

ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

Financial accounts of the Central Bank for the year 1967 are given in Table 6 in Appendix 11. The main changes in comparison with 1966 were:—

	CHANGE	
	Rs. million	Percent
Total Demand Liabilities	+314.4	+20.6
Currency circulation	+ 79.1	+ 8.0
Demand Deposits	+178.2	+33.3
(of which commercial banks)	+ 57.1	+63.7
International Reserve	+117.4	+82.1
Domestic Assets	+182.0	+11.6
Government and Government Guaranteed Securities ..	+109.9	+ 8.7

+ Increase.

Consequent on the devaluation of the Ceylon rupee on 22nd November 1967, the Central Bank's rates of exchange for Sterling, Indian Rupees and U.S. Dollars were revised as follows:—

		<i>T.T. Buying</i>		<i>T.T. Selling</i>	
<i>Sterling</i> (per Ceylon rupee)	Spot	1s. 4 53/64d.	1s. 4 13/16d.	1s. 4 13/16d.	1s. 4 13/16d.
	Forward (upto six months)	1/128d. per month discount against spot	1/128d. per month discount against spot	1/128d. per month premium against spot	1/128d. per month premium against spot
<i>Indian Rupees</i> (per 100)	Spot	Rs. 79 1/8	Rs. 79 3/16	Rs. 79 3/16	Rs. 79 3/16
	Forward (upto six months)	1/32 of a rupee per months discount against spot	1/32 of a rupee per months discount against spot	1/32 of a rupee per month premium against spot	1/32 of a rupee per month premium against spot
<i>U.S. Dollars</i> (per 100)	Spot	Rs. 592.25	Rs. 592.50	Rs. 592.50	Rs. 592.50
	Forward (upto three months)	Rs. 592.25	Rs. 592.25	-/25 cents per month premium against spot	-/25 cents per month premium against spot

Changes were also made in the commercial banks' rates of exchange for various foreign currencies. These rates appear in Appendix II.

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

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 to the commercial banks against the pledge of Government Securities in respect of advances granted to Co-operative Societies to finance the purchase of paddy under the Guaranteed Price Scheme remained unchanged at 3 per cent per annum. The rate of interest on the Central Bank's advances to commercial banks secured by the pledge of usance promissory notes of Co-operative Societies relating to the production of paddy, red onions, Bombay onions, chillies, potatoes, pineapples and vegetables was fixed at 1½ per cent per annum, provided that commercial banks which availed themselves of this facility did not charge more than 8 per cent per annum (subject to a rebate of 3 per cent per annum if payment is made on the due date) from the makers of the notes. The Central Bank's discount rate for Treasury Bills continued to be at 1/8 per cent per annum over the last accepted average tender rate.

Credit Guarantee Scheme

A Credit Guarantee Scheme was introduced on 1st September 1967, in respect of short-term credit granted by commercial banks for agricultural production. Under this Scheme, the Central Bank on behalf of the Government, guarantees payment upto 75 per cent of the amount in default in respect of loans granted by commercial banks to Co-operative Societies, for the purpose of cultivation of paddy, red onions, Bombay onions, chillies, potatoes, pineapples and vegetables. A guarantee fee of one half of one per cent is payable by the commercial banks. As at 31st December 1967, the Central Bank had guaranteed loans granted by commercial banks totalling upto Rs. 70,718,522.

Medium and Long Term Credit

In 1967 credit institutions made increased use of the Bank's medium and long term refinance facilities under its medium and long term credit scheme. In the year refinance loans totalling Rs. 4,151,042 were granted to credit institutions. Most of these refinance loans were in respect of loans granted by credit institutions for the development of industry. The rates of interest on refinance loans granted by the Central Bank remained unchanged as follows:—

- (a) for the promotion or development of industry or agriculture—3 per cent per annum;
- (b) for the promotion or development of trade, commerce or business—5 per cent per annum;
- (c) for the purchase of tea machinery and construction and development of tea factories under the Tea Controller's Factory Development Subsidy Scheme—5 per cent per annum.

Currency Issue

New designs of currency notes of the Rs. 100 and Rs. 50 denominations were issued in 1967, the Rs. 100 note in February and the Rs. 50 note in October. The Rs. 100 currency note bears the reproduction of the statue at Polonnaruwa, traditionally believed to be that of King Parakrama Bahu the Great. The size of the note is $6 \frac{3}{8}'' \times 3 \frac{3}{8}''$. The front of the note is printed mainly in grey-blue and brown over an intricate multicoloured pattern appearing in the centre of the note. The reproduction of the statue 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. A metallic thread is incorporated vertically in the note on the right hand side. On the back of the note there appears a reproduction of a Sigiriya Fresco and also panels in the upper and lower borders containing microscopic lettering under the main printing.

The Rs. 50 currency note also bears a reproduction of the statue at Polonnaruwa, traditionally believed to be that of King Parakrama Bahu the Great. The size of the note is $5 \frac{15}{16}'' \times 3 \frac{1}{10}''$. The front of the note is printed mainly in blue and mauve over an intricate multicoloured pattern appearing in the centre and extending to the upper and lower borders of the note. The reproduction of the statue appears in a panel on the right hand side of the note and in a panel on the left hand side of the watermark of the 'Heraldic Lion' can be seen. A metallic thread is incorporated vertically in the note on the right hand side. The back of the note is mainly in blue and carries a reproduction of the Moonstone and steps. A circular panel on the right hand side is filled with microscopic lettering of varying sizes.

The notes of the new design are in circulation along with the notes of the previous issue which continue to be legal tender.

Income and Expenditure

The income of the Central Bank for the year amounted to Rs. 23,795,828, and expenditure including allocations to reserves and provision for depreciation of the value of the Bank Building amounted to Rs. 22,689,565. Of the net profit of Rs. 1,106,263, a sum of Rs. 106,263 was used to liquidate the balance of the Monetary Adjustment Account in terms of Section 39 (a) of the Monetary Law Act, and the Rs. 1,000,000 was carried to Surplus in terms of Section 39 (b) of the Monetary Law Act.

BANK SUPERVISION

In the year 1967 the Department of Bank Supervision examined six banks under Section 29 (1) of the Monetary Law Act. In addition the Department undertook the examination of two long-term credit institutions under Section 29 (2) 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.