

International Monetary Developments.—During 1959 Ceylon's quota in the International Monetary Fund was increased by \$30 million, 25 per cent of which was paid in gold. The increase became effective in September, 1959 and Ceylon's quota in the Fund at present is \$45 million. As far as Ceylon is concerned the importance in the enhanced quota lies in the fact that it provides for an added line of reserves against payments difficulties that may arise from possible swings in our balance of payments.

In the international sphere an overall increase in quotas would enable the Fund to have a greater flexibility of action and assure members of support within a wider range of normal drawings and also provide the Fund with additional gold reserves. The increase in international liquidity resulting therefrom is certainly a welcome step in meeting some of the pressing problems of the member countries and so sustaining international economic activity.

Pursuant to an increase in Ceylon's quota in the International Monetary Fund, Ceylon's subscription to the International Bank for Reconstruction and Development was increased to \$60 million.

IV. ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

Financial accounts of the Central Bank for the year 1959 are given in Table 6 in Appendix II. The main changes in comparison with 1958 were—

| | Change | |
|--|-------------|----------|
| | Rs. Million | Per cent |
| Total demand liabilities | + 73.2 | + 10.0 |
| Currency circulation | + 43.0 | + 7.4 |
| Demand deposits | + 30.3 | + 20.0 |
| (of which commercial banks) | + 3.9 | + 4.3 |
| International Reserve | — 152.0 | — 28.2 |
| Domestic Assets | + 252.8 | + 96.9 |
| Government and Government Guaranteed Securities | + 191.0 | + 124.5 |

+ Increase
— Decrease

The ratio of the International Reserve to currency and demand liabilities decreased from 73.8 per cent at the end of 1958 to 48.2 per cent at the end of 1959.

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

Total foreign exchange transactions of the Central Bank are shown in Table 10 in Appendix II. Spot purchases were Rs. 170.9 million and spot sales Rs. 495.9 million as compared with Rs. 167.9 million and Rs. 567.8 million in 1958. The value of contracts entered into for forward purchases was Rs. 218.3 million (Rs. 370.2 million in 1958) and for forward sales Rs. 52.4 million (Rs. 97.8 million in 1958). Deliveries under forward purchase contracts including those outstanding from the previous year amounted to Rs. 247.3 million and those under forward sale contracts amounted to Rs. 84.6 million.—Total purchases (spot and deliveries under forward contracts) amounted therefore to Rs. 418.2 million and total sales to Rs. 580.5 million.

Income and Expenditure.—The income of the Central Bank for the year amounted to Rs. 20,564,703/30 and expenditure including an allocation to reserves of a sum of Rs. 8,215,879/78 in terms of Section 38 of the Monetary Law Act amounted to Rs. 15,564,703/30. The net profit of Rs. 5 million was credited to Surplus in terms of Section 39(b) of the Monetary Law Act as the total of the Capital Accounts of the Bank as at the end of December, 1959, was less than 15 per cent of the difference between the total assets of the Bank and its assets in foreign currencies. The surplus now stands at Rs. 23 million.

Bank Supervision.—In the year 1959, 11 commercial banks were examined by the Department of Bank Supervision in terms of Section 29(1) of the Monetary Law Act.

This department also continued to perform certain functions connected with the implementation of the Bank Debits Tax Act, No. 42 of 1957.

V. PERSONNEL

Sir Arthur Ranasinha vacated office of Governor with effect from July 1, 1959. Mr. D. W. Rajapatirana, was appointed Governor of the Central Bank in terms of section 12 (1) of the Monetary Law Act, with effect from July 1, 1959. On September 14, 1959, Mr. Rajapatirana left Ceylon to attend the Commonwealth Finance Ministers' Meeting in London and the Annual Meeting of the Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, which was held in Washington. He returned to Ceylon on October 15, 1959.

Mr. J. Tyagaraja, the appointed member of the Monetary Board, was re-appointed to this post with effect from July 1, 1959.

Mr. D. W. Rajapatirana, when holding the office of Senior Deputy Governor, left the island on February 28, 1959, to attend a meeting of the Council of Governors of the SEANZA Central Banks, at New Delhi, and returned to duty in the Central Bank with effect from March 9, 1959. In terms of section 24 of the Monetary Law Act, Mr. W. Tennekoon, Deputy Governor, was designated Senior, with effect from the date of Mr. D. W. Rajapatirana's departure until his return.

Mr. E. B. Bennett, who was Adviser in the Central Bank, completed his term of service in the Central Bank on May 1, 1959, having served the Bank for a period of about two years. Mr. P. M. Jayarajan, Assistant to the Governors, was released for duty as Alternate Executive Director of the International Monetary Fund for the period November 1959 to October 1960. He assumed duties in the International Monetary Fund on November 1, 1959. Mr. D.C. Gunsekera's appointment as Alternate Executive Director of the International Bank for Reconstruction and Development terminated on October 31, 1959. He resumed duties in the Central Bank with effect from November 19, 1959, and was appointed Assistant to the Governors with effect from November 23, 1959.