

## ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

Financial accounts of the Central Bank for the year 1968 are given in Table 6 in Appendix II. The main changes in comparison with 1967 as at the end of December, 1968, were;

	CHANGE	
	Rs. million	Percent
Total Demand Liabilities .. .. .	+273.2	+14.8
Currency circulation .. .. .	+ 9.1	+ 0.8
Demand Deposits .. .. .	+192.7	+27.0
(of which commercial banks) .. .. .	— 4.4	— 3.0
International Reserve .. .. .	— 24.9	— 9.6
Domestic Assets .. .. .	+294.2	+16.8
(of which Government and Government Guaranteed Securities)	+269.4	+19.6

+ Increase

— Decrease

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

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

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

Commencing from May 6, 1968, the Central Bank's rates of interest on advances against Government Securities and against usance promissory notes relating to commercial and production loans were increased from 5% to 5½ per cent per annum. The rate of interest on Central Bank advances to commercial banks against the pledge of usance promissory notes in respect of advances granted to Co-operative Societies to finance the purchase of paddy under the Guaranteed Price Scheme and for the purchase, sale or storage of locally grown Agricultural products 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 promissory 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.

### Foreign Currency Notes

With effect from August 1968, arrangements were made for the Central Bank to purchase specified foreign currency notes from commercial banks operating in Ceylon at prescribed rates.

### Credit Guarantee Scheme

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 December 31st, 1968, the Central Bank had guaranteed loans granted by commercial banks totalling Rs. 75,633,000.

### Medium and long term credit

During the year, credit institutions made increased use of the Bank's medium and long term refinance facilities. Refinance loans totalling Rs. 5,228,000 were granted to credit institutions during the year. The rates of interest on refinance loans granted by the Central Bank were revised on November 1st, 1968 as follows:-

- (a) for the promotion or development of Agriculture or industry - 4 per cent per annum;
- (b) for the modernisation of tea factories and/or for the construction of new tea factories where the Tea Controller meets a part of the interest payable on such loans -
  - (i) 5 per cent per annum in respect of refinance loans to cover the local costs;
  - (ii) 7 per cent per annum in respect of refinance loans to cover the foreign exchange costs;
- (c) for the promotion or development of trade, commerce or business - 5½ per cent per annum.

### Currency Issue

At the end of 1968 the total currency circulation stood at Rs. 1,181.9 million, an increase of Rs. 109.1 million over the figure as at the end of 1967. Notes in circulation increased by Rs. 104.6 million and coins by Rs. 4.5 million.

A new cupro nickel coin of the denomination of Rs- 2 was issued in October, 1968, in connection with the Special Food and Agriculture Organisation Coin Issue. This coin is round, has a diameter of 1.240 inches and

weighs 190 grains. On the obverse of the coin is a reproduction of the statue at Polonnaruwa traditionally believed to be that of King Parakrama Bahu the Great, with a design consisting of ears of paddy on either side and a paddy basket at the bottom. The legend "Grow More Food" appears in Sinhala, Tamil and English near the periphery of the coin. On the reverse a large figure '2' appears in the centre and the value Rupees Two in words in Sinhala, Tamil and English appears across the figure 2. The words Sri Lanka in Sinhala appear above the figure 2 while the Tamil and English versions flank it on the left and right respectively. The year of issue 1968, appears below the figure 2.

The coin is in Circulation along with the note of the same denomination.

### **Foreign Exchange Entitlement Certificates Scheme**

In terms of the Foreign Exchange Entitlement Certificates Act No. 28 of 1968, the Central Bank of Ceylon administers the Foreign Exchange Entitlement Certificates Scheme on behalf of the Government of Ceylon.

### **Income and Expenditure**

The income of the Central Bank for the year amounted to Rs. 33,458,000 and expenditure, including allocations to reserves and provision for depreciation of the value of the Bank Building, amounted to Rs. 32,458,000. The net profit of Rs. 1,000,000 was carried to Surplus in terms of Section 39(b) of the Monetary Law Act.

### **Bank Supervision**

In the year 1968 the Department of Bank Supervision examined seven 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.

The Development Finance Division was engaged in the appraisal of Tea Factory Modernisation projects in connection with the line of credit made available to the Central Bank by the Asian Development Bank.