

APPENDIX I.

- A. EXTRACTS OF MAJOR LEGAL ENACTMENTS OF THE PARLIAMENT OF CEYLON IN 1961 WHICH RELATE TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS.

- B. MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 1961.

A—Extracts of Major Legal Enactments of the Parliament of Ceylon in 1961 which relate to the Functions and Operations of the Central Bank and Banking Institutions.

**(1) International Development Association Agreement
Act No. 7 of 1961***

2. The Minister of Finance is hereby authorised by instrument under his hand to empower such person as may be named in the instrument, on behalf of the Government of Ceylon,—

(a) to sign the Articles of Agreement (hereinafter referred to as “the Articles”) of the International Development Association (hereinafter referred to as “the Association”) which are set out in the Schedule to this Act, and

(b) to deposit with the International Bank for Reconstruction and Development (hereinafter referred to as “the Bank”) an instrument stating that the Government has accepted the Articles without reservation in accordance with the law of Ceylon and has taken all steps to enable the Government to carry out all the obligations of the Government under the Articles,

in order that Ceylon which is entitled to be an original member of the Association under Section 1 (a) of Article II of the Articles and Schedule A to the Articles, may accept membership in the Association.

3. The provisions of Sections 2 to 9 of Article VIII of the Articles shall have the force of law in Ceylon, and accordingly the Association—

(a) shall have in Ceylon the status and capacity specified in Section 2 of the said Article VIII, and

(b) shall have in Ceylon the immunities and privileges specified in Sections 3 to 9 of the said Article VIII.

4. The Minister of Finance, if he thinks fit so to do, may, on behalf of the Government, create and issue to the Association, in such form as he thinks fit, any such non-interest bearing and non-negotiable notes or similar obligations payable at par value on demand to the account of the Association as the Association may, under sub-section (e) of Section 2 of Article II of the Articles, determine to accept in place of any part of the subscription paid in or payable by Ceylon under sub-section (d) of Section 2 of Article II, and Section 2 of Article IV, of the Articles.

5. There shall be paid out of the Consolidated Fund of Ceylon—

(a) such sums as may be required to pay to the Association the initial subscription of Ceylon under Section 2 of Article II of the Articles;

(b) such sums as may, from time to time, become payable to the Association by Ceylon under the Articles; and

(c) such sums as may be required for the redemption of any notes or obligations created and issued to the Association under this Act.

*Section 1 of the Act recites the title of the Act.

6. (1) For the purpose of providing any sums required to be paid out of the Consolidated Fund of Ceylon under Section 5, the Minister of Finance is hereby authorised to raise loans, on behalf of the Government, by the creation and issue to the Central Bank of Ceylon, in such form as he thinks fit, of non-interest bearing and non-negotiable notes or obligations.

(2) Notwithstanding anything in the Monetary Law Act, No. 58 of 1949, the Central Bank of Ceylon is hereby authorised to accept and hold any notes or obligations created and issued in accordance with the provisions of sub-section (1) of this section.

(3) There shall be paid out of the Consolidated Fund of Ceylon all sums required for the redemption of any notes or obligations created and issued to the Central Bank of Ceylon under sub-section (1) of this section.

7. All sums received by or on behalf of the Government of Ceylon from the Association under the Articles shall be paid into the Consolidated Fund of Ceylon; and the sums so received, in so far as they represent capital, shall, unless otherwise provided in that behalf by any written law, be applied from time to time as the Minister of Finance may direct in the redemption of notes or other obligations issued to the Central Bank under this Act.

8. The Minister of Finance may, by Order published in the *Gazette*, make such other provision as he may consider reasonably necessary for carrying into effect any of the provisions of the Articles, and every Order made under this section and so published shall be laid before the House of Representatives and shall have the force of law unless disapproved within fourteen days.

(2) People's Bank Act, No. 29 of 1961 *

2. (1) There shall be established a bank which shall be called the People's Bank (hereafter in this Act referred to as the Bank) and which shall consist of the persons who are for the time being shareholders of the Bank.

(2) The Bank shall by the name assigned to it by sub-section (1) be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.

3. (1) The seal of the Bank shall be judicially noticed and shall be in the custody of the Board of Directors of the Bank.

(2) The seal of the Bank may be altered in such manner as may be determined by the Bank.

4. The purposes of the Bank shall be to develop the co-operative movement of Ceylon, rural banking and agricultural credit, by furnishing financial and other assistance to co-operative societies, approved societies, Cultivation Committees and other persons.

5. (1) In carrying out its purposes, the Bank may exercise all or any of the following powers:—

(a) to grant, subject to the provisions of sub-section (2)—

*Section 1 of the Act recites the title of the Act.

- (i) short-term, medium-term and long-term loans and other accommodation to co-operative societies; approved societies and Cultivation Committees;
- (ii) short-term, medium-term and long-term loans to co-operative societies, approved societies, Cultivation Committees and individuals for constructing, repairing or renovating buildings;
- (iii) short-term, medium-term and long-term loans and other accommodation to any person who intends to carry on or is carrying on any agricultural, industrial or business undertaking which, in the opinion of the Board of Directors of the Bank, is a small-scale undertaking; and
- (iv) short-term loans to persons resident in rural areas for the purchase of articles necessary for their personal or domestic requirements;
- (b) to carry on and transact, subject to such modifications and exceptions as may be prescribed, the kinds of business similar to those carried on and transacted by the Bank of Ceylon under the Bank of Ceylon Ordinance, No. 53 of 1938;
- (c) to carry on the business of a pawnbroker subject to such conditions as may be prescribed;
- (d) to provide technical assistance to any person to whom the Bank grants any loan or overdraft, and to undertake or sponsor the training of persons in assessing the value of land and the credit worthiness of borrowers, in assaying gold, in banking and in finance;
- (e) to acquire, hold, take or give on lease or hire, mortgage, pledge and sell or otherwise dispose of any immovable or movable property;
- (f) to invest the idle funds of the Bank in such securities as the Board of Directors of the Bank may consider appropriate;
- (g) to employ such officers and servants as may be necessary for carrying out the work of the Bank;
- (h) to make rules in respect of the conditions of service and disciplinary control of the officers and servants of the Bank;
- (i) to establish provident funds and pension funds for, and schemes for, and schemes for the benefit of, such officers and servants, and to make contributions to such funds and schemes from the funds of the Bank;
- (j) to borrow funds for the purposes of the business of the Bank and to give security for any loans or overdrafts obtained;
- (k) to enter into contracts; and
- (l) to do all such other things as are connected with, or incidental to, the exercise of the aforesaid powers.

(2) The Bank shall not exercise the power to grant loans, overdrafts and other accommodation to persons other than co-operative societies until the Minister approves of the exercise of that power generally or in respect of such

classes of approved societies or Cultivation Committees or classes of other persons as he may from time to time determine.

(3) The Pawnbrokers Ordinance, No. 13 of 1942, shall not apply to the Bank when the Bank carries on the business of a pawnbroker.

6. The Bank shall have its principal place of business in Colombo and may have such branches and agencies as may be necessary for the proper conduct of the business of the Bank.

7. (1) The general supervision, control and administration of the affairs and business of the Bank shall be vested in the Board of Directors of the Bank (hereafter in this Act referred to as the Board)

(2) The Board may exercise all or any of the powers of the Bank.

8. (1) The Board shall consist of the following directors:—

- (a) the Commissioner of Co-operative Development who shall be the ex-officio director;
- (b) two directors appointed by the Minister;
- (c) one director appointed by the Minister for the time being in charge of the subject of rural development;
- (d) one director appointed by the Minister of Finance; and
- (e) three directors appointed or elected as provided in sub-section (2).

(2) The Minister shall appoint the three directors referred to in paragraph (e) of sub-section (1) to hold office in the first instance, and if, for any reason any director so appointed vacates his office prior to the expiration of his term, the Minister shall appoint a successor to serve for the unexpired portion of such term; and thereafter such directors shall be elected by the general body of the Bank from persons possessing such qualifications, in accordance with such procedure, as may be prescribed.

(3) Subject to the provisions of sub-section (4), the term of office of a director, other than the ex-officio director or a director appointed under paragraph (e) of sub-section (1), shall be three years and the term of office of a director appointed under the aforesaid paragraph (e) of sub-section (1) shall be two years.

(4) If any director, other than the ex-officio director, vacates his office prior to the expiration of his term of office, his successor shall, unless such successor vacates his office earlier, hold office for the unexpired portion of such term.

(5) A director vacating his office by effluxion of time shall be eligible for reappointment or re-election.

(6) A person shall be disqualified for being appointed or elected as a director or for continuing as a director if he—

- (a) is a Senator or a Member of Parliament, or
- (b) is under any law in force in Ceylon, found or declared to be of unsound mind, or

- (c) is a person who, having been declared an insolvent or a bankrupt under any law in force in Ceylon or in any other country, is an undischarged insolvent or bankrupt, or
- (d) is convicted of an offence involving moral turpitude and punishable with imprisonment for a term not less than six months, or
- (e) is a director or an employee of a commercial bank other than the Bank.

(7) The Minister appointing a director may, by an instrument signed by him remove from office such director.

(8) A director elected under paragraph (e) of sub-section (1) shall vacate his office if a motion of no-confidence is passed at a meeting of the general body of the Bank by a majority of the members present and entitled to vote on such motion and his successor shall be elected for the unexpired portion of the term of office of such director.

(9) A director, other than the ex-officio director may resign from the Board by letter addressed to the Minister.

(10) All or any of the directors, other than the ex-officio director, may be paid such remuneration as may be determined by the Minister with the concurrence of the Minister of Finance.

(11) The quorum for any meeting of the Board shall be five.

(12) Subject to the provisions of sub-section (11) and any regulations that may be made under this Act, the Board may regulate its own procedure.

(13) No act or proceeding of the Board shall be invalid by reason only of the existence of any vacancy among the directors or any defect in the appointment or election of a director.

9. (1) There shall be a general body of the Bank consisting of the Secretary to the Treasury, the members of the Board and the persons elected by co-operative societies which are shareholders of the Bank to represent such societies in that body.

(2) Regulations may be made as to the number of persons who may be elected by co-operative societies which are shareholders of the Bank as their representatives in the general body of the Bank, the qualifications to be possessed by such persons and the procedure to be followed in the election of such persons.

(3) The general body of the Bank shall not be disqualified from performing the functions vested in it by this Act by reason only of the existence of any vacancy among its members.

(4) The Secretary to the Treasury, the ex-officio director and the appointed directors shall not be entitled to vote on any motion or resolution before the general body of the Bank if such motion or resolution relates to the election, or removal from office, of a director.

In this sub-section, "appointed director" means a director appointed by a Minister under section 8.

10. (1) The Minister shall nominate one of the directors to be the first Chairman of the Board. Thereafter the Chairman of the Board shall be elected by the directors. The *ex-officio* director shall preside at a meeting of the directors for the election of the Chairman of the Board and shall, for the purpose of such election, have a casting vote.

(2) No person who holds a paid office as a servant of the Crown in respect of the Government of Ceylon shall be eligible to be the Chairman of the Board.

(3) The Chairman of the Board shall, unless he earlier vacates the office of Chairman, hold that office as long as he is a director.

11. A director who is directly or indirectly interested in any loan or other accommodation to be considered by the Board shall disclose the nature of his interest to the Board and shall not be present while the Board is considering such loan or other accommodation.

12. (1) The share capital of the Bank shall be six million rupees divided into one hundred and twenty thousand shares of fifty rupees each. The share capital may, however, be increased from time to time by such amount as may be determined by resolution of the House of Representatives.

(2) The Board shall allot the Secretary to the Treasury, in his official capacity, sixty thousand fully-paid up shares, and he shall hold such shares for and on behalf of the Crown.

(3) The Board shall cause the balance of the shares to be available for subscription by co-operative societies.

(4) The Secretary to the Treasury shall pay for the shares allotted to him in his official capacity only the amount representing the difference between three million rupees and the sum due to the Government from the Co-operative Federal Bank of Ceylon Limited, under the Co-operative Federal Bank of Ceylon Ltd. (Financial Aid) Ordinance, No. 39 of 1947. Such amount shall be paid out of the Consolidated Fund of Ceylon.

13. (1) No shareholder of the Bank shall sell his shares to any person other than a co-operative society or the Secretary to the Treasury in his official capacity.

(2) The Secretary to the Treasury on being authorised in that behalf by the Minister of Finance may sell to any co-operative society any shares held by him for and on behalf of the Crown at not less than the par value of those shares, and the proceeds of the sale shall be paid to the Consolidated Fund of Ceylon.

(3) The Secretary to the Treasury may, with the approval of the Minister of Finance, purchase any shares offered to him for purchase under sub-section (1), and the purchase price shall be paid out of the Consolidated Fund of Ceylon. All shares purchased by the Secretary to the Treasury shall be held by him for and on behalf of the Crown.

14. The liability of a shareholder shall be limited to any sum due from him to the Bank in respect of any shares allotted to him,

15. (1) The Government shall—

(a) grant to the Bank out of the Consolidated Fund of Ceylon—

- (i) a sum of five hundred thousand rupees out of which the preliminary expenses connected with the establishment of the Bank, other than any expenses relating to the construction of buildings, shall be defrayed and any balance of which after such preliminary expenses are defrayed shall be disposed of as provided by sub-section (4) of section 22;
- (ii) two million rupees which shall be disposed of as provided by sub-section (2) and and sub-section (5) of section 22; and
- (iii) such sums as may be authorised by resolution of the House of Representatives to be granted out of the Consolidated Fund of Ceylon for the settlement of the bad and doubtful debts in excess of the assets of any co-operative bank which is dissolved under the provisions of this Act; and

(b) lend to the Bank such sums as may be authorised by resolution passed by the House of Representatives to be lent to the Bank out of the Consolidated Fund of Ceylon for the granting of long-term or medium-term loans by the Bank.

(2) Every sum lent out of the Consolidated Fund of Ceylon to the Bank under paragraph (b) of sub-section (1) shall be repaid by the Bank in accordance with such terms and conditions as may be determined by the Minister with the concurrence of the Minister of Finance.

16. The Bank shall not commence business until a certificate signed by the Minister authorising the Bank to commence business has been given.

17 The Permanent Secretary may, upon the enactment of this Act and until the commencement of business by the Bank—

- (a) invite and receive applications for shares;
- (b) allot shares;
- (c) do any of the acts which the Board is by this Act empowered to do; and
- (d) do all other acts whatsoever as he may deem necessary for the formation of the Bank.

18. (1) Any act done by the Permanent Secretary under section 17 shall, for all purposes, have the same effect as if such act had been done by the Board.

(2) The Board may continue any action or thing commenced by the Permanent Secretary and remaining unfinished or incomplete at the date of commencement of business by the Bank, as if such action or thing had been commenced by the Board.

19. (1) There shall be established for the purposes of this Act a fund to be known as the Building Fund.

(2) The Government shall grant to the Bank out of the Consolidated Fund of Ceylon one million rupees to be credited by the Bank to the Building Fund.

(3) The moneys in the Building Fund shall be utilised for the purchase of lands and buildings, and the construction of buildings, for the Bank and for the maintenance and repair of such buildings.

20. (1) In addition to the sums lent by the Government under section 15 (1) (b) to the Bank for the purpose of granting long-term or medium-term loans, the Bank may, subject to the provisions of sub-section (2) and such regulations as may be made under this Act from time to time, raise, or with the approval of the Minister given with the concurrence of the Minister of Finance request the Monetary Board of the Central Bank of Ceylon to raise on its behalf, any sums by the issue of debentures.

(2) No debentures shall be issued under sub-section (1) without the approval of the Minister of Finance given after consultation with the Monetary Board of the Central Bank of Ceylon.

(3) The Monetary Board of the Central Bank of Ceylon shall comply with a request made under sub-section (1) if the issue of the debentures necessary for compliance with that request is approved by the Minister of Finance.

21. (1) Minister of Finance shall guarantee—

(a) the repayment of any sum due to the Bank on any loan, overdraft or other accommodation granted by the Bank with the approval of such Minister under the proviso to section 26; and

(b) the repayment of any sum due on debentures issued under this Act.

(2) Any sum required for the fulfilment of a guarantee provided under sub-section (1) may, with the approval of the House of Representatives, be paid out of the Consolidated Fund of Ceylon.

(3) Any sum paid out of the Consolidated Fund of Ceylon in fulfilment of a guarantee provided under sub-section (1) (b) shall be repaid, together with interest thereon at such rate as the Minister of Finance may determine with the concurrence of the Minister, by the Bank in such manner and over such period as the Minister of Finance may, with such concurrence, determine.

(4) Immediately after a guarantee is given under sub-section (1), the Minister of Finance shall lay a statement of the guarantee before the Senate and the House of Representatives.

(5) Where any sum is paid out of the Consolidated Fund of Ceylon in fulfilment of a guarantee provided under sub-section (1), the Minister of Finance shall forthwith lay before the Senate and the House of Representatives a statement that such sum has been paid.

22. (1) The Bank shall establish a General Reserve.

(2) The Bank shall credit to its General Reserve one half of the two million rupees referred to in section 15 (1) (a) (ii).

(3) The Bank shall establish a Special Reserve for bad and doubtful debts.

(4) When any sum out of the five hundred thousand rupees referred to in section 15 (1) (a) (i) is left after the preliminary expenses mentioned in that section are defrayed, the Bank shall credit that sum to its Special Reserve.

(5) The Bank shall credit to its Special Reserve one half of the two million rupees referred to in section 15 (1) (a) (ii).

23. (1) With effect from such date (hereafter in this section referred to as the appointed date) as may be appointed by the Minister by Order published in the *Gazette*—

(a) the Co-operative Federal Bank of Ceylon, Limited, shall be deemed to have been dissolved, and

(b) the assets and liabilities of the Co-operative Federal Bank of Ceylon, Limited, shall be the assets and liabilities of the Bank.

(2) On and after the appointed date—

(a) all contracts, deeds, bonds, agreements and other instruments which subsist or have effect on the day immediately preceding that date and to which the Co-operative Federal Bank of Ceylon, Limited, is a party shall have effect against or in favour of the Bank, as the case may be, and may be enforced as fully and effectually as if, instead of the Co-operative Federal Bank of Ceylon, Limited, the Bank had been a party thereto; and

(b) all suits, appeals or other legal proceedings instituted by or against the Co-operative Federal Bank of Ceylon, Limited, and pending on the day immediately preceding that date shall not abate or be discontinued or be in any way prejudicially affected by reason of the dissolution of the Co-operative Federal Bank of Ceylon, Limited, and may be continued and enforced by or against the Bank, as the case may be:

Provided that nothing in paragraph (a) of this sub-section shall be construed as curtailing in any manner the right of the Bank to terminate the services of, or to vary the conditions of service of, any officer or servant of the Bank who, on the day immediately preceding the appointed date, was an employee of the Co-operative Federal Bank of Ceylon, Limited

24. (1) Where the Minister is satisfied—

(a) on written information received from the Commissioner of Co-operative Development, that a co-operative bank—

(i) has been conducting its affairs continually in an unsatisfactory or inefficient manner, or

(ii) desires that it should be dissolved and that its business should be taken over by the Bank, and

(b) that the Bank agrees to take over the business of such co-operative bank,

he may, by Order published in the *Gazette*, declare that, with effect from the date specified in that Order,—

(i) such co-operative bank shall be deemed to have been dissolved, and

(ii) the assets and liabilities of such co-operative bank shall be the assets and liabilities of the Bank.

(2) On and after the date on which an order under sub-section (1) relating to a co-operative bank takes effect—

- (a) all contracts, deeds, bonds, agreements and other instruments which subsist or have effect on the day immediately preceding that date and to which such co-operative bank is a party shall have effect against or in favour of the Bank, as the case may be, as fully and effectually as if, instead of such co-operative bank, the bank had been a party thereto; and
- (b) all suits, appeals or other legal proceedings instituted by or against such co-operative bank and pending on the day immediately preceding that date shall not abate, or be discontinued or be in any way prejudicially affected by reason of the dissolution of such co-operative bank, and may be continued and enforced by or against the Bank as the case may be.

25. After the commencement of business by the Bank—

- (a) no co-operative society shall, unless exempted in writing by the Commissioner of Co-operative Development, deposit its funds in, or maintain any current or deposit account with, any commercial bank, other than the bank, and
- (b) no co-operative society shall, except with the written approval of the Commissioner of Co-operative Development, obtain a medium-term or long-term loan from any commercial bank other than the Bank.

26. No loan, overdraft or other accommodation shall be granted by the Bank to any person unless the Board is satisfied that he is worthy of credit up to the amount of such loan, overdraft or other accommodation or that such amount is secured by adequate security, or that the project or scheme to which such amount is to be applied is financially sound:

Provided that the Bank may grant any loan, overdraft or other accommodation to any co-operative society, approved society, or Cultivation Committee which is unable to satisfy the Board as to the requirements contained in the preceding provisions of this section if the grant of such loan, overdraft or other accommodation is approved by the Minister in consultation with the Minister of Finance and if the Minister of Finance guarantees under section 21 (1)(a) the repayment of such loan, overdraft or other accommodation.

27. For the purpose of deciding whether any immovable property tendered as security for any loan, overdraft or other accommodation should or should not be accepted by the Bank, the Board shall have access without fee or charge to the valuation roll of any local rating or taxing authority, and the officers of every such authority shall upon application supply to the Board full particulars as to any valuation of property in respect of which such authority has power under the provisions of any law to levy any rate or tax.

28. (1) Every person—

- (a) to whom any loan, overdraft or other accommodation is granted by the Bank, or
- (b) who has obtained probate of the will or letters of administration to the estate of a person to whom any loan, overdraft or other accommodation has been granted by the Bank, or who, upon application made in that behalf by the Board, has been appointed by court to represent such estate, or
- (c) to whom any right, title or interest whatsoever in any immovable property mortgaged to that Bank as security for any loan, overdraft or other accommodation has passed, whether by voluntary conveyance or by operation of law,

shall register with the Bank an address to which all notices to him may be addressed.

(2) Any notice which is required to be served on any person to whom sub-section (1) applies shall be deemed to have been duly served on that person if it is sent by post in a registered letter directed to that person at the address registered by him under that sub-section, and the service shall be deemed to have been effected at the time at which the letter would be delivered in the ordinary course of post:

Provided that, where any such person fails to register his address under sub-section (1), the Bank shall publish, in the *Gazette* and in a daily newspaper, a notice addressed to him, and such notice shall be deemed to be duly given to him on the day on which such notice is last published.

29. Where default is made in the payment of any sum payable as an instalment in repayment of the amount of any loan, overdraft or other accommodation granted by the Bank on the mortgage of any immovable property or as interest on that loan, overdraft or other accommodation, default shall be deemed to have been made in respect of the whole of such portion of the amount of that loan, overdraft or other accommodation as has not been repaid to the Bank and the interest due thereon.

30. Where under section 29 a default is deemed to have been made in respect of any sum, the provisions of sections 68 to 83 (both sections inclusive) of the Agricultural and Industrial Credit Corporation Ordinance, No. 19 of 1943, shall apply for the purpose of the recovery of that sum in like manner as if those provisions were part of this Act, and in such application those provisions shall have effect as if—

- (a) every reference therein to the “Board” were a reference to the Board of Directors of the Bank;
- (b) every reference therein to the “corporation” were a reference to the Bank;
- (c) every reference therein to a “loan” were a reference to a loan or an overdraft or any other accommodation granted by the Bank;

- (d) every reference therein to the "Ordinance" were a reference to this Act;
- (e) the reference in section 72 of those provisions to "section 62" were a reference to section 28 of this Act; and
- (f) the reference in section 79 (3) of those provisions to "the Form B in Schedule" were a reference to "such form as may be prescribed", and the reference in that section to "the Form C in that Schedule" were a reference to "such form as may be prescribed".

31. Medium-term and long-term loans granted by the Bank shall be out of moneys lent by the Government to the Bank under section 15 (1) (b) or raised under section 20 by the issue of debentures.

32. (1) There shall be a General Manager of the Bank who shall be the Bank's chief executive officer and who shall conduct the business of the Bank under the general supervision and control of the Board.

(2) The Board may delegate any of its powers or duties to any officer of the Bank and may revoke any such delegation either wholly or in part and either as to persons or purposes.

(3) An officer to whom any power or duty of the Board is delegated under this section, shall, in the exercise or performance of that power or duty, conform to all such directions as may be given by the Board. All acts done by such officer in conformity with such directions and in fulfilment of the purposes of the delegation made to him, but not otherwise, shall have the like force and effect as if done by the Board.

33. The Board shall cause the accounts of the Bank to be kept in such form and manner as may be determined by the Board.

34. (1) The accounts of the Bank for each financial year shall be submitted to the Auditor-General for audit before the thirtieth day of June of the succeeding year. For the purposes of assisting him in the audit of such accounts, the Auditor-General may employ the services of any qualified auditor or auditors who shall act under his direction and control.

(2) For the purpose of meeting the expenses incurred by him in the audit of the accounts of the Bank, the Auditor-General shall be paid by the Bank such remuneration as the Minister may determine with the concurrence of the Minister of Finance. Any remuneration received from the Bank by the Auditor-General shall, after deducting any sums paid by him to any qualified auditor employed by him for the purposes of such audit, be credited to the Consolidated Fund of Ceylon.

(3) The Auditor-General and any person assisting the Auditor-General in the audit of the accounts of the Bank shall have access to all such books, deeds, contracts, accounts, vouchers and other documents of the Bank as the Auditor-General may consider necessary for the purposes of the audit, and shall be furnished by the Board and the Bank with such information within their knowledge as may be required for such purpose.

(4) The Auditor-General shall examine the accounts of the Bank and furnish a report—

- (a) stating whether he has or has not obtained all the information and explanations required by him,
 - (b) stating whether the accounts referred to in the report are properly drawn up so as to exhibit a true and fair view of the affairs of the Bank, and
 - (c) drawing attention to any item in the accounts which in his opinion may be of interest to the Senate and the House of Representatives in any examination of the activities and accounts of the Bank.
- (5) The Auditor-General shall transmit his report to the Board.
- (6) For the purposes of this section, the expression "qualified auditor" means any person who is a member of the Institute of Chartered Accountants of Ceylon and who is registered as an auditor under the Companies Ordinance, No. 51 of 1938.

35. (1) The Board shall, on receipt of the Auditor-General's report in respect of any year, cause a copy of each of the following documents relating to that year to be transmitted to the Minister and the Minister of Finance:—

- (a) Auditor-General's report.
- (b) Balance-Sheet.
- (c) Report of the Board on the work of the Bank.

(2) The Minister shall lay copies of the documents transmitted to him under sub-section (1) of this section before the Senate and the House of Representatives.

(3) On receipt by the Board of the Auditor-General's report for any financial year, the Chairman of the Board shall without delay convene a meeting of the general body of the Bank and shall submit that report together with the documents referred to in items (b) and (c) of sub-section (1) for consideration at that meeting.

36. (1) The General Manager of the Bank, or an accountant or other officer of the Bank authorised in that behalf by such General Manager, may—

- (a) examine the books and accounts of any co-operative society to which or other person to whom, any loan, overdraft or other accommodation has been granted by the Bank or by any other co-operative society to which the Bank has granted any loan, overdraft or other accommodation;
- (b) examine any office-bearer, member or employee of any such co-operative society or other person as is first mentioned in paragraph (a) of this sub-section for the purpose of ascertaining the true condition of the affairs of that co-operative society or other person;
- (c) direct any such office-bearer, member or employee as is referred to in paragraph (b) of this sub-section to furnish to the officer of the Bank giving the direction any such information as that officer may require for the purpose mentioned in that paragraph; and

(d) direct any such office-bearer, member or employee as is referred to in paragraph (b) of this sub-section to produce for inspection by the officer of the Bank giving the direction any books, records or other documents in the possession of that office-bearer, member or employee and containing or likely to contain any such information as may be required by that officer for the purpose mentioned in that paragraph.

(2) Every officer of the Bank exercising the powers conferred by sub-section (1) shall, for the purposes of the Oaths Ordinance, be deemed to be a person having by law authority to receive evidence in regard to the affairs of the co-operative society in respect of which such powers are exercised.

(8) No person shall, without reasonable cause, fail or refuse to be examined or to answer any question when examined, or to comply with any direction given, under sub-section (1).

(4) No person shall, in furnishing any information or producing any books, records or other documents under sub-section (1), furnish any information which he knows to be false or incorrect or produce any books, records or other documents which contain statements which he knows to be false or incorrect.

(5) No person shall obstruct any officer of the Bank in the exercise of powers conferred by sub-section (1).

37. Where the General Manager of the Bank is satisfied, after an examination of the affairs of a co-operative society under section 36, that such co-operative society is insolvent or that its continuance in business is likely to result in loss to its creditors, he shall make a report on the affairs of such co-operative society to the Board, and if the Board, after considering such report, is of the opinion that action should be taken to dissolve and liquidate such co-operative society, the Board shall recommend such action to the Commissioner of Co-operative Development.

38. Every person who contravenes or fails to comply with any of the provisions of this Act shall be guilty of an offence.

39. Every person who is guilty of an offence under this Act shall be liable, on conviction after summary trial before a Magistrate, to a fine not exceeding five hundred rupees or to imprisonment of either description for a term not exceeding one month or to both such fine and imprisonment.

40. Where any offence under this Act is committed by a body of persons, then—

(a) if the body of persons is a body corporate, every director and officer of that body corporate, and

(b) if the body of persons is a firm, every partner of that firm, shall be deemed to be guilty of such offence:

provided that no such director, officer or partner shall be deemed to be guilty of such offence if he proves that such offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

41. Notwithstanding anything in any other written law—

- (a) the Bank shall be exempt from the payment of income tax upon the profits and income of the Bank; and
- (b) the Board and the Bank shall be exempt from the payment of stamp duty on any instrument executed by, on behalf of, or in favour of the Board or the Bank in cases where, but for the exemption, the Board or Bank would be liable to pay the duty chargeable in respect of such instrument.

42. Where the Bank grants any loan, overdraft or other accommodation to a co-operative society and thereafter the committee of that co-operative society is dissolved under section 35A of the Co-operative Societies Ordinance, the Bank shall be deemed—

- (a) for the purposes of sub-section (1) of that section, to be a suitable person, and
- (b) for the purposes of sub-section (3) of that section, to be a fit and proper person,

to manage and administer the affairs of that co-operative society.

43. (1) The Minister may make regulations for the purpose of carrying out or giving effect to the principles and provisions of this Act.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1), the Minister may make regulations in respect of the following matters:—

- (a) any matter required by this Act to be prescribed or in respect of which regulations are authorised or required by this Act to be made;
- (b) the manner of application for shares of the Bank, the registration of the holders of such shares, the issue and renewal of share certificates, the transfer of such shares and any other matter connected with, or incidental to, the aforesaid matters relating to shares;
- (c) the form of debentures, the rate of interest payable thereon, the time or times at which and the manner in which debentures are to be redeemed, the transfer of debentures and any other matter connected with, or incidental to, the aforesaid matters relating to debentures; and

(d) the charges payable by persons for services rendered by the Bank.

(3) No regulation made by the Minister under this section shall take effect unless it is approved by the Senate and the House of Representatives and notification of such approval is published in the *Gazette*.

44. provisions of this Act shall have effect notwithstanding anything to the contrary contained in the Co-operative Societies Ordinance,

45. (1) The provisions of the Companies Ordinance, No. 51 of 1938, shall not apply to the Bank.

(2) Notwithstanding the provisions of sub-section (1), the Minister may, whenever it may seem expedient for him to do so, by Order declare that any such provision of the Companies Ordinance, No. 51 of 1938, as is specified in the Order shall apply to the Bank. Every Order made under this sub-section shall have the force of law.

46. With effect from the date of dissolution of the Co-operative Federal Bank of Ceylon, Limited, the Co-operative Societies Ordinance, as amended by Act No. 21 of 1949, is hereby further amended, in section 35A of the Ordinance by the substitution, in sub-section (7) of that section, for the words "Co-operative Federal Bank of Ceylon, Limited", of the words "People's Bank".

47. With effect from the date of dissolution of the Co-operative Federal Bank of Ceylon, Limited, the Co-operative Federal Bank of Ceylon, Ltd, (Financial Aid) Ordinance, No. 39 of 1947, is hereby repealed.

48. In this Act, unless the context otherwise requires—

"approved societies" means societies approved for the purposes of this Act by the Minister by Order published in the *Gazette*;

"commercial bank" shall have the same meaning as in the Monetary Law Act, No. 58 of 1949;

"co-operative bank" means a co-operative bank being a co-operative society registered under the Co-operative Societies Ordinance;

"co-operative society" means a co-operative society registered under the Co-operative Societies Ordinance;

"Cultivation Committee" shall have the same meaning as in the Paddy Lands Act, No. 1. of 1958;

"general body of the Bank" means the general body of the Bank constituted in accordance with the provisions of section 9 of this Act;

"long-term loan" means a loan repayable not earlier than ten years after the date of the grant of that loan;

"medium-term loan" means a loan repayable not earlier than five years, and not later than ten years, after the date of the grant of that loan;

"shares" means shares in the capital of the Bank;

"short-term loan" means a loan repayable not later than five years after the date of the grant of that loan.

(3) Bills of Exchange (Amendment) Act, No. 30 of 1961*

2. Section 14 of the Bills of Exchange Ordinance, hereinafter referred to as the "principal enactment" is hereby amended, in paragraph (4) of that section by the substitution, for the words 'term "month"', of the following;—

'term "month" or "මාසය" or "மாசம்" .

3. Section 35 of the principal enactment is hereby amended, in sub-section (1) of that section, by the substitution, for all the words from "if a bill" to the end of that sub-section, of the following:—

'if a bill be endorsed--

"Pay D only" or "பி டி பමனைக் கெலெனு"
or "டிக்கு மாத்திரம் கொடுக்க"; or

"Pay D for the account of X" or "එක්සේ
කෙතෙවි පී ටි කෙලෙනු" or "X இன் கணக்கில் டி
க்குக் கொடுக்க"; or

"Pay D or order for collection" or 'பி டி
ஓர்டர் ஫ர் கலெக்சன் கெலெனு" or "டி க்கு அல்லது
அவரின் கட்டளைப்படி கொடுக்க" .

4. Section 76 of the principal enactment is hereby amended as follows:—

(a) by the substitution, for sub-section (1) of that section, of the following sub-section:—

'(1) Where a cheque bears across its face an addition of two parallel transverse lines, either with or without the words "not negotiable" or

"ගනු දෙනු කළ නො හැකි" ය or "கை மாறத்
தகாத", that addition constitutes a crossing, and the
cheque is crossed generally.'; and

(b) in sub-section (2) of that section, by the substitution, for the words "with or without the words "not negotiable", of the following:—

'with or without the words "not negotiable" or "ගනු
දෙනු කළ නො හැකි ය" or "கை மாறத்தகாத" .

5. Section 77 of the principal enactment is hereby amended, in sub-section (4) of that section, by the substitution, for the words 'add the words "not negotiable."', of the following:—

'add the words "not negotiable" or "ගනු දෙනු
කළ නො හැකි ය" or "கை மாறத்தகாத" .

6. (1) Section 81 of the principal enactment is hereby amended by the substitution, for the words 'bears on it the words "not negotiable", he shall', of the following:—

'bears on it the words "not negotiable" or "ගනු දෙනු
කළ නො හැකි ය" or "கை மாறத்தகாத", he shall.

(2) The marginal note to section 81 of the principal enactment is hereby amended by the substitution, for the words ' with words " not negotiable " ', of the following :—

' with words " not negotiable " or " **கனியு டேஜி கலி**
கொ லாகி ல " or " **கை மாறத்தகாத** " '.

(4) Tax Reserve Certificates (Amendment) Act. No. 51 of 1961*

2. Section 6 of the Tax Reserve Certificates Act, No. 22 of 1957, is hereby repealed and the following new section substituted therefor :—

6. (1) "The minister of Finance may from time to time, by Order published in the *Gazette*, specify the rate of interest in respect of Certificates authorised to be issued under this Act.

(2) The surrender value of any Certificate surrendered under section 5 shall be the aggregate of the denominational value of the Certificate and interest on such denominational value calculated, in respect of each completed period of one month from the date of the Certificate to the date on which the tax is due, at the rate of interest specified in the Order under sub-section (1) which was in force on the date of the Certificate or, if no such Order was in force on the date of the Certificate, at a rate of interest of one per centum per annum. "

(5) Finance Act, No. 65 of 1961*

PART I

NATIONALISATION OF THE BANK OF CEYLON

2. All the ordinary shares of the Bank of Ceylon (in this Part of this Act referred to as "the Bank") shall be deemed to have vested in the Government on the relevant date, and accordingly the Government shall be deemed as from that date to have been, and to be, the holder of such shares.

3. (1) Compensation in respect of each ordinary share of the Bank which is deemed to have vested in the Government shall be paid by the Government to the person who was the holder of that share on the day immediately prior to the date of such vesting on the basis of the price paid by that person for such share or, if that person became such holder not by acquisition for valuable consideration but by operation of law, or by a voluntary transfer, without such consideration, on the basis of the price paid for such share by the person who last was the holder of such share by virtue of acquisition for such consideration.

*Section 1 of the Act recites the title of Act

(2) Compensation in respect of the ordinary shares of the Bank which are deemed to have vested in the Government shall be payable in cash, or in five per centum negotiable Government stock, or both in such cash and such stock in such proportion as may be determined by the Minister. Such stock shall be deemed to have been issued under the Registered Stock and Securities Ordinance. The date of redemption of any such stock shall be ten years.

(3) No person to whom any stock has been issued by way of compensation under sub-section (2) shall be entitled to alienate the whole or any part of such stock except by way of gift or will.

(4) Any dispute between the Bank and any other person as to the amount of compensation payable to that person under this Part of this Act shall be referred by the Bank to the Minister whose decision thereon shall be final and conclusive.

4. The compensation payable in respect of the shares which are deemed to have vested in the Government shall be charged on the Consolidated Fund of Ceylon.

5. The Bank shall be deemed not to have been authorised to carry on the several kinds of business hereafter specified during the period which commenced on the relevant date and ended on the day immediately prior to the date of commencement of this Act except under and in accordance with any general or special directions issued in that behalf by the Secretary to the Treasury, and accordingly any such business so transacted by such Bank in contravention of the preceding provision of this section shall be deemed to have been, and to be, null and void :—

- (a) to negotiate loans and advances ;
- (b) to borrow or raise money ;
- (c) to acquire any other business ;
- (d) to enter into any arrangement for sharing profits, union of interest, co-operation, joint adventure, reciprocal concession, or otherwise with any other person ; and
- (e) to sell or dispose of the entire undertaking of the Bank or any part thereof.

6. All transactions of any kind whatsoever in the ordinary shares of the Bank whether by way of sale, transfer or otherwise, the declaration and payment of dividends on such shares, the issue of debentures, and any other transactions relating to any sale or other disposal of the investments of the Bank during the period which commenced on the relevant date and ended on day immediately prior to the date of commencement of this Act, shall be deemed to have required the prior approval of the Secretary to the Treasury, and accordingly any such transactions, declarations, payments and issues made, entered into or effected in contravention of the preceding provisions of this section shall be deemed to have been, and to be, null and void.

7. The Directors of the Bank during the period which commenced on the relevant date and ended on the day immediately prior to the date of commencement of this Act, shall be deemed to have, during that period, carried on the business of the Bank for and on behalf of the Government, and accordingly any act or thing done by them under the Bank of Ceylon Ordinance during that period shall, save as otherwise expressly provided in this Part of this Act, be deemed not to have been, and not to be, null and void by reason only of the fact that the Government was the sole shareholder of the Bank.

8. The following provisions shall have effect in respect of the Bank:—

- (a) The Directors of the Bank on the day immediately prior to the date of commencement of this Act shall cease to hold office as such Directors on that day.
- (b) The management and administration of the business and affairs of the Bank shall be vested in a Board of Directors constituted as provided in this section.
- (c) The Board of Directors so constituted may exercise, discharge or perform the powers, functions or duties of the Bank for the purpose of carrying on the business, and administering the affairs, of the Bank.
- (d) The Board of Directors of the Bank shall consist of six Directors, five of whom shall be appointed by the Minister and the other shall be the person for the time being holding the office of Secretary to the Treasury. Each Director so appointed is in this section referred to as an “appointed Director”, and the Secretary to the Treasury is in this section referred to as the “ex-officio Director”.
- (e) A Senator or a Member of Parliament shall not be qualified to be a Director.
- (f) The Minister shall appoint one of the appointed Directors as the Chairman of the Board of Directors.
- (g) Every appointed Director shall hold office for a period of three years, unless he is earlier removed from office or vacates his office.
- (h) If any appointed Director is temporarily unable to discharge the duties of his office on account of ill-health, or absence from Ceylon, or any other cause, the Minister may appoint some other person to act as a Director in his place.
- (i) If the ex-officio Director is unable to attend any meeting of the Board of Directors, he may authorise any other officer to be present on his behalf at such meeting; and the officer so authorised shall be deemed for the purpose of such meeting to be a member of the Board of Directors.

- (j) An appointed Director may resign his office by letter addressed to the Minister.
- (k) The Minister may, if he thinks it expedient to do so, remove an appointed Director from office.
- (l) A Director who vacates office by resignation or effluxion of time shall be eligible for reappointment.
- (m) A Director may be remunerated out of the funds of the Bank in such manner and at such rates as the Minister may determine.
- (n) The ex-officio Director shall have all the same rights and privileges as the appointed Directors.

9. The Government Director within the meaning of the Bank of Ceylon Ordinance shall be deemed, during the period which commenced on the relevant date and ended on the day immediately prior to the date of commencement of this Act, to have been entitled to vote at meetings of the Directors of the Bank.

10. Regulations may be made under this Act for the purpose of making all such provisions as may be necessary to enable the Bank to continue to function as a Corporation under the Bank of Ceylon Ordinance with the Government as the sole shareholder of the Bank, and in particular, but without prejudice to the generality of the foregoing provisions of this section, such regulations may make all such amendments in, or modifications to, the Bank of Ceylon Ordinance as may be necessary for achieving that purpose and for giving effect to or carrying out the principles or provisions embodied in the preceding provisions of this Part of this Act.

11. The provisions of this Act or any regulations made thereunder shall have effect notwithstanding anything to the contrary in the Bank of Ceylon Ordinance or any regulations made thereunder or any other written law, and accordingly the Bank shall be deemed not have ceased to be a Corporation under that Ordinance by reason of the fact that the Government is the sole shareholder of the Bank.

12. In this Part of this Act, the expression "Bank of Ceylon Ordinance" means the Bank of Ceylon Ordinance, No 53 of 1938, as subsequently amended.

PART II

SURCHARGE ON INCOME TAX, AMENDMENTS TO THE INCOME TAX ORDINANCE, LAND TAX ACT AND PERSONAL TAX ACT, THE IMPOSITION AND LEVY OF A SURTAX, AND THE DISPOSAL OF SURPLUS INCOME.

13. (1) Every person who is chargeable with income tax for the year of assessment commencing on April 1, 1961, shall, notwithstanding anything

contained in any other written law or in any convention, grant or agreement, be liable to pay a surcharge equivalent to fifteen per centum of the amount of the income tax payable by him for that year of assessment.

(2) The surcharge referred to in sub-section (1) shall, in the case of a non-resident company, be reckoned on the amount of income tax that would have been payable by such company for the year of assessment commencing on April 1, 1961, if the sum equal to six per centum of the taxable income of such company for that year of assessment, which should have formed part of the amount of income tax in accordance with the provisions of section 53C of the Income Tax Ordinance, had not been included in the amount of income tax.

(3) The surcharge referred to in sub-section (1) shall, in the case of any person who is entitled to a set off under sub-section (3) of section 44, or under sub-section (6) or sub-section (7) or sub-section (8) of section 53 D, of the Income Tax Ordinance, be reckoned on the amount of income tax that would have been payable by such person for the year of assessment commencing on April 1, 1961, if such set off had not been made.

(4) For the purposes of the assessment, payment and recovery of the surcharge referred to in sub-section (1), the provisions of Chapter X, Chapter XI, Chapter XII, and Chapter XIII of the Income Tax Ordinance shall apply in all respects as though the surcharge were income tax payable for the year of assessment commencing on April 1, 1961.

(5) Where any person is under section 84 of the Income Tax Ordinance entitled to have refunded any amount paid by him as income tax in excess of the amount which he was properly chargeable for the year of assessment commencing on April 1, 1961, such person shall, if he has paid the surcharge referred to in sub-section (1), be in addition entitled to have refunded an amount representing fifteen per centum of the amount refunded under the said section 84.

14. In respect of each year of assessment commencing on or after April 1, 1961, section 20 F of the Income Tax Ordinance (as amended by Act No. 13 of 1959) shall have effect as if, for the expression "one thousand rupees" occurring in each of the sub-sections (2) and (4) of that section, there were substituted the expression "five hundred rupees" and for the expression "two thousand rupees" occurring in sub-section (4) of that section, there were substituted the expression "three thousand rupees"

15. Section 3 and 4 of the Land Tax Act, No. 27 of 1961, shall not apply for any year of assessment commencing on or after April 1, 1961, but save as hereinbefore provided the other sections of that Act shall continue to apply to any such year of assessment.

16. There shall be charged for each year of assessment commencing on or after April 1, 1961, from every person who is the owner of any land in Ceylon the total extent of which on the last date of the year preceding that year of

assessment is not less than twenty acres (such total extent including the extent of any share of any land owned by such person in common with any other person) land tax under the Land Tax Act, No. 27 of 1961, at the following rates:—

Where the total extent of land is not less than twenty acres and not more than fifty acres	Rs. 5 for each acre of the total extent of such land.
Where the total extent of land is more than fifty acres and less than one hundred acres	Rs. 10 for each acre of the total extent of such land.
Where the total extent of land is one hundred acres and more	Rs. 15 for each acre of the total extent of such land.

17. In respect of each year of assessment commencing on or after April 1, 1961,—

(a) section 7 of the Personal Tax Act, No. 14 of 1959, shall have effect as if for all the words from “Such part” to “rupees in value”, there were substituted the words “Where the net wealth of the head of that family for that year of assessment amounts to or exceeds two hundred thousand rupees, such net wealth”, and

(b) section 8 of that Act shall have effect as if for all the words from “Such part” to “rupees in value”, there were substituted the words “Where the net wealth for any year of assessment of a person who is not included in a family amounts to or exceeds two hundred thousand rupees, such net wealth”.

18. (1) There shall be charged and levied for each year of assessment commencing on or after April 1, 1962, from every individual specified in column I of the Second Schedule to this Act (hereinafter referred to as an individual to whom this Part applies) a tax (hereinafter referred to as the “surtax”) at the rate of fifty per centum of such amount as is in excess of his net income as specified in the corresponding entry in column II of that Schedule.

(2) Every individual to whom this Part applies shall pay the balance of such amount as is referred to in sub-section (1), after payment of the surtax, to the Commissioner within thirty days after the date of a notice sent by the Commissioner demanding payment of such balance. The sum so paid as such balance to the Commissioner shall be credited by him to the National Development Fund established for the purpose:

Provided, however, that where it is proved to the satisfaction of the Commissioner that any individual has utilised the balance referred to in the preceding provisions of this sub-section, or any part thereof, for any of the

items of expenditure which are deemed under the succeeding provisions of this Part to be an investment in an undertaking approved by the Minister, such individual shall not be required to pay such balance, or part thereof, as the case may be, to the Commissioner.

19. (1) The Commissioner shall upon receipt of the amount paid by any individual under sub-section (2) of section 18 notify the Secretary to the Treasury of the fact of such payment and the Secretary to the Treasury shall cause National Development Bonds carrying interest at five per centum to be issued to such individual. Such bonds shall not be negotiable by the holder thereof except for the purpose of investment in an undertaking approved by the Minister and notified in the *Gazette*:

Provided, however, that any such bonds which are held by a person who is not a citizen of Ceylon shall be negotiable by him if he satisfies the Minister that he is entitled to remit their value abroad in accordance with the Exchange Control requirements for the time being in force.

All interest received by any individual in respect of bonds issued under this section shall be exempt from income tax.

(2) For the purposes of sub-section (1), each of the following items of expenditure shall be deemed to be an investment in an undertaking approved by the Minister:—

(a) any of the following items of expenditure to which an individual to whom this Part applies was committed on any date prior to the relevant date:—

(i) cost of acquisition or construction of, or improvements to immovable property;

(ii) all investment expenditure;

(iii) life, accident and health insurance premia and premia for the purchase of an annuity;

(iv) expenditure incurred in repaying any money borrowed where such money has been invested;

(b) an investment in one residential house or immovable property; or

(c) any premia paid in respect of life insurance policies.

20. Regulation may be made providing for the payment and recovery of any sum due as surtax, or due for payment on demand by the Commissioner under sub-section (2) of section 18, and any regulations so made may provide for the recovery of such sums in a summary manner.

21. In this Part of this Act—

“ individual ”—

(a) in relation to section 18 of this Act means an individual who is not exempt from income tax under the Income Tax Ordinance; and

(b) in relation to any family within the meaning of section 20D of the Income Tax Ordinance, means the head of the family;

“ income tax ” means the tax charged and levied under Income Tax Ordinance;

“ net income ” in relation to any individual, means the balance of his assessable income in respect of any year of assessment commencing on or after April 1, 1962, after the deduction of the following items:—
Income tax computed in respect of the year of assessment in accordance with the provisions of the Income Tax Ordinance (including the surcharge).

Personal tax (not including the contribution to the personal tax in respect of his taxable expenditure) in respect of the preceding year of assessment.

Land tax in respect of the preceding year of assessment.

Retiring gratuities.

Benefits received from any Provident Fund.

Commuted pensions.

Refunds under section 38 (1) or section 39 of the Widows' and Orphans' Pension Fund Ordinance or under any regulation relating to any Widows' and Orphans' Pension Fund or Scheme established for the Local Government Service.

Income arising abroad to non-national residents.

In cases where the provision of section 11A of the Income Tax Ordinance are applicable to grant relief, the amount of tax that would have been payable if those provisions had not applied:

Provided that for the purposes of determining the net income, the tax payer may at his option be allowed, as a deduction in lieu of lump sum depreciation, an annual instalment of the capital outlay in respect of which such lump sum depreciation has being determined, such annual instalment being computed at the discretion of the Commissioner:

And provided further that the following items shall not be allowed as deductions for the purpose of determining net income:—

Arrears of tax of any of the descriptions referred to herein.

Rates.

Unreduced pension in cases where a commuted pension has already been allowed as a deduction;

“ non-resident company ” shall have the same meaning as in that Ordinance;

“ year of assessment ” shall have the same meaning as in that Ordinance.

PART III

OPENING OF ACCOUNTS IN BANKS.

22. (1) On and after the relevant date—

(a) no person who is a citizen of Ceylon,

(b) no body corporate of which any director is a citizen of Ceylon,

(c) no firm of which any partner is a citizen of Ceylon, or

(d) no other body of persons, by whatever name called, the affairs of which are managed by one or more persons who is a citizen of Ceylon or who are citizens of Ceylon,

shall open any account whatsoever in any bank other than in the People's Bank, the Bank of Ceylon, the Ceylon Savings Bank, the Ceylon Post Office Savings Bank or any bank registered as a society under the Co-operative Societies Ordinance:

Provided that any person who is referred to in paragraph (a) or paragraph (b) or paragraph (c) or paragraph (d) shall be deemed not to have contravened the preceding provision of this sub-section by reason only of the fact that,—

(a) having had a current account on the relevant date in any bank other than the People's Bank or the Bank of Ceylon (in this and the succeeding Proviso referred to as a “foreign bank”), he opens a loan or overdraft account in such foreign bank; or

(b) on the maturity of a fixed deposit held by him on the relevant date in any foreign bank, he renews such deposit after the relevant date; or

- (c) at any time on or after the relevant date, he places on fixed deposit with a foreign bank a sum which together with all other sums, if any, at the date of such deposit held by that bank on fixed deposit in his name does not exceed the sum, or the aggregate of all sums, which he had on fixed deposit with the same foreign bank on the relevant date:

And provided further that a citizen of Ceylon who is an employee of any foreign bank shall be deemed not to have contravened the preceding provision of this section by reason only of the fact that he, while so employed, opens an account, whether current or savings or fixed, with that bank

(2) Nothing in the provisions of sub-section (1) shall be deemed or construed to permit any person referred to in paragraph (a) or paragraph (b) or paragraph (c) or paragraph (d) of that sub-section who has already an account in the People's Bank or the Bank of Ceylon on the relevant date to increase the amount in any savings account, or deposit account from which withdrawals cannot be made on demand (other than a fixed deposit account), held in any commercial bank other than the People's Bank or the Bank of Ceylon. In this sub-section the expression "commercial bank" shall have the same meaning as in section 126 of the Monetary Law Act No. 58 of 1949.

23. The competent authority may by notice in writing direct the manager of any bank to furnish within such time as may be specified in the notice such information as he may require for the purposes of this Part of this Act and the manager shall comply with such notice.

PART VIII

General.

57. There may be appointed such number of persons, by name or by office, to be or to act as competent authorities as may be necessary for the purposes of this Act. A person may be so appointed for the whole of Ceylon or any particular area thereof or in respect of the whole of this Act or any particular Part thereof, and the expression "appropriate competent authority", wherever it occurs in this Act, shall be construed accordingly.

58. Any competent authority or any person authorised in that behalf by such authority may direct any applicant for registration under this Act to furnish to him such information as may be required for the purposes of such registration; and that applicant shall comply with that direction.

59. Notwithstanding anything in the preceding provisions of this Act, any individual whose monthly emoluments and income from his employment, profession and business, or employment and profession, or employment and business, or profession and business, amount to or exceed three hundred rupees in the aggregate, shall be liable to pay to the Commissioner as National Development Tax an amount equivalent to four per centum of such monthly emoluments

and income. No such individual shall, however, be liable to pay National Development Tax under any other provisions of this Act. Regulations may be made modifying the relevant provisions of this Act relating to the payment and recovery of such Tax.

60. (1) The Minister may make regulations for the purposes of carrying out and giving effect to the principles and provisions of this Act.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1) the Minister may make regulations—

- (a) in respect of any matter required to be prescribed or in respect of which regulations are authorised by this Act to be made;
- (b) for the furnishing of returns in respect of the surtax and the National Development Tax;
- (c) providing for the manner of assessment and recovery of the surtax and the National Development Tax;
- (d) for appeals from the levy of the surtax and the National Development Tax, and the procedure for such appeals and the conditions subject to which such appeals may be made;
- (e) for determining the manner in which the National Development Tax may be recovered in cases where such recovery cannot be made either wholly or partly from employers and other persons liable to such tax;
- (f) for making additional assessments in regard to the surtax and the National Development tax;
- (g) for refunds of any amount of the surtax or the National Development Tax overpaid by any person or individual;
- (h) for the maintenance of official secrecy in respect of any matter relating to the levy and recovery of the surtax or the National Development tax.

(3) Every regulation made by the Minister 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 the regulation.

(4) Every regulation made by the Minister shall, as soon as convenient after its publication in the *Gazette*, be brought before the Senate and the House of Representatives for approval. A regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval, but without prejudice to anything previously done thereunder.

61. Any person who contravenes or fails to comply with any provision of this Act or any regulation made thereunder shall be guilty of an offence and

shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding one thousand rupees or to imprisonment of either description for a period not exceeding one year or to both such fine and imprisonment.

62. No suit or prosecution shall lie against the Commissioner or any competent authority or any officer acting under the direction of such Commissioner or that authority for any act which in good faith is done or purported to be done by him under this Act.

63. In this Act, unless the context otherwise requires, —

“ appointed date ” in relation to any provision of this Act in which that expression occurs, means such date as may be appointed by the Minister for the purposes of that provision;

“ business ” includes a trade but does not include a profession or any agricultural undertaking and the manufacture of any articles, goods or material from the produce of that agricultural undertaking;

“ Commissioner ” means the Commissioner of Inland Revenue and includes a Deputy Commissioner of Inland Revenue or an Assistant Commissioner of Inland Revenue specially authorised by the Commissioner either generally or for some specific purpose to act on behalf of the Commissioner;

“ relevant date ” means the 27th day of July, 1961;

“ Secretary to the Treasury ” includes the Deputy Secretary to the Treasury;

“ year of assessment ” shall have the same meaning as in the Income Tax Ordinance.

**B—MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE
MONETARY BOARD IN 1961.**

(a) Circular No. 12

Central Bank of Ceylon,
P. O. Box. 590,
Colombo.

January 26, 1961.

CENTRAL BANK'S RATE OF INTEREST ON ADVANCES

(Reference: Sections 82 and 86 of the Monetary Law Act)

1. With effect from today (January 26, 1961) the rate of interest on advances by the Central Bank to commercial banks secured by the pledge of Government securities shall be 4% per annum.
2. With effect from today (January 26, 1961) the rate of interest on advances by the Central Bank to commercial banks secured by the pledge of Usance Promissory Notes relating to Commercial and Production loans shall be 4% per annum.
3. Circulars No. 9 of August 12, 1960, and No. 9/1 of August 27, 1960, are hereby withdrawn.

S. D. AMERASINGHE
Chief Accountant,
Central Bank of Ceylon.

D. W. RAJAPATIRANA
Governor,
Central Bank of Ceylon.

(b) Circular No. 13

Central Bank of Ceylon,
P. O. Box. 590,
Colombo.
January 26, 1961.

COMMERCIAL BANKS' RATES OF INTEREST ON ADVANCES

(Reference: Section 103 of the Monetary Law Act)

Circulars No. 10 of August 12, 1960 and No. 10/1 of August 27, 1960 are hereby withdrawn with effect from today, January 26, 1961.

S. D. AMERASINGHE
Chief Accountant,
Central Bank of Ceylon.

D. W. RAJAPATIRANA
Governor,
Central Bank of Ceylon.

(c) Circular Letter No. 14

Central Bank of Ceylon,
P. O. Box No. 590,
Colombo.

July 24, 1961.

Dear Sir,

RESERVE REQUIREMENTS - REGULATIONS 'D' & 'G'

Your attention is invited to the notifications appearing in the Ceylon Government Gazette Extraordinary of 21st July, 1961, which amend Regulation D published in Gazette No. 10,143 of August 28, 1950, as amended from time to time and Regulation G published in Gazette Extraordinary No. 12,280 of February 1, 1961. Copies of the notifications are attached herewith.

2. In the event of your bank deciding to maintain the "required reserves", partly in the form of rupee deposits in the Central Bank and partly in Ceylon currency notes and coins held as its assets, it may until further notice, maintain not more than 50% of the required reserves in the form of currency notes and coins and the balance in the form of rupee deposits in the Central Bank. The term "currency notes and coins" in this context shall mean only the increases in the holdings of your bank's currency notes and coins over its holdings as at the close of business on March 15, 1961.

3. Whenever your bank maintains on any day a part of its required reserves in the form of currency notes and coins, in terms of the foregoing paragraph, a return showing the amount by which its holdings of currency notes and coins as at the close of business on that day has increased over that held by it as at the close of business on March 15, 1961, should be furnished to the Chief Accountant of the Central Bank so as to reach him not later than 12 noon of the succeeding working day.

Yours faithfully,

S. D. AMERASINGHE,
Chief Accountant.

W. TENNEKOON.
Deputy Governor.

(c) (i) THE MONETARY LAW ACT, No. 58 OF 1949

Regulation made by the Monetary Board of the Central Bank of Ceylon under sections 10(c), 92, 93, 95 and 96 of the Monetary Law Act, No. 58 of 1949, as amended by Act No. 33 of 1954.

D. W. RAJAPATIRANA
Governor
Central Bank of Ceylon.

Colombo, 21st July, 1961.

Regulation

Regulation D made by the Monetary Board of the Central Bank of Ceylon, and published in Gazette No. 10,143 of August 28, 1950, as amended from time to time, is hereby further amended as follows :—

- (i) by the renumbering of paragraph 1 of that regulation as sub-paragraph (1) of paragraph 1;
- (ii) by the substitution, in sub-paragraph (1) as so renumbered, for the words “shall take the form of rupee deposits in the Central Bank and shall” of the word “shall”;
- (iii) by the insertion, immediately after sub-paragraph (1) of the following sub-paragraph :—

“2(a) The reserves required to be maintained by a commercial bank under sub-paragraph (1) of this paragraph shall be in the form of rupee deposits in the Central Bank or partly in rupee deposits in the Central Bank and partly in Ceylon currency notes and coins held by such bank as its assets.

(b) Where a commercial bank decides to maintain the required reserves partly in the form of rupee deposits in the Central Bank and partly in Ceylon currency notes and coins held by such bank as its assets, the part of such reserves which shall be in the form of rupee deposits in the Central Bank and the part thereof which shall be in Ceylon currency notes and coins held by such bank as its assets shall, from time to time, be determined by the Monetary Board and shall be duly communicated by written notice to such bank”; and

- (iv) in the Schedule to the regulation, by the substitution for the words “reserves required to be on deposit with the Central Bank”, of the words “required reserves”.

(c) (ii) THE MONETARY LAW ACT, No. 58 OF 1949

Regulation made by the Monetary Board of the Central Bank of Ceylon under sections 10(c), 92, 93, 94, 95 and 96 of the Monetary Law Act, No. 58 of 1949, as amended by Act No. 33 of 1954.

D. W. RAJAPATIRANA
Governor,
Central Bank of Ceylon.

Colombo, 21st July, 1961.

Regulation

Regulation G made by the Monetary Board of the Central Bank of Ceylon, and published in Gazette Extraordinary No. 12,280 of February 1, 1961, is hereby amended as follows:—

- (1) by the substitution for paragraph 2, of the following new paragraph:—

“2. The amount of the special reserve shall be equal to thirty eight per centum of the increases referred to in paragraph 1.”

- (2) by the insertion, immediately after paragraph 2, of the following new paragraph:—

“2A(1) The special reserves required to be maintained by a commercial bank under paragraph 1 shall be in the form of rupee deposits in the Central Bank or partly in rupee deposits in the Central Bank and partly in Ceylon currency notes and coins held by such bank as its assets.

(2) Where a commercial bank decides to maintain the required special reserves partly in the form of rupee deposits in the Central Bank and partly in Ceylon currency notes and coins held by such bank as its assets, the part of such reserves which shall be in the form of rupee deposits in the Central Bank and the part thereof which shall be in Ceylon currency notes and coins held by such bank as its assets shall, from time to time, be determined by the Monetary Board and shall be duly communicated by written notice to such bank”; and

- (3) by the substitution in paragraph 3 thereof, for the words “in the Central Bank under regulation D”, of the words “under regulation D.”

(d) Circular No. 15

Central Bank of Ceylon,
P. O. Box No. 590,
Colombo 1.
August 1, 1961.

**CENTRAL BANK'S RATE OF INTEREST AGAINST THE PLEDGE
OF USANCE PROMISSORY NOTES OF CO-OPERATIVE SOCIETIES**

With effect from today, the rate of interest on advances by the Central Bank to commercial banks secured by the pledge of usance promissory notes of Co-operative Societies (registered under the Co-operative Societies Ordinance) resulting from the purchase, sale or storage of locally grown agricultural products, shall be 3% per annum.

S. D. AMERASINGHE
Chief Accountant,
Central Bank of Ceylon.

D. W. RAJAPATIRANA
Governor,
Central Bank of Ceylon.

(e) Circular Letter No. 16

Central Bank of Ceylon,
P. O. Box No. 590,
Colombo 1.
September 25, 1961.

RESERVE REQUIREMENTS—REGULATIONS 'D' AND 'G'

Reference: Paragraph 2 of our Circular Letter No. 14 of July 24, 1961.

Commercial banks are hereby informed that, with effect from today, they may maintain not more than 75% of the required reserves in the form of currency notes and coins and the balance in the form of rupee deposits in the Central Bank. The term 'currency notes and coins' in this context shall mean the holdings of a bank's currency notes and coins over its holdings as at the close of business on March 15, 1961.

S. D. AMERASINGHE
Chief Accountant.

Yours faithfully,
W. TENNEKOON
Deputy Governor.

(f) CENTRAL BANK'S EXCHANGE RATES FOR U.S. DOLLARS

Date	Circular No.		Buying (per \$100)	Selling (per \$100)
2. 1. 61	1/153	Spot	Rs. 475.00	Rs. 475.25
		Forward up to three months	Rs. 475.00	-/25 cts. per month premium against spot
11. 1. 61	1/154	Spot	Rs. 474.50	Rs. 474.75
		Forward up to three months	Rs. 474.50	-/25 cts. per month premium against spot
2. 2. 61	1/155	Spot	Rs. 475.00	Rs. 475.25
		Forward up to three months	Rs. 475.00	-/25 cts. per month premium against spot
10. 2. 61	1/156	Spot	Rs. 475.25	Rs. 475.50
		Forward up to three months	Rs. 475.25	-/25 cts. per month premium against spot
17. 2. 61	1/157	Spot	Rs. 475.75	Rs. 476.00
		Forward up to three months	Rs. 475.75	-/25 cts. per month premium against spot
27. 2. 61	1/158	Spot	Rs. 476.25	Rs. 476.50
		Forward up to three months	Rs. 476.25	-/25 cts. per month premium against spot
7. 3. 61	1/159	Spot	Rs. 476.75	Rs. 477.00
		Forward up to three months	Rs. 476.75	-/25 cts. per month premium against spot
10. 3. 61	1/160	Spot	Rs. 476.00	Rs. 476.25
		Forward up to three months	Rs. 476.00	-/25 cts. per month premium against spot
22. 3. 61	1/161	Spot	Rs. 476.25	Rs. 476.50
		Forward up to three months	Rs. 476.25	-/25 cts. per month premium against spot
27. 3. 61	1/162	Spot	Rs. 476.50	Rs. 476.75
		Forward up to three months	Rs. 476.50	-/25 cts. per month premium against spot
11. 4. 61	1/163	Spot	Rs. 476.00	Rs. 476.25
		Forward up to three months	Rs. 476.00	-/25 cts. per month premium against spot
3. 5. 61	1/164	Spot	Rs. 476.50	Rs. 476.75
		Forward up to three months	Rs. 476.50	-/25 cts. per month premium against spot
16. 5. 61	1/165	Spot	Rs. 476.75	Rs. 477.00
		Forward up to three months	Rs. 476.75	-/25 cts. per month premium against spot
29. 5. 61	1/166	Spot	Rs. 477.25	Rs. 477.50
		Forward up to three months	Rs. 477.25	-/25 cts. per month premium against spot
7. 6. 61	1/167	Spot	Rs. 477.50	Rs. 477.75
		Forward up to three months	Rs. 477.50	-/25 cts. per month premium against spot
13. 6. 61	1/168	Spot	Rs. 477.75	Rs. 478.00
		Forward up to three months	Rs. 477.75	-/25 cts. per month premium against spot

Date	Circular No.		Buying (Per \$ 100)	Selling (per \$ 100)
26. 6. 61	1/169	Spot	Rs. 478·00	Rs. 478·25
		Forward up to three months	Rs. 478·00	-/25 cts. per month premium against spot
7. 7. 61	1/170	Spot	Rs. 478·25	Rs. 478·50
		Forward up to three months	Rs. 478·25	-25 cts. per month premium against spot
28. 7. 61	1/171	Spot	Rs. 477·75	Rs. 478·00
		Forward up to three months	Rs. 477·75	-/25 cts. per month premium against spot
3. 8. 61	1/172	Spot	Rs. 477·00	Rs. 477·25
		Forward up to three months	Rs. 477·00	-/25 cts. per month premium against spot
7. 8. 61	1/173	Spot	Rs. 476·25	Rs. 476·50
		Forward up to three months	Rs. 476·25	-/25 cts. per month premium against spot
30. 8. 61	1/174	Spot	Rs. 475·75	Rs. 476·00
		Forward up to three months	Rs. 475·75	-/25 cts. per month premium against spot
6. 9. 61	1/175	Spot	Rs. 475·00	Rs. 475·25
		Forward up to three months	Rs. 475·00	-/25 cts. per month premium against spot
19. 9. 61	1/176	Spot	Rs. 474·50	Rs. 474·75
		Forward up to three months	Rs. 474·50	-/25 cts. per month premium against spot
2. 10. 61	1/177	Spot	Rs. 474·25	Rs. 474·50
		Forward up to three months	Rs. 474·25	-/25 cts per month premium against spot
11. 10. 61	1/178	Spot	Rs. 474·00	Rs. 474·25
		Forward up to three months	Rs. 474·00	-/25 cts. per month premium against spot
25. 10. 61	1/179	Spot	Rs. 473·85	Rs. 474·10
		Forward up to three months	Rs. 473·85	-/25 cts. per month premium against spot
9. 11. 61	1/180	Spot	Rs. 474·00	Rs. 474·25
		Forward up to three months	Rs. 474·00	-/25 cts. per month premium against spot
20. 11. 61	1/181	Spot	Rs. 473·85	Rs. 474·10
		Forward up to three months	Rs. 473·85	-/25 cts. per month premium against spot
4. 12. 61	1/182	Spot	Rs. 474·75	Rs. 475·00
		Forward up to three months	Rs. 474·75	-/25 cts. per month premium against spot
8. 12. 61	1/183	Spot	Rs. 474·50	Rs. 474·75
		Forward up to three months	Rs. 474·50	-/25 cts. per month premium against spot
22. 12. 61	1/184	Spot	Rs. 475·25	Rs. 475·50
		Forward up to three months	Rs. 475·25	-/25 cts per month premium against spot