

## APPENDICES

## APPENDIX I

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- (A) EXTRACTS OF MAJOR LEGAL ENACTMENTS OF THE PARLIAMENT OF CEYLON IN 1969, WHICH RELATE TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS.
  
- (B) MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 1969.

**Bretton Woods Agreements (Special Provisions) Act, No. 2 of 1969**

AN ACT TO MAKE ALL SUCH LEGAL PROVISIONS AS MAY BE NECESSARY, BY WAY OF THE AMENDMENT OF CERTAIN WRITTEN LAWS OR OTHERWISE, TO GIVE FULL FORCE AND EFFECT TO THE DECISION OF THE GOVERNMENT OF CEYLON TO ACCEPT A PROPOSED AMENDMENT TO THE ORIGINAL ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND OF WHICH CEYLON IS A MEMBER.

(Date of Assent: January 16, 1969)

WHEREAS Ceylon is a member of the International Monetary Fund and the text of the original Articles of Agreement of that Fund were laid before Parliament prior to the passing of the Bretton Woods Agreements Act with enabled Ceylon to become such a member:

And whereas the Board of Governors of that Fund have, by resolution, approved an amendment which is proposed to such original Articles in order to institute a new facility based on special drawing rights in the Special Drawing Account in that Fund and to effect certain other changes (hereafter in this preamble referred to as "the proposed amendment"):

And whereas the text of the proposed amendment was laid before the House of Representatives on November 23, 1968:

And whereas the Government of Ceylon has decided to accept the proposed amendment so as to enable Ceylon to participate in the proposed Special Drawing Account in that Fund:

And whereas it is necessary to make the legal provisions hereinafter set out to give full force and effect to that decision:

Now, therefore, be it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Representatives of Ceylon in this present Parliament assembled, and by the authority of the same, as follows: —

1. This Act may be cited as the Bretton Woods Agreements (Special Provisions) Act, No 2 of 1969, and shall come into operation on such date as may be appointed by the Minister by Order published in the *Gazette*.

2. The Governor-General is hereby authorized by instruments under his hand to empower such person as may be named in such instruments, on behalf of the Government of Ceylon, to deposit with the International Monetary Fund—

- (a) an instrument of acceptance stating that the Government of Ceylon has accepted the amendment which is proposed to the Articles of Agreement of that Fund in order to institute a facility based on special drawing rights in the Special Drawing Account in that Fund and to effect certain other changes; and

- (b) an instrument setting forth that the Government of Ceylon undertakes all the obligations of a participant in the Special Drawing Account in that Fund in accordance with its law, and that it has taken all steps necessary to enable it to carry out all such obligations.

3. Section 2 of the Bretton Woods Agreements Act (as subsequently amended), hereafter referred to as the "principal Act", is hereby amended in paragraph (b) of that section, by the omission of the expression '(hereinafter referred to as "the Fund Agreement")'.

4. Section 4 of the principal Act is hereby amended in sub-section (1) of that section as follows:—

- (a) by the substitution, in paragraph (c) of that sub-section, for the expression "this Act; and", of the expression "this Act;";
- (b) by the substitution, in paragraph (d) of that sub-section, for the expression "(which relates to the liquidation of the Fund).", of the expression "(which relates to the liquidation of the Fund);"; and
- (c) by the insertion, immediately after paragraph (d) of that sub-section, of the following new paragraphs:—

"(e) to the Central Bank of Ceylon all sums paid by that Bank on behalf of Ceylon under section 2 of Article XXII of the Fund Agreement, and assessed as so payable under section 4 of Article XXVI of the Fund Agreement;

(f) any compensation which Ceylon is required or obliged to pay to any participant in the Special Drawing Account in that Fund under section 8 of Schedule I of the Fund Agreement (which relates to the administration of the liquidation of that Account); and

(g) all sums, other than sums by way of compensation referred to in paragraph (f), which Ceylon is required or obliged to pay to that Fund or any member thereof in order to discharge its obligations as a participant in the Special Drawing Account in that Fund."

5. The following new section is hereby inserted immediately after section 8, and shall have effect as section 8A, of the principal Act:—

8A. (1) The Central Bank of Ceylon is hereby authorized to acquire, hold, and operate on, or dispose of, special drawing rights in the Special Drawing Account in the International Monetary Fund.

(2) The Central Bank of Ceylon is hereby authorized —

- (a) to make payment of all sums required for the purpose of paying any charges payable to the International Monetary Fund under section 2 of Article XXVI of the Fund Agreement in respect of the special drawing rights in the Special Drawing Account in that Fund; and

(b) to receive, and to credit to its own funds, the interest payable by that Fund in respect of such special drawing rights under section 1 of the said Article XXVI.”

6. The following new section is hereby inserted immediately after section 9, and shall have effect as section 10, of the principal Act:—

‘Interpretation. 10. In this Act, —

“Fund Agreement” means the Articles of Agreement of the International Monetary Fund as originally adopted and as subsequently amended in order to institute a facility based on special drawing rights and to effect certain other changes;

“International Monetary Fund” means the International Monetary Fund which is established and is in operation in accordance with the provisions of the Fund Agreement.’

7. Section 67 of the Monetary Law Act is hereby amended in sub-section (1) of that section as follows:—

(1) in paragraph (i) of that sub-section by the omission of the word “and”;

(2) in sub-paragraph (d) of paragraph (ii) of that sub-section, by the substitution, for the expression “and coins”., of the expression “and coins; and”;

(3) by the insertion, immediately after sub-paragraph (ii) of that sub-section, of the following new sub-paragraph:—

“(iii) either the whole, or such maximum percentage of the whole, of the holdings of special drawing rights in the Special Drawing Account in the International Monetary Fund according as may be determined, from time to time, by the Monetary Board.”.

**Finance (Amendment) Act, No. 35 of 1969**

AN ACT TO AMEND THE FINANCE ACT, NO. 11 OF 1963.

(Date of Assent: December 28, 1969)

1. This Act may be cited as the Finance (Amendment) Act, No. 35 of 1969.

2. Section 120 of the Finance Act, No. 11 of 1963, as amended by Act, No. 50 of 1968, is hereby further amended as follows:—

(1) in sub-section (1) of that section, by the substitution, for all the words from “chargeable with business turnover tax” to the end of that sub-section, of the following:—

“chargeable with business turnover tax—

(a) for any year of assessment ending on or before September 30 1969, if, but only if—

(i) in the case of a business carried on by him for a period of not less than one year prior to the date of commencement of that year of assessment, the turnover made by him from that business for the accounting period immediately preceding that year of assessment is not less than one hundred thousand rupees, or

(ii) in the case of a business carried on by him for a period of less than one year prior to the date of commencement of that year of assessment, the turnover made by him from that business during that period is not less than a sum which bears to one hundred thousand rupees the same proportion as the number of days in that period bears to three hundred and sixty-five, and

(b) for any year of assessment commencing on or after October 1, 1969, if, but only if—

(i) in the case of a business carried on by him for a period of not less than one year prior to the date of commencement of that year of assessment, the turnover made by him from that business for the accounting period immediately preceding that year of assessment is not less than seventy-five thousand rupees, or

(ii) in the case of a business carried on by him for a period of less than one year prior to the date of commencement of that year of assessment, the turnover made by him from that business during that period is not less than a sum which bears to seventy-five thousand rupees the same proportion as the number of days in that period bears to three hundred and sixty-five.”; and

- (2) by the insertion, immediately after sub-section (1A) of that section, of the following sub-section:—

“(1B) (a) Where any person commences to carry on any business on a day within any year of assessment commencing on or after October 1, 1969, or during the year of assessment commencing on October 1, 1969, begins to make, in the course of carrying on any business started by him prior to that date, regular sales of goods or commodities, such person shall, notwithstanding anything to the contrary in sub-section (1), be chargeable with business turnover tax in respect of the turnover made by him during that year of assessment from the business commenced by him, or from the business in the course of which such sales of goods or commodities were made, or, where the business commenced by him or in the course of which such sales of goods or commodities were made together with any other business carried on by him is deemed to be one business for the purposes of this Part of this Act, from the businesses so deemed to be one:

Provided, however, that such person shall not be liable to pay business turnover tax —

- (i) for the quarter in which he commenced such business or began to make such sales of goods or commodities if the turnover made by him for that quarter from the business commenced by him, or from the business in the course of which such sales of goods or commodities were made or, where that business together with any other business is deemed to be one business, from the businesses so deemed to be one business, is less than the sum which bears to eighteen thousand seven hundred and fifty rupees the same proportion as the number of days in the period beginning on the date on which he commenced such business or such sales of goods or commodities, as the case may be, and ending on the last day of that quarter bears to ninety-one, or
  - (ii) for any subsequent quarter of that year of assessment if the turnover for that quarter is less than eighteen thousand seven hundred and fifty rupees.
- (b) Where the turnover made by any person for any year of assessment from any business commenced by him, or from the sales of goods or commodities made in the year of assessment commencing on October 1, 1969, in the course of carrying on any business is less than the sum which bears to seventy-five thousand rupees the same proportion as the number of days in the period beginning on the date of commencement of such business or sales of goods or commodities and ending on the

last day of that year of assessment bears to three hundred and sixty-five, such person shall, upon an application made within three years after the expiry of that year of assessment, be entitled to a refund of the tax paid by him under the preceding provisions of this sub-section."

3. Section 122 of the principal Act is hereby amended in sub-section (1) of that section, by the substitution, for the words "being in respect" to "in that year", of the words "being in respect of each quarter of that year".

4. Section 159 of the principal Act is hereby amended in sub-section (1) of that section, by the insertion, immediately after the definition of "precedent partner" of the following definition:—

"quarter" in relation to any year of assessment, means the period of three months commencing on the first day of October, the first day of January, the first day of April and the first day of July;'

Circular No. 30

Central Bank of Ceylon,  
Colombo 1.  
January 30, 1969

**Commercial Bank Credit-Margin requirements  
against import letters of credit**

With effect from January 30, 1969 letters of Credit should not be opened by commercial banks for the importation of chassis with engines mounted for lorries with a gross vehicle weight of not less than 13,000 lbs. unless such credits are covered by margins deposited in cash with the credit opening banks at the time such credits are opened. These margins should not be below 50% of the values of the letters of credit.

The Central Bank requests that commercial banks should not grant any advance or advances for the purpose of providing the minimum margin required to be deposited in terms of the above.

The maximum amount of facilities which commercial banks may grant to importers of the above mentioned item for the release of documents against Trust Receipts to take deliveries of such goods should not exceed 25% of the c.i.f. value of the goods.

K. GUNARATNAM  
*Chief Accountant*

W. TENNEKOON  
*Governor*

Circular No. 31

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo 1.  
January 30, 1969.

### Commercial Bank Credit

Commercial banks are hereby informed that they should not increase their advances to the private sector upto 30th June, 1969, by more than 8% over the level of such advances as at 31st August, 1968 or 30th September, 1968 whichever is higher subject to the following exceptions:

- (a) advances granted to Government Corporations will be excluded from the above limitation,
- (b) in regard to finance for exports (i.e. pre-shipment, packing credit etc.) banks may increase their advances for this purpose by an *additional* 7% over the total credit as at the base date,
- (c) banks may also increase their advances to the private sector temporarily, i.e. between the 4th and the 12th of each month, by 10% over the ceiling referred to above in order to meet wage payments, and
- (d) advances granted by banks for the tea factory modernisation project of the Government will be excluded from the ceiling requirements.

2. In special circumstances, the Central Bank may permit commercial banks to exceed the ceiling of 8% but not exceeding 15% beyond the level of advances outstanding to the private sector as at the base date. This will be in addition to the exceptions mentioned in paragraphs (b) and (c) above.

3. In every instance where a commercial bank's advances to the private sector at the time of its application for accommodation from the Central Bank has exceeded the 8% ceiling referred to in paragraph 1 above, the Central Bank will charge a rate of interest of 2% per annum above its current lending rate for such accommodation.

4. The term "advances" for the purpose of the credit ceiling refers to the following assets items of banks:

Loans,  
Overdrafts,  
Import bills financed and  
Local bills financed.

5. The Central Bank does not wish commercial banks to increase credit for non-essential purposes such as consumption, speculative stock building etc. Accordingly, banks should refrain from increasing credit for such purposes. In addition, banks should also, where found desirable, reduce the period of their Trust Receipt loans.

K. GUNARATNAM  
Chief Accountant

W. TENNEKOON  
Governor

( iii )

**Circular No. 31/1.**

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo - 1.

*February 7, 1969.*

**Commercial Bank Credit**

*Reference:* Circular No. 31 of January 30, 1969.

Commercial banks are hereby informed that medium and long term advances granted by them for periods not shorter than three years for the promotion or development of agriculture or industry will be excluded from the ceiling requirements referred to in the abovementioned Circular.

**K. GUNARATNAM**  
*Chief Accountant,*

**S. E. P. JANSZ**  
*Deputy Governor.*

Circular No. 30/1.

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo - 1.  
February 26, 1969.

**Commercial bank credit - Margin requirements  
against import letters of credit**

*Reference:* Circular No. 30 of January 30, 1969.

Commercial banks may, with effect from February 26, 1969, open letters of credit for the importation of chassis with engines mounted for lorries with a gross vehicle weight of not less than 13,000 lbs. against margin deposits in cash amounting to not less than 25% of the values of the letters of credit, **provided** that such letters of credit stipulate that not more than 30 chassis are to be shipped in any given month to a particular importer. The other stipulations of Circular No. 30 of January 30, 1969, will continue to apply in these cases.

In all other cases, i.e. other than those referred to above, all the stipulations referred to in Circular No. 30 of January 30, 1969 will continue to apply.

K. GUNARATNAM  
Chief Accountant.

W. TENNEKOON  
Governor.

**Circular No. 32**

Central Bank of Ceylon,  
Colombo 1  
April 7, 1969

**Working Balances in Sterling**

In accordance with the policy of the Central Bank to vary, as circumstances warrant, the balances which banks may hold abroad to amounts required for their normal day to day business requirements, the balance in sterling which each bank may hold abroad has now been revised. The amount of such balance which a bank could hold abroad will be communicated to each bank separately.

Paragraph 1 of the Bank's Circular No, 5 of September 28, 1961 is hereby cancelled.

**K. GUNARATNAM**  
*Chief Accountant*

**W. TENNEKOON**  
*Governor*

Circular, No. 33

Central Bank of Ceylon  
P. O. Box 590,  
Colombo-1.  
May 12, 1969

### Commercial Bank Credit

1. Commercial banks are hereby informed that with effect from June 1, 1969 and until further notice they should not increase their advances to the private sector by more than 7% over the level of such advances as on April 29, 1969 subject to the following exceptions:-

- (a) banks may increase their advances for financing exports (i.e. pre-shipments, packing credit etc) and tourist promotion by an *additional* 7% over the total advances outstanding to the private sector as at the base date, and
- (b) banks may increase their advances temporarily i.e. between the 4th and 12th of each month for the purpose of meeting wage payments by a further 10% over the total advances outstanding to the private sector as at the base date.

Where however a commercial bank's advances outstanding to the private sector as on April 29, 1969 are below the level of such advances outstanding on August 31, 1968 or September 30, 1968 i.e. the base date for the existing credit ceiling, the bank may consider the existing ceiling limit, namely, 8% over the level of advances outstanding as on August 31, 1968 or September 30, 1968, as the limit of its credit expansion for the period commencing from June 1, 1969.

2. The following advances to the private sector will be *excluded* from the ceiling requirements stipulated in this Circular:-

- (i) medium and long term advances for periods not shorter than 3 years for the promotion or development of agriculture or industry,
- (ii) advances under the Government's Agricultural Credit Scheme to Co-operative Societies for the production and marketing of agricultural crops,
- (iii) advances granted against Goods Receipts in respect of Guaranteed Price Scheme purchases by the Government,
- (iv) advances granted under the Government's Tea Factory Modernisation Projects, and
- (v) advances granted to Government Corporations.

3. The term "advances" for the purpose of the credit ceiling refers to the following asset items of banks excluding those referred to in paragraph 2 above:-

Loans,  
Overdrafts,  
Import Bills financed, and  
Local Bills financed.

4. The Central Bank does not wish commercial banks to increase credit for non-essential purposes such as consumption, speculative stock building etc. Accordingly, banks should refrain from increasing credit for such purposes. The Central Bank also desires that in complying with the provisions of this Circular, banks should give priority to the financing of exports and agricultural or industrial production and that in regard to finance for industrial production special consideration be given to industries whose turnover in 1968 was below Rs. 500,000/-.

5. The provisions of Circular No. 31 of January 30 1969 will cease to be effective as from June 1, 1969.

K. GUNARATNAM  
*Chief Accountant*

W. TENNEKOON  
*Governor*

Circular No. 1/199

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo 1.  
May 21, 1969.

**Central Bank's Exchange Rates for the U. S. Dollar**

The following exchange rates are applicable to transactions by the Central Bank with the commercial banks with respect to the U. S. dollar until further notice.

U. S. dollars (per 100)	Central Bank Buying Rates for Telegraphic Transfers	Central Bank Selling Rates for Telegraphic Transfers
Spot	Rs. 595.25	Rs. 595.50
Forward upto three months	Rs. 595.25	Rs. -/25cts per month premium against spot.

Over three months and upto six months on specific application to the Central Bank.

K. GUNARATNAM  
Chief Accountant.

W. TENNEKOON  
Governor.

Circular No. 33/1

Central Bank of Ceylon  
P. O. Box 590,  
Colombo 1.  
June 13, 1969.

**Commercial Bank Credit-Government Corporations**

*Reference:* Circular No. 33 of May 12, 1969.

2. Section (v) of paragraph 2 of the abovementioned Circular is hereby deleted.

3. Commercial banks are hereby informed that with effect from June 16, 1969 and until December 31, 1969, they should not increase their advances to Government Corporations and outstanding as at the close of business on June 13, 1969 by more than 7% of the total credit outstanding to the private sector (including Government Corporations), as at the close of business on April 29, 1969,

4. The provisions of Circular No. 33 of May 12, 1969 in regard to commercial banks' advances to the private sector will remain in force until December 31, 1969.

K. GUNARATNAM  
Chief Accountant

W. TENNEKOON  
Governor

( x )

Circular No. 33/2.

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo - 1.  
July 16, 1969

### Commercial Bank Credit

It has been decided to include tea production too within the increased credit facility referred to at paragraph 1 (a) of the Bank's Circular No. 33 of May 12, 1969. Accordingly, the following sub-paragraph (a) should be substituted for sub-paragraph (a) referred to above:-

"(a) Banks may increase their advances for financing exports (i.e. pre-shipment, packing credit etc.), tea production and tourist promotion by an additional 7% over the total advances as at the base date."

K. GUNARATNAM  
Chief Accountant.

W. TENNEKOON,  
Governor

Circular No. 29/1

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo.  
August 19, 1969,

**Refinance - Rates of interest on Medium & 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 rates of interest on refinance loans granted by the Central Bank to credit institutions:-

- (a) for the promotion or development of agriculture or industry shall be  $5\frac{1}{2}\%$  per annum, provided that the credit institutions which avail themselves of this facility do not charge more than  $8\frac{1}{2}\%$  per annum on loans granted by them to their customers and for which they have sought refinance from the Central Bank,
- (b) for the modernisation of tea factories and/or construction of new tea factories where the Tea Controller meets a part of the interest payable on such loans shall be:-
  - (i)  $5\%$  per annum in respect of refinance loans to cover the *local* costs of such tea factory modernisation and/or construction of new factories provided that the credit institutions which avail themselves of this facility do not charge more than  $8\frac{1}{2}\%$  per annum on loans granted by them and for which they have sought refinance from the Central Bank,
  - (ii)  $7\%$  per annum in respect of refinance loans to cover the *foreign exchange* costs of such tea factory modernisation and/or construction of new tea factories provided that the credit institutions which avail themselves of this facility do not charge more than  $8\frac{1}{2}\%$  per annum on loans granted by them to their customers and for which they have sought refinance from the Central Bank.
- (c) for the promotion or development of trade, commerce or business shall be  $6\frac{1}{2}\%$  per annum.

Circular No. 29 of November 1, 1968 is hereby cancelled.

K. GUNARATNAM  
Chief Accountant,

W. TENNEKOON  
Governor

Circular No. 28  
(Revised — 5.11.69)

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo 1,  
5th November, 1969.

**Rates of exchange for purchase of foreign currency notes**

1. The Central Bank's rates for the purchase of foreign currency notes from commercial banks in Ceylon will be as follows:—

Currency	Central Bank's Buying Rate
	Rs. cts.
Australian Dollars (per \$. 1/-)	6.55
Austrian Schillings (per Sch. 100/-)	22.40
Canadian Dollars (per \$. 1/-)	5.40
Deutsche Marks (per DM. 10/-)	15.85
(West Germany)	
Hongkong Dollars (per \$. 10/-)	9.60
Italian Lira (per Lira 1000/-)	9.30
Malaysian Dollars (per \$. 10/-)	19.05
Netherlands Florins (per Fl. 10/-)	16.10
Singapore Dollars (per \$. 10/-)	19.05
Swiss Francs (per Fcs. 10/-)	13.35
U. K. Pounds (per £. 1/-)	14.05
U. S. Dollars (per \$. 1/-)	5.85

2. The following rates are applicable to commercial banks' purchases of the foreign currency notes referred to in paragraph 1 above.

Currency	Commercial Banks' Minimum Buying Rate
	Rs. cts.
Australian Dollars (per \$. 1/-)	6.50
Austrian Schillings (per Sch. 100/-)	22.35
Canadian Dollars (per \$. 1/-)	5.35
Deutsche Marks (per DM. 10/-)	15.80
(West Germany)	
Honkong Dollars (per \$. 10/-)	9.55
Italian Lira (per Lira 1000/-)	9.25
Malaysian Dollars (per \$. 10/-)	19.00
Netherlands Florins (per Fl. 10/-)	16.05
Singapore Dollars (per \$. 10/-)	19.00
Swiss Francs (per Fcs. 10/-)	13.30
U. K. Pounds (per £. 1/-)	14.00
U. S. Dollars (per \$. 1/-)	5.80

K. GUNARATNAM  
Chief Accountant

W. TENNEKOON  
Governor