

APPENDIX I

**(A) EXTRACTS OF MAJOR LEGAL ENACTMENTS OF THE PARLIAMENT OF CEYLON
IN 1966 WHICH RELATE TO THE FUNCTIONS AND OPERATIONS OF THE
CENTRAL BANK AND BANKING INSTITUTIONS.**

**(B) MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD
IN 1966.**

(A) Major Legal Enactments of 1966 relating to the Functions and Operations of the Central Bank and other Banking Institutions in Ceylon.

Finance (Amendment) Act, No. 8 of 1966.

AN ACT TO AMEND THE FINANCE ACT, NO. 65 OF 1961.

(Date of Assent : April 6, 1966)

1. This Act may be cited as the Finance (Amendment) Act, No. 8 of 1966.

2. Section 3 of the Finance Act, No. 65 of 1961, is hereby amended by the insertion, at the end of that section, of the following new sub-section :—

‘ (5) For the purposes of this section, a person shall be deemed, at all times, to have been the holder of an ordinary share of the Bank on the day immediately prior to the date on which that share is deemed to have vested in the Government if such person was on that day the owner of that share by virtue of a transfer effected by way of sale through a broker, notwithstanding—

(a) that such transfer was not on that day registered in the books of the Bank ; and

(b) that such person was not on that day a duly registered holder of that share,

and accordingly the term “holder,” in relation to any ordinary share of the Bank, occurring in sub-section (1) shall be deemed, at all times, to have included such person.’

Asian Development Bank Agreement (Ratification) Act, No. 21 of 1966.

AN ACT TO ENABLE CEYLON TO BECOME A MEMBER OF THE ASIAN DEVELOPMENT BANK BY AUTHORIZING THE RATIFICATION OR ACCEPTANCE BY CEYLON OF THE AGREEMENT, ESTABLISHING THAT BANK, TO WHICH CEYLON IS A SIGNATORY.

(Date of assent : September 24, 1966)

1. This Act may be cited as the Asian Development Bank Agreement (Ratification) Act, No. 21 of 1966.

2. The Governor-General is hereby empowered by instruments under his hand to authorize such person as may be named in the instrument, on behalf of the Government of Ceylon,—

(a) to ratify or accept the Agreement establishing the Asian Development Bank, in this Act referred to as " the Agreement " and " the Bank " respectively, to which Ceylon is a signatory and which is set out in the Schedule to this Act ; and

(b) to deposit with the Secretary-General of the United Nations an instrument of such ratification or acceptance stating that the Government has accepted the Articles of the Agreement 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 said Articles in order that Ceylon which is entitled to be an original member of the Bank by virtue of Article 64 of, and Annex A to, the said Articles may accept membership in the Bank.

3. The provisions of Chapter VIII of the Agreement shall have the force of law in Ceylon, and accordingly the Bank shall have in Ceylon the status, immunities, exemptions and privileges specified in the said Chapter VIII.

4. There shall be paid out of the Consolidated Fund of Ceylon such sums as are payable, or may, from time to time, become payable, to the Bank by the Government of Ceylon under the Articles of the Agreement.

5. (1) For the purpose of providing any sums required to be paid out of the Consolidated Fund of Ceylon under section 4, the Minister of Finance is hereby authorized to raise loans, on behalf of the Government of Ceylon, 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, the Central Bank of Ceylon is hereby authorized 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.

6. All sums received by or on behalf of the Government of Ceylon from the Bank under the Articles of the Agreement 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 under 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 of Ceylon under this Act.

7. (1) 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 of the Agreement, and every Order

made under this sub-section and so published shall be laid before the House of Representatives at the earliest possible opportunity and shall have the force of law unless disapproved within one month.

(2) The Minister of Finance may take all such steps, and make all such arrangements, as he may consider reasonably necessary to enable the Government of Ceylon to meet or discharge its financial obligations or liabilities under the Articles of the Agreement.

**Note on Schedule to the Asian Development Bank Agreement
(Ratification) Act, No. 21 of 1966**

The Schedule gives the Text of and the Annexes to the Agreement establishing the Asian Development Bank. The following is a brief summary of the Agreement :—

The Preamble to the Agreement sets out the reasons that led to the establishment of the Asian Development Bank, the primary reason being the making available additional development financing for the Asian and Far Eastern regions by mobilizing such funds and other resources both from within and outside the region, and by seeking to create and foster conditions conducive to increased domestic savings and greater flow of development funds into the region.

CHAPTER 1 :—Sets out the purpose, functions and membership rules of the Bank. (Chapter VII and X of the Agreement also contain certain provisions in regard to membership). Generally the purpose of the Bank is stated to be the fostering of Economic growth and co-operation in the region of Asia and the Far East and the contribution to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually (Article 1).

The Bank's most important functions are the promotion of investment in the region of public and private capital for development purposes and the utilization of resources at its disposal, for financing development of the developing member countries in the region, the assisting in the co-ordination of their development policies and plans, and the provision of technical assistance (Article 2).

Membership in the Bank is open to members and associate members of the U. N. E. C. A. F. E. and to other regional countries and non-regional developed countries which are members of the U. N. or any of its specialized agencies (Article 3).

Chapter 11 sets out the capital structure of the Bank. The authorised capital stock of the Bank is One Billion U.S. Dollars (\$ 1,000,000,000) (Article 4). The initial subscription to this capital stock by regional countries and non-regional countries has been fixed at U.S. \$ 650 million and U.S. \$ 350 million respectively, making a total of U.S. \$ 1,000,000,000, (Annex A). Ceylon's initial subscription has been fixed at U.S. \$ 8.52 million.

Chapter III sets out the methods and principles of operations of the Bank. The resources and facilities of the Bank are to be used exclusively to implement the purpose and functions as set out in Articles 1 and 2 of the Agreement (Article 8).

The more important operating principles of the Bank are as follows :

The operations of the Bank shall provide principally for the financing of specific projects, with priority being given to projects and programmes which would contribute most effectively to the harmonious economic growth of the region as a whole. Special regard shall also be paid to the needs of the smaller or less developed member countries in the region (Article 14 (I) and (II)). The Bank shall be guided by sound banking principles in its operations (Article 14 (XIV)).

Chapter IV sets out the borrowing and other miscellaneous powers of the Bank (Article 21).

Chapter V sets out provisions in regard to currencies such as determination of convertibility (Article 23) use of currencies (Article 24) and the maintenance of value of the currency holdings of the Bank (Article 25).

Chapter VI sets out the Organisation and Management structure of the Bank.

Structure :

The Bank shall have a Board of Governors, a Board of Directors, a President, one or more Vice-Presidents and such other officers and staff as may be considered necessary (Article 26).

The Board of Governors consists of one representative from each member country (Article 27).

The Board of Directors consists of 10 members elected by the Governors, 7 of whom represent regional members and 3 represent non-regional members (Article 30).

The President of the Bank is elected by the Board of Governors (Article 34).

One or more Vice-Presidents shall be appointed by the Board of Directors on the recommendation of the President (Article 35).

Powers and Functions :

The Board of Governors is vested with all the powers of the Bank (Article 28).

The Board of Directors are responsible for the direction of the general operations of the Bank. In particular and among other things the Board of Directors shall approve the Budget of the Bank (Article 31).

The President shall be the Chairman of the Board of Directors with only a casting vote. The President shall be the legal representative of the Bank and also the chief of the Bank's staff, and generally be responsible for the conduct of the current business of the Bank, and for the organisation, appointment and dismissal of officers and staff of the Bank, subject to such regulations as may be given by the Board of Directors (Article 34).

A Vice-President exercises such authority and performs such functions in the administration of the Bank as may be determined by the Board of Directors (Article 35).

The other Articles in this Chapter set out provisions in regard to the international character of the Bank, and prohibits both the Bank and its officers from participating in any political activity (Article 36); the site of its principal office namely Manila, Philippines (Article 37); its working language, namely English (Article 39); and the allocation of net income (Article 40).

Chapter VII sets out provisions in regard to the withdrawal and suspension of membership in the Bank (Articles 41 and 42 - already referred to above under Chapter I); the temporary suspension and termination of operations of the Bank (Articles 44 and 45 respectively) and the distribution of assets to members (Article 47).

Chapter VIII sets out provisions in regard to the status, immunities, exemptions and privileges of the Bank and its officers. The Bank shall be a full juridical personality (Article 49); be immune from judicial proceedings except in certain specified instances (Article 50) its property assets, archives and other documents shall be immune from search, confiscation and other forms of taking (Articles 51 and 52) its communications shall be privileged (Article 54) its Governors, Directors, officers and employees shall be immune from legal process and other legal restrictions etc. (Article 55). The Bank's assets, property, income etc., shall be exempt from all taxation and customs duties and the salaries and emoluments of its Governors, Directors, officers and employees shall enjoy certain tax concessions as specified (Article 56). The Bank may waive any or all of the privileges, immunities, and exemptions so granted (Article 58).

Chapter IX provides for certain miscellaneous matters such as amendments to the Agreement (Article 59), interpretation or application of the provisions of the Agreement (Article 60), Arbitration (Article 61), and approvals and objections by members (Article 62).

Chapter X sets out the final provisions of the Agreement and deals with its signature and deposit (Article 63), Ratification or Acceptance of the Agreement by signatories and other countries (Article 64), the entry into force of the Agreement (Article 65) and the commencement of operations by the Bank (Article 66).

The Agreement enters into force when at least 15 signatories including not less than 10 regional countries whose initial subscriptions as set out in Annex A

of the Agreement in the aggregate comprise not less than 65% of the authorised capital stock of the Bank, have deposited their instruments of ratification or acceptance (Article 65).

There are 2 annexes to the Agreement. Annex A sets out the initial subscriptions to the authorised capital stock for regional countries (Part A) and for non-regional countries (Part B). Annex B sets out in detail the manner in which Directors shall be elected by Governors representing regional members (Section A) and by Governors representing non-regional members (Section B).

Appropriation Act, No. 22 of 1966.

AN ACT TO PROVIDE FOR THE SERVICE OF THE FINANCIAL YEAR, 1966-67, TO AUTHORIZE THE RAISING OF LOANS IN OR OUTSIDE CEYLON FOR THE PURPOSE OF SUCH SERVICE, TO MAKE FINANCIAL PROVISION IN RESPECT OF CERTAIN ACTIVITIES OF THE GOVERNMENT DURING THAT FINANCIAL YEAR, TO ENABLE THE PAYMENT BY WAY OF ADVANCES OUT OF THE CONSOLIDATED FUND OF CEYLON OR ANY OTHER FUND OR MONEYS OF, OR AT THE DISPOSAL OF, THE GOVERNMENT, OF MONEYS REQUIRED DURING THAT FINANCIAL YEAR FOR EXPENDITURE ON SUCH ACTIVITIES, TO PROVIDE FOR THE REFUND OF SUCH MONEYS TO THAT CONSOLIDATED FUND, AND TO MAKE PROVISION FOR MATTERS CONNECTED WITH OR INCIDENTAL TO THE AFORESAID MATTERS.

(Date of Assent : September 26, 1966.)

1. This Act may be cited as the Appropriation Act, No. 22 of 1966.
2. (1) Without prejudice to any other law authorizing any expenditure, the expenditure of the Government, which it is estimated will be rupees two thousand five hundred and twenty-three million six hundred and ninety-five thousand two hundred and seventy-eight for the service of the financial year beginning on October 1, 1966, and ending on September 30, 1967, shall be met—
 - (a) from payments which are hereby authorized to be made out of the Consolidated Fund of Ceylon, or any other fund or moneys of, or at the disposal of, the Government ; and
 - (b) from the proceeds of loans which are hereby authorized to be raised, whether in or outside Ceylon, for and on behalf of the Government, so however, that the aggregate of such proceeds does not exceed rupees nine hundred and ten million.

The sum of rupees two thousand five hundred and twenty-three million six hundred and ninety-five thousand two hundred and seventy-eight hereinbefore referred to may be expended as specified in the First Schedule to this Act.

(2) The provisions of sub-section (1) of this section shall have effect without prejudice to the provisions of any other written law authorizing the raising of loans for and on behalf of the Government.

3. (1) The receipts of the Government, during the financial year referred to in section 2, from each activity specified in column I of the Second Schedule to this Act shall be credited to the account of such activity, but the aggregate of the receipts so credited shall not exceed the maximum limit specified in the corresponding entry in column III of that Schedule. Any receipts from such activity in excess of such maximum limit shall be credited to the Consolidated Fund of Ceylon.

(2) The expenditure incurred by the Government, during the financial year referred to in section 2, on each activity specified in column I of the Second Schedule to this Act shall be paid out of the receipts of the Government from such activity during that financial year, but such expenditure shall not exceed the maximum limit specified in the corresponding entry in column II of that Schedule.

(3) The debit balance, outstanding at the end of the financial year referred to in section 2, of any activity specified in column I of the Second Schedule to this Act shall not exceed the maximum limit specified in the corresponding entry in column IV of that Schedule, and the total liabilities of that activity at the end of that financial year shall not exceed the maximum limit specified in the corresponding entry in column V of that Schedule.

4. Whenever, at any time during the financial year referred to in section 2, the receipts of the Government from any activity specified in column I of the Second Schedule to this Act are insufficient to meet the expenditure incurred by the Government on such activity, the Minister of Finance may, from time to time, by Order direct that such sums as he may deem necessary to meet such expenditure shall be payable, by way of advances, out of the Consolidated Fund of Ceylon, or any other fund or moneys of, or at the disposal of, the Government, so however, that the aggregate of the sums so advanced does not exceed the maximum limit of expenditure specified in the corresponding entry in column II of that Schedule. Any sums so advanced in respect of such activity shall be refunded to that Consolidated Fund in such manner as the Minister of Finance may by Order direct.

5. Any moneys which, by virtue of the provisions of the First Schedule to this Act, have been allocated to any vote other than Votes Nos. 3, 5 and 7, appearing under any head specified in that Schedule but have not been expended and are not likely to be expended, may be transferred to any other vote under that head by order of the Secretary to the Treasury or any other officer authorized by him.

6. The Minister of Finance, with the approval of the Government, may, on or before June 30, 1968, by Order vary or alter any of the maximum limits specified in column II, column III, column IV or column V, of the Second Schedule to this

Act. Any such Order shall, if so expressed therein, be deemed to have had effect from such date prior to the date of the making of such Order as may be specified therein.

7. The House of Representatives may, by resolution, amend the Second Schedule to this Act, by adding to the appropriate columns of that Schedule, any activity and all or any of the maximum limits relating to such activity.

Note on Schedules :

The First Schedule gives a breakdown of the sums payable for general services for the financial year 1st October, 1966 to 30th September, 1967, under the various heads of expenditure. The total sum payable for these services is estimated at Rupees Two Thousand Five Hundred and Twenty Three Million, Six Hundred and Ninety Five Thousand, Two Hundred and Seventy Eight (Rs. 2,523,695,278·00). This sum may be expended under the authority granted under Section 2 (1) of the Act.

The Second Schedule is a breakdown of financial provisions made in respect of certain activities of the Government, for the same financial year. This breakdown specifies, under the heads of the various Departments and in respect of certain activities of the Government, in such departments, the maximum limits of expenditure of the activities of Government, maximum limits of receipts to be credited to the accounts of the activities of Government, maximum limits of Debit balances of the activities of Government and the maximum limits of liabilities of the activities of Government. These sums shall be expended and credited in terms of the breakdown given, under authority granted under Section 3 of the Act.

Finance (Special Provisions) (Amendment) Act No. 28 of 1966.

**AN ACT TO AMEND THE FINANCE (SPECIAL PROVISIONS)
ACT, NO. 10 OF 1965.**

(Date of Assent : October 14, 1966)

1. This Act may be cited as the Finance (Special Provisions) (Amendment) Act, No. 28 of 1966.

2. Each of the enactments repealed by the Finance (Special Provisions) Act, No. 10 of 1965, shall, notwithstanding such repeal, be deemed, to have been, to be, and to continue to be, in force for the purposes only of the collection and recovery of any tax which became payable under any such enactment in respect of any period prior to the date of repeal of such enactment, and accordingly, any act done or proceeding taken under any such enactment for the aforesaid purposes, whether before or after the date of commencement of this Act—

(a) shall be deemed to have been or to be, as the case may be, duly done or taken under that enactment. and

(b) may be proceeded with or continued under that enactment, as though such enactment had not been repealed.

Circular No. 23

**Central Bank of Ceylon,
P. O. Box No. 590,
Colombo 1.
6th April, 1966.**

Refinance — Rates of Interest on medium and long-term credit

Reference : Section 88 A(1) (c) of the Monetary Law Act (as provided by Section 67 of the Finance Act, No. 11 of 1963).

The rate of interest on refinance loans granted by the Central Bank to credit institutions —

- (a) for the promotion or development of industry or agriculture shall be 3% per annum, provided that the credit institutions which avail themselves of this facility do not charge more than 6% per annum on the loans granted by them to their customers and for which they have sought refinance from the Central Bank. In the case of loans granted by such institutions for the purchase of tea machinery and construction of new tea factories where the Tea Controller meets a part of the interest payable on such loans, however, the rate of interest on refinance loans shall be 5% per annum provided that the credit institutions which avail themselves of this facility do not charge more than 8% per annum on the loans granted by them to their customers and for which they have sought refinance from the Central Bank ;
- (b) for the promotion or development of trade, commerce or business shall be 5% per annum.

Circular No. 19 of August 24, 1964 is hereby cancelled.

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

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

CENTRAL BANK OF CEYLON

Circular No. 1

Revised — June 8, 1966.

Central Bank's Exchange Rates

(Reference : Section 74 of the Monetary Law Act)

1. The following exchange rates are applicable to transactions by the Central Bank with commercial banks in Ceylon :—

	<i>Central Bank Buying rates for telegraphic transfers</i>	<i>Central Bank Selling rates for telegraphic transfers.</i>
	s. d.	s. d.
Sterling (per Ceylon Rupee)		
Spot ...	1/6 3/64	1/6 1/32
Forward (up to six months)	1/128d per month dis- count against spot *	1/128d per month pre- mium against spot *
Forward (up to six months) against purchase of forward dollars of corresponding delivery	—	1/6 1/32 *
Indian Rupee (per 100 Indian Rupees)		
Spot ...	Rs. 63 5/16	Rs. 63 3/8
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 *

* Contracts to be taken up at the option of the commercial bank but at the contracted exchange rate if taken up before expiry of the contract period.

2. The Central Bank's rates for the U. S. Dollar applicable to transactions with commercial banks will be subject to change within one half of one per cent of the legal parity. Such changes will be communicated as and when they occur.

3. The provisions of this Circular may be withdrawn, added to, or amended at any time.

S. D. AMERASINGHE,
Chief Accountant,

D. W. RAJAPATIRANA
Governor.

CENTRAL BANK OF CEYLON

Circular No. 2

Revised-June 8, 1966

Commercial Banks' Exchange Rates

(Reference : Section 76 of the Monetary Law Act)

The following exchange rates are applicable to transactions by Commercial Banks.

	MINIMUM BUYING RATES <i>Clean Telegraphic Transfers</i>	MAXIMUM SELLING RATES <i>Clean Telegraphic Transfers</i>
	Rs. cts.	Rs. cts.
Sterling — (per £.1)		
(a) For amounts of ... £ 100 or below	13 26 (Corresponding to $1/6 \frac{3}{32}$ per rupee)	13 36 (Corresponding to $1/5 \frac{31}{32}$ per rupee)
(b) For amounts ... over £ 100	13 28 (Corresponding to $1/6 \frac{1}{16}$ per rupee)	13 33 (Corresponding to $1/6$ per rupee)
United States Dollars ...	Not more than .75 cts. per 100 below Central Bank's buying rate	Not more than Rs. 1/50 per 100 over Central Bank's selling rate
Indian Rupees (per 100 ... Indian Rupees)	63 $\frac{9}{32}$	63 $\frac{13}{32}$
Pakistan Rupees (per 100... Pakistan Rupees)	99 $\frac{5}{8}$	100 $\frac{5}{32}$

S. D. AMERASINGHE,
Chief Accountant.

D. W. RAJAPATIRANA,
Governor.