

### III. ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK.

Financial accounts of the Central Bank for the year 1964 are given in Table 6 in Appendix II. The main changes in comparison with 1963 were:-

	CHANGE	
	Rs. Million	Per cent
Total Demand Liabilities .. .. .	+ 78.4	+ 6.4
Currency Circulation .. .. .	+ 31.3	+ 3.5
Demand Deposits .. .. .	+ 47.1	+ 14.5
(of which commercial banks) .. .. .	+ 39.3	+ 36.2
International Reserve .. .. .	+ 21.7	+ 19.0
Domestic Assets .. .. .	+ 111.1	+ 8.8
Government and Government Guaranteed Securities .. .. .	+ 123.2	+ 12.0

+ Increase.

The Central Bank's rates for U. S. dollars were changed from time to time (as shown in Appendix I B (c)) 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 (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.

Foreign Exchange transactions of the Central Bank are shown in Table 11 in Appendix II.

The Central Bank's rates of interest on advances against Government Securities and against usance promissory notes arising out of specified transactions remained unchanged at 4 per cent per annum. There was also no change in the Central Bank's rate of interest on advances against usance promissory notes of Co-operative Societies resulting from the purchase, sale or storage of locally grown agricultural products, which remained at 3 per cent per annum. The Central Bank's discount rate for Treasury Bills continued to be fixed at 1/8 per cent per annum over the last accepted average tender rate. The rate of interest on refinance loans granted by the Central Bank to credit institutions for the promotion or development of industry, agriculture, trade, commerce or business has been fixed at 5 per cent per annum.

## Currency Issue

New design currency notes of the denominations of Rs. 100/- and Rs. 10/- were issued in 1964. The Rs. 100/- note was issued in March and the Rs. 10/- note in October.

As in the case of the new design currency notes of the Rs. 5/- and Rs. 2/- denominations issued in 1963, the new Rs. 100/- and Rs. 10/- notes bear the portrait of the late Prime Minister, the Hon. S. W. R. D. Bandaranaike on the right hand side on the face of the notes, with the watermark of the 'Heraldic Lion' appearing on the left hand side. In each denomination the new notes are smaller than the notes of the earlier design, and the notes have a metallic thread incorporated vertically in the paper.

On the back of the Rs. 100/- note there appears a reproduction of a Sigiriya fresco while panels in the upper and lower borders contain microscopic lettering under the main printing. The back of the Rs. 10/- note carries a reproduction of the Anuradhapura guardstone in the centre between two columns of ancient Sinhala design; panels on the sides are filled with microscopic lettering.

A new cupro-nickel Re. 1/- coin was also issued in March 1964. As in the case of the new design subsidiary coins issued in 1963, the new Re. 1/- coin carries on its obverse side, the Armorial Ensigns of Ceylon. On its reverse side the new coin carries in the centre a traditional Sinhala design using the motif of the pineapple flower and the value in words in Sinhala, Tamil and English, between designs derived from the 'Liyawela' motif in Sinhala Art.

## Income and Expenditure

The income of the Central Bank for the year amounted to Rs. 30,064,844.05 and expenditure including allocations to reserves of a sum of Rs. 11,262,176.79 in terms of Section 38 of the Monetary Law Act amounted to Rs. 29,064,844.05. The net profit of Rs. 1 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 end of December, 1964, 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. 53 million.

## Bank Supervision

In the year 1964, the Department of Bank Supervision examined 8 commercial banks under Section 29 (1) of the Monetary Law Act. On a directive of the Monetary Board in terms of Section 29 (2) the Department also examined a banking institution which is not a commercial bank.

The Department continued to perform functions connected both with the implementation of the Bank Debits Tax Act, No. 42 of 1957 and with the operation of Part III of the Finance Act, No. 65 of 1961 dealing with the opening of accounts in banks.

In addition to the bank examinations referred to above, the Department also scrutinised books of banks whenever it was necessary to do so to ascertain whether any laws or regulations were contravened.