

## ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

Financial accounts of the Central Bank for the year 1969 are given in Table (19) in Appendix II. The main changes in comparison with 1968 as at the end of December 1969 were:-

	CHANGE (Rs. million)
Total Demand Liabilities .. .. .	- 60.4
Currency circulation .. .. .	+ 30.8
Demand deposits .. .. .	- 91.2
(of which commercial banks) .. .. .	- 5.2
Borrowings abroad .. .. .	+ 227.3
International Reserve .. .. .	- 70.3
Domestic Assets .. .. .	+ 165.3
(of which Government and Government Gauranteed Securities)	+ 112.0
+ Increase	- Decrease

The Central Bank's rates for U.S. Dollars which were changed on May 21, 1969 are given in page (VIII) Appendix I B.

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

		T.T. Buying	T.T. Selling
Sterling (per Ceylon Rupee)	.. Spot	.. 1s.4 53/64d.	.. 1s.4 13/16d
	.. Forward (upto six months)	.. 1/128d. per month .. discount against spot	.. 1/128d. per month .. premium against spot
Indian Rupees (per 100)	.. Spot	.. Rs. 79 1/8	.. Rs. 79 3/16
	.. 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 (24) in Appendix (II).

The Central Bank's rates of interest on advances against Government securities and against usance promissory notes relating to commercial and production loans remained unchanged at 5½% 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 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 continued to be fixed at 1½% per annum, provided that commercial banks which availed themselves of this facility did not charge more than 8% per annum (subject to a rebate

of 3% 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 annum over the last accepted average tender rate.

#### **Foreign Currency notes**

The Central Bank continued to purchase specified foreign currency notes from commercial banks operating in Ceylon at prescribed rates. These rates are shown in page (XII) Appendix (I B).

#### **Credit Guarantee Scheme**

Under this Scheme the Central Bank, on behalf of the Government, guarantees payment upto 75% 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 percent is payable by the commercial banks. In 1969, the Central Bank had guaranteed loans granted by commercial banks totalling Rs. 70,746,000.

#### **Medium and Long Term Credit**

Refinance loans totalling Rs. 34,736,000 were granted to credit institutions during the year. The rates of interest on refinance loans granted by the Central Bank were revised on August 19, 1969, as follows: —

- (a) for the promotion or development of agriculture or industry— $5\frac{1}{8}$ % 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 percent per annum in respect of refinance loans to cover local costs;
  - (ii) 7 percent per annum in respect of refinance loans to cover the foreign exchange costs.
- (c) for the promotion or development of trade, commerce or business— $6\frac{1}{2}$  percent per annum.

#### **Currency Issue**

At the end of 1969, the total currency circulation stood at Rs. 1,212.7 million an increase of Rs. 30.8 million over the figure as at the end of 1968. Notes in circulation increased by Rs. 26.8 million and coins by Rs. 4.0 million.

New design currency notes of the denominations of Rs. 100/- and Rs. 2/- were issued in December, 1969. These notes are similar to the notes issued earlier bearing a reproduction of the statue at Polonnaruwa traditionally believed to be that of King Parakramabahu the Great, except that the Tamil and English equivalents of the words "ශ්‍රී ලංකා මහ බැංකුව" appear on the front and the back of the notes.

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

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

The Central Bank of Ceylon continued to administer 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. 54,643,000 and expenditure, including allocation to reserves and provision for depreciation of the value of the Bank Building amounted to Rs. 53,643,000. 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 1969 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 as amended by Act No. 36 of 1968.

The Development Finance Division continued to be engaged in the appraisal of Tea Factory Modernization Projects in connection with the line of credit made available to the Central Bank by the Asian Development Bank.