

ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

Financial accounts of the Central Bank for the year 1965 are given in Table 6 in Appendix II. The main changes in comparison with 1964 were :-

	CHANGE	
	Rs. Million	Per cent
Total Demand Liabilities	+ 119.0	+ 9.1
Currency Circulation	+ 70.6	+ 7.6
Demand Deposits	+ 48.4	+ 13.0
(of which Commercial Banks)	- 7.8	- 5.3
International Reserve	+ 146.3	+ 107.7
Domestic Assets	- 23.5	- 1.7
Government and Government Guaranteed Securities	- 38.7	- 3.4

+ Increase
- Decrease

There were no changes during the year in the Central Bank's rates for Sterling, U. S. Dollars 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 (Upto six months)	.. 1/128d. per month discount against spot	.. 1/128d. per month premium against spot
U.S. Dollars (per 100)	.. Spot	.. Rs. 477.00	.. Rs. 477.25
	.. Forward (Upto three months)	.. Rs. 477.00	.. -/25 cts per month premium against spot
Indian Rupees (per 100)	.. Spot	.. Rs. 99 3/4	.. Rs. 99 13/16
	.. Forward (Upto 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 6 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 were increased to 5 per cent per annum during the year. There was however 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 remained unchanged at 5 per cent per annum.

Currency Issue:

At the end of 1965 the currency circulation stood at Rs. 1,002.7 million, having increased by Rs. 70.6 million during the year. There were increases of Rs. 71.5 million and Rs. 39.4 million in the circulation of notes of the Rs. 100/- and Rs. 50/- denominations respectively, while there was a decrease of Rs. 39.8 million in the circulation of notes of the Rs. 10/- denomination.

Income and Expenditure:

The income of the Central Bank for the year amounted to Rs. 20,100,044 and expenditure including allocations to reserves of a sum of Rs. 3,800,000 in terms of Section 38 of the Monetary Law Act amounted to Rs. 18,950,801. In terms of Section 39 (a) of the Monetary Law Act, the net profit of Rs. 1,149,243 was used to reduce the Monetary Adjustment Account which was created under Section 40 of the Act during the year.

Bank Supervision

In the year 1965, the Department of Bank Supervision examined 5 commercial banks under Section 29 (1) of the Monetary Law Act. A co-operative bank was also examined by special arrangement.

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.