

III. ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

Financial accounts of the Central Bank for the year 1961 are given in Table 6 in Appendix II. The main changes in comparison with 1960 were—

| | Change | |
|---|-------------|----------|
| | Rs. Million | Per cent |
| Total demand liabilities | +128.3 | + 15.0 |
| Currency Circulation | +119.2 | + 18.5 |
| Demand deposits | + 9.1 | + 4.3 |
| (of which commercial banks) | — 53.6 | — 38.2 |
| International Reserve | — 5.5 | — 2.9 |
| Domestic Assets | +142.4 | + 18.2 |
| Government and Government guaranteed securities | +140.9 | + 24.8 |

+ Increase

— Decrease

The ratio of the International Reserve to currency and demand liabilities decreased from 22.2 per cent at the end of 1960 to 18.8 per cent at the end of 1961.

The Central Bank's rates for U. S. dollars were changed from time to time (as shown in Appendix IB (f) 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 | .. 1sh. 6 3/64d. | .. 1sh. 6 1/32d. |
| | .. Forward | .. 1/128d. per | .. 1/128d. per |
| | (up to six months) .. | month discount against spot | month premium against spot |
| Indian Rupees (per 100) | .. Spot | .. Rs. 99 3/4 | .. Rs. 99 13/16 |
| | .. Forward | .. 1/32 of a | .. 1/32 of a |
| | (up to six months) .. | rupee per month discount against spot | rupee per month premium against spot |

Total foreign exchange transactions of the Central Bank are shown in Table 10. Spot purchases were Rs. 342. 1 million and spot sales Rs. 503. 1 million as compared with Rs. 162. 3 million and Rs. 498. 7 million in 1960. The value of contracts entered into for forward purchases was Rs. 221.8 million (Rs. 218. 5 million in 1960) and for forward sales Rs. 61. 6 million (Rs. 142. 5 million in 1960). Deliveries under forward purchase contracts including those outstanding from the previous year amounted to Rs. 230. 5 million, and deliveries under forward sale contracts amounted to Rs. 74. 4 million. Total purchases (spot and deliveries under forward contracts) amounted therefore to Rs. 572. 6 million and total sales to Rs. 577. 5 million.

Currency Issue.—During the year the Central Bank issued for the first time currency notes of the Rs. 10, Rs. 5, Rs. 2 and Re. 1 denominations incorporating a metallic thread. Notes of the same denominations issued earlier continue to remain in circulation along with the new notes.

Income and Expenditure.—The income of the Central Bank for the year amounted to Rs. 24,388,121.44 and expenditure including allocation to reserves of a sum of Rs. 11,092,487.89 in terms of Section 38 of the Monetary Law Act amounted to Rs. 19,388,121.44. 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, 1961, 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. 30 million.

Bank Supervision—In the year 1961, the Department of Bank Supervision examined 2 commercial banks under Section 29 (1) of the Monetary Law Act and 2 banking institutions which are not commercial banks on directives by the Monetary Board in terms of Section 29 (2).

The Department continued to perform certain functions connected with the implementation of the Bank Debits Tax Act No. 42 of 1957.