios remained at 10 per cent of demand deposits and 5 per cent of time and savings deposits.

110. The Central Bank's rates for U.S. dollars were changed from time to time (as shown in Appendix I) in alignment with movements in the sterling dollar rate. There were no changes during the year in the Central Bank's rates for sterling and the Indian rupee which were—

		T.T. Buying	T.T. Selling
Sterling (per Ceylon rupee) ..	Spot	1 s. 6 3/64 d.	1 s. 6 1/32 d.
	Forward	1/128 d. per month	1/128 d. per month
	(up to six months)	discount against spot	premium against spot
Indian rupees (per 100) ..	Spot	Rs. 99 3/4	Rs. 99 13/16
	Forward	1/32 of a rupee per month discount against spot	1/32 of a rupee per month premium against spot

111. Consequent on the devaluation of the Pakistan rupee on July 31, 1955, the Monetary Board fixed as from August 1, 1955, the minimum buying and maximum selling rates of commercial banks for Pakistan rupees at Rs. 99 5/8 and Rs. 99 27/32 respectively per 100 Pakistan rupees. No changes were made in commercial bank buying and selling rates with respect to other currencies.

112. Table 10 shows the purchases and sales of foreign exchange by the Central Bank in 1955. Spot purchases were Rs. 211·2 million (Rs. 455·2 million in 1954) and spot sales Rs. 456·6 million (Rs. 342·3 million in 1954). The value of contracts entered into for forward purchases was Rs. 437·9 million (Rs. 207·3 million in 1954) and for forward sales Rs. 1·2 million (Rs. 2·3 million in 1954). Deliveries under forward purchase and sale contracts, including under those outstanding from the previous year, were Rs. 366·4 million and Rs. 3·1 million respectively. Total purchases (spot and deliveries under forward contracts) amounted therefore to Rs. 577·6 million; and total sales to Rs. 459·7 million.

113. *Bank Supervision.*—The Department of Bank Supervision examined 11 commercial banks in the year 1955.

114. The present examination period under Section 29 (6) of the Monetary Law Act, No. 58 of 1949, commences on May 1 in each calendar year and terminates on April 30, in the succeeding year.

115. *Currency Issue.*—A new Rs. 5 note of a different colour, but of the same design, was put into circulation in October, 1955.

116. A new 2 cent coin bearing the effigy of Her Majesty Queen Elizabeth II and the date 1955 was also issued.

117. *Demonetization of old pattern currency notes.*—On August 26, 1955, the Central Bank called in for replacement all old pattern currency notes of the denominations Rs. 10, Rs. 5, Rs. 2 and Re. 1 and subsidiary notes of the denominations 50 cents, 25 cents and 10 cents, *i.e.* notes bearing the signatures in facsimile of the Commissioners of Currency. These currency notes and subsidiary notes will cease to be legal tender after August 31, 1956. Notes not redeemed before this date will be accepted for exchange at the Central Bank and at all Kachcheries up to August 31, 1957, and thereafter only at the Central Bank for such period as the Monetary Board may decide.

118. *Income and Expenditure.*—The income of the Central Bank for the year amounted to Rs. 18,245,335·85 and expenditure including allocations to reserves in terms of section 38 of the Monetary Law Act amount to Rs. 15,245,335·75. The net profit of Rs. 3 million was paid and credited to the Consolidated Fund in terms of section 39 (c) of the Act.