

ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

Financial accounts of the Central Bank for the year 1966 are given in Table 6 in Appendix II. The main changes in comparison with 1965 were :—

	CHANGE	
	Rs. Million	Per cent
Total Demand Liabilities	+ 105.8	+ 7.4
Currency Circulation	— 9.1	— 0.9
Demand Deposits	+ 114.8	+27.3
(of which Commercial Banks)	— 50.4	—36.0
International Reserve	— 139.1	—49.3
Domestic Assets	+ 218.7	+16.2
Government and Government Guaranteed Securities	+ 155.9	+14.1

+ Increase
— Decrease

There were no changes during the year in the Central Bank's rates for Sterling and U.S. Dollars, which were :—

Sterling (per Ceylon rupee)	... Spot	... 1s. 6 3/64d.	... 1s. 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 six months)	... Rs. 477.00	... -/25 cts. per month premium against spot.

Consequent to the devaluation of the Indian Rupee on June 6, 1966, the Central Bank's exchange rates for Indian Rupees were revised as follows :—

Indian Rupees (per 100)	... Spot	... Rs. 63 5/16	... Rs. 63 3/8
	... 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 II in Appendix II.

There were no changes in the Central Bank's rates of interest on advances against Government Securities and against usance promissory notes arising out of specified transactions which remained at 5 per cent per annum. The rate of interest on Central Bank advances against usance promissory notes of Co-operative

Societies resulting from the purchase, sale or storage of locally grown agricultural products remained unchanged 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 Bank's rates of interest on refinance loans to credit institutions were as follows :—

For the promotion or development of ... industry or agriculture	3% per annum (provided that credit institutions which avail themselves of this facility do not charge more than 6% per annum).
For the promotion or development of ... trade, commerce or business	5% per annum.
For the purchase of tea machinery and ... construction of new tea factories where the Tea Controller meets a part of the interest payable	5% per annum (provided that credit institutions which avail themselves of this facility do not charge more than 8% per annum).

Currency Issue

New design currency notes of the Rs. 2/- and Rs. 5/- denominations were issued in 1966; the Rs. 2/- note in March and the Rs. 5/- note in December. The front of the Rs. 2/- note is printed mainly in brown over an intricate multicoloured pattern appearing in the centre and extending to the lower border of the note. A reproduction of the statue at Polonnaruwa, traditionally believed to be that of King Parakrama Bahu the Great appears in a panel on the right hand side of the note and in a panel on the left hand side the watermark of the 'Heraldic Lion' can be seen. The size of the note is $4\frac{1}{2}'' \times 2\frac{5}{16}''$. A metallic thread is incorporated vertically in the note on the right hand side. The back of the note is also printed mainly in brown and carries a reproduction of the Vatadage at Medirigiriya. A panel on the right hand side is filled with microscopic lettering of varying sizes, this lettering being carried on at the top of the note.

The front of the Rs. 5/- note is printed mainly in red and sepia over an intricate multicoloured pattern appearing in the centre and extending to the lower border of the note. A reproduction of the statue at Polonnaruwa, traditionally believed to be that of King Parakrama Bahu the Great appears in a panel on the right hand side of the note and in a panel on the left hand side the watermark of the 'Heraldic Lion' can be seen. The size of the note is $4\frac{15}{16}'' \times 2\frac{1}{2}''$. A metallic thread is incorporated vertically in the note on the right hand side. The back of the note carries a reproduction of the Stone Lion which supported the throne of King Nissanka Malla in the Council Hall at Polonnaruwa, printed in red in a panel in the centre. Panels on the two sides are filled with microscopic lettering of varying sizes.

The new design notes are in circulation along with the notes issued earlier, which continue to be legal tender.

Income and Expenditure

The income of the Central Bank for the year, amounted to Rs. 20,904,377 and expenditure including provision for depreciation of the value of the Bank Building amounted to Rs. 18,535,359. In terms of Section 39(a) of the Monetary Law Act, the net profit of Rs. 2,369,018 was used to reduce the Monetary Adjustment Account which was created under Section 40 of the Act during 1965. The balance in that account now stands at Rs. 106,263.

Bank Supervision

In the year 1966 the Department of Bank Supervision examined six Commercial Banks under Section 29(1) of the Monetary law Act. The Department continued to perform functions connected with the operation of Part III of the Finance Act No. 65 of 1961 dealing with the opening of accounts in banks.

The Development Finance Division which was set up as a Division of the Department of Bank Supervision in terms of the Monetary Board's decision of December 22, 1965 undertook, in 1966, a programme of training officers in project appraisal. In furtherance of this programme, two officers were sent abroad, one of whom received training in Canada and in the United States and the other in Japan. The Head of the Division and another officer of the Central Bank were nominated by the Central Bank to participate, at the end of the year, in a Training Workshop on Project Formulation and Evaluation, jointly organized by the United Nations Centre for Industrial Development and the Ministry of Planning and Economic Affairs. The Division now has a nucleus of officers trained in this special field and their services could be availed of for the purpose of evaluating development projects.