

PART III

PART III

MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 1996

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Foreign Finance Division
Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.

23 January 1996.

Operating Instructions No. BD / 02 / 96

The Manager
Metropolitan Imports Department
Bank of Ceylon
York Street
Colombo 1.

Dear Sir,

IDA CREDIT 2380CE SECOND AGRICULTURAL EXTENSION PROJECT

The following procedure may be observed in respect of imports under the captioned loan granted to Sri Lanka by the International Development Association of the World Bank.

1. Imports shall be against confirmed irrevocable without Recourse Letters of Credit established by your Bank on behalf of Project Manager, Second Agricultural Extension Project, Ministry of Agriculture, Lands and Forestry, 42, Sir Marcus Fernando Mawatha, Colombo 7.
2. Your authority for opening Letters of Credit will be the Letter of Allocation issued by the Director General of External Resources under the title "IDA 2380CE – Second Agricultural Extension Project".
3. Every Letter of Credit opened by your Bank unless otherwise advised by me should provide that the negotiating Bank will be reimbursed by IDA and that the Letter of Credit will become operative only when IDA issues its special commitment in favour of the negotiating bank.
4. Applications for special commitment to IDA should be made by your customer on Form 1931 (Extract attached) supported by the following documents :-
 - (a) A copy of the Contract or Purchase Order related to the payment to be made; and
 - (b) Two copies of the Letter of Credit your Bank proposes to issue.
5. The negotiating Bank should be advised to furnish copies of all amendments made to each Letter of Credit to IDA which will provide its written approval for amendments involving :-
 - (a) the value of the Letter of Credit
 - (b) any extension of the expiry date of the Letter of Credit more than six months beyond the original date or beyond the date quoted in the special commitment issued by IDA.

No other amendments require IDA's prior approval.

6. Since the captioned line of credit is denominated in Special Drawing Rights (SDR) the IDA will specify the SDR commitment in its Special Commitment Letter to the negotiating bank in respect of Letters of Credit expressed in another currency. If due to this limitation of its commitment, IDA does not reimburse the full amount of the foreign currency to your correspondent abroad as specified in the Letter of Credit

you may remit the balance due to the negotiating bank in accordance with the instructions issued to you in this regard by the Controller of Exchange.

7. Importers under this credit are not required to pay the rupee value of the shipping documents involved to the Government's Counterpart Fund account. You may therefore, release such documents to your customers no sooner they are received by you after recovering commissions, charges *etc.*, if any, due to you or to the negotiating bank.
8. Copies of Letter of Credit and amendments, if any, should be forwarded to the Chief Accountant, Central Bank of Sri Lanka, Colombo, for information.
9. Controller of Exchange will advise you separately of his requirements in this connection.

Yours faithfully,

A. Shanmugasamy

Adl. Chief Accountant for Chief Accountant

- c.c. 1. Controller of Exchange
2. Mr. G. A. Gunatilake
Project Manager
Second Agricultural Extension Project
Ministry of Agriculture, Lands and Forestry
42, Sir Marcus Fernando Mawatha
Colombo 7.

Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.

23 February 1996.

Operating Instructions No. BD / 03 / 96

Manager (Corporate Branch)
Imports Department
Bank of Ceylon
Colombo 1.

Dear Sir,

**PROCEDURE FOR IMPORTS - ADB LOAN NO. 1204 SRI (SF)
URBAN DEVELOPMENT SECTOR PROJECT**

The Asian Development Bank (hereinafter referred to as ADB) has agreed to lend to the Government of the Democratic Socialist Republic of Sri Lanka, an amount equivalent to SDR 19,204,000.00 for the Urban Development Sector Project. This Project will be executed by the Urban Development Authority (hereinafter referred to as UDA). UDA will utilise part of the credit for the importation of equipment for the project. You are required to observe the following procedure in dealing with imports under this Project.

2. All imports which must be from eligible source countries should be made against confirmed, irrevocable, without recourse of Letters Credit established by you on application by UDA. Every such Letter of Credit should contain the following clause :

" This Letter of Credit is established under Asian Development Bank Loan No. 1204 SRI (SF) and becomes effective only if and when Asian Development Bank issues its commitment letter to the advising/confirming bank. For payment, please follow the instructions contained in the said commitment letter."

Even if the above mentioned clause is not incorporated in the Letter of Credit, it is immediately operative on the strength of your commitment to finance the transaction. However, the ADB's commitment if and when issued, will shift the financing commitment to the ADB. In this case, the Letter of Credit should contain the following clause :

" The financing of this Letter of Credit is undertaken by Bank of Ceylon, Colombo, Sri Lanka. However, it is established under Asian Development Bank Loan No. 1204 SRI (SF), and if and when Asian Development Bank issues the commitment letter to the advising/confirming bank, the latter shall follow the instructions contained in the said commitment letter, and claim payment/reimbursement from Asian Development Bank."

Two copies of your Letter of Credit should be sent to UDA who will arrange to have the ADB issue its formal letter of commitment to your correspondent. If the ADB agrees to the UDA's request it will issue a formal commitment letter to the designated commercial bank in the form shown in the Annex 1 to this letter.

3. (i) ADB's written approval is required for any amendments to the Letter of Credit involving:
- (a) terms of payment including currency and amount of the Letter of Credit;
 - (b) the description or quantity of goods;
 - (c) the beneficiary;
 - (d) the country of origin; and
 - (e) extension of the expiry date of the Letter of Credit beyond the closing date i.e. 30th June 1998 for withdrawal from the Loan Account.

Amendments not covered under (a) to (e) above do not require ADB's approval. Requests for approval of amendments mentioned above should be made promptly by UDA on the form shown in Annex 2 to this letter accompanied by one copy of the amendment signed by you. The amendment of a Letter of Credit in such cases should include the following provision:

" This amendment shall become effective when it is approved by ADB."

The ADB's approval, if given, will be communicated to your correspondent as well as the UDA on the form shown in Annex 3 to this letter.

- (ii) The expiry date and the shipping date may be extended upto the closing date for withdrawal from the Loan Account without ADB's prior approval. When such extension has been made, UDA should promptly inform ADB of such extension in the form shown in Annex 2 to this letter attaching one copy of the extension duly signed by you. Two copies of every amendment, whether subject to ADB's prior approval or not, should be sent by you to UDA who will arrange, where necessary, for the ADB's approval to be issued.

4. On making payment to the beneficiary in terms of a Letter of Credit in respect of which a letter of commitment has been issued by the ADB, your correspondent should forward the relevant documents to you and request reimbursement from ADB in the form shown in Annex 4 to this letter. Your correspondent should also forward a copy of the request for reimbursement to UDA. In order to facilitate prompt disbursement, your correspondent may send an authenticated SWIFT, telex or cable request to the ADB in the form shown in Annex 5 to this letter. You should arrange for your correspondent to advise you as expeditiously as possible whether the ADB has made reimbursement to your correspondent and you should retain in your possession the shipping documents received from your correspondent until you are satisfied that your correspondent has been reimbursed by ADB. No Counterpart Funds are to be collected from the UDA at the time of releasing the documents.

5. In case there is any discrepancy/ies between the shipping documents and the terms of a Letter of Credit, the ADB will not be in a position to honour the payment claim, nor will it be in a position to accept a Letter of Indemnity issued or endorsed by (Negotiating) commercial bank. In such an event, the negotiating commercial bank should seek through yourselves the UDA authorization to pay despite such discrepancy.

The UDA after authorising the payment in consultation with yourselves, should inform ADB by cable of the discrepancy and of the payment authorization given to the negotiating bank.

6. Where a commitment is issued by ADB in a currency other than the U.S. Dollar, the commitment letter will specify the U.S. Dollar equivalent determined on the basis of the exchange rate at which the ADB expect the non-U.S. currency to become available for payment under such commitment. If, in the case of any particular claim made by any of your correspondents in a non-U.S. Currency, the U.S. Dollar equivalent exceeds the amount available under ADB's commitment, ADB will limit the reimbursement to the non-U.S. currency equivalent of such U.S. Dollar amount available. If for this reason or for any other reason whatsoever, ADB declines to reimburse your correspondent in full or in part in respect of a claim made in terms of your Letter of Credit, you may remit to your correspondent the amount disallowed by the ADB. You should make necessary arrangements for this purpose with UDA.

7. The Controller of Exchange will advise you regarding Exchange Control requirements in this connection.

8. All your charges should be for account of UDA.

Yours faithfully,

M. B. Dissanayake
Chief Accountant

- c.c. 1. Controller of Exchange
2. Director
Urban Development Sector Project,
Urban Development Authority
27, D.R. Wijewardena Mawatha,
Colombo 10.

Foreign Finance Division
Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.

18 April 1996.

Operating Instructions No. BD / 04 / 96

The Manager
Metropolitan Imports Department
Bank of Ceylon
York Street
Colombo 1.

Dear Sir,

IDA CREDIT 1698 CE - SECOND VOCATIONAL TRAINING PROJECT

The following procedure may be observed in respect of imports under the captioned loan granted to Sri Lanka by the International Development Association of the World Bank.

- (1) Imports shall be against confirmed irrevocable without Recourse Letters of Credit established by your Bank on behalf of Chairman, Institute for Construction Training and Development, Ministry of Housing, Construction and Public Utilities, "Sausiripaya", 123, Wijerama Mawatha, Colombo 7.
- (2) Your authority for opening Letters of Credit will be the Letters of Allocation issued by the Director General of External Resources under the title "IDA 1698 CE - Second Vocational Training Project".
- (3) Every Letter of Credit opened by your Bank unless otherwise advised by me should provide that the negotiating Bank will be reimbursed by IDA and that the Letter of Credit will become operative only when IDA issues its special commitment in favour of the negotiating bank.
- (4) Applications for special commitment to IDA should be made by your customer on Form 1931 (extract attached) supported by the following documents:-
 - (a) A copy of the Contract or Purchase Order related to the payment to be made; and
 - (b) Two copies of the Letter of Credit your Bank proposes to issue.
- (5) The negotiating Bank should be advised to furnish copies of all amendments made to each Letter of Credit to IDA which will provide its written approval for amendments involving:-
 - (a) the value of the Letter of Credit
 - (b) the description or quantity of goods
 - (c) the beneficiary, and
 - (d) any extension of the expiry date of the Letter of Credit more than six months beyond the original date or beyond the date quoted in the special commitment issued by IDA.

No other amendments require IDA's prior approval.

- (6) Since the captioned line of credit is denominated in Special Drawing Rights (SDR), the IDA will specify the SDR commitment in its Special Commitment Letter to the negotiating bank in respect of Letters of Credit expressed in another currency. If due to this limitation of its commitment, IDA does not reimburse the full amount of the foreign currency to your correspondent abroad as specified in the Letter of Credit, you may remit the balance due to the negotiating bank in accordance with the instructions issued to you in this regard by the Controller of Exchange.
- (7) Importers under this credit are not required to pay the Rupee value of the shipping documents involved to the Government's Counterpart Fund Account. You may therefore, release such documents to your customers no sooner they are received by you after recovering commissions, charges *etc.*, if any, due to you or to the negotiating bank.
- (8) Copies of Letters of Credit and amendments, if any, should be forwarded to the Chief Accountant, Central Bank of Sri Lanka, Colombo, for information.
- (9) Controller of Exchange will advise you separately of his requirements in this connection.

Yours faithfully,

A. Shanmugasamy
Addl. Chief Accountant
for Chief Accountant

- c.c. 1. Chairman,
Institute for Construction, Training and Development
"Sausiripaya"
123, Wijerama Mawatha,
Colombo 7.
2. Controller of Exchange

To : All Commercial Banks

Foreign Finance Division
Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.

21 May 1996.

Operating Instructions No. BD / 05 / 96

**JAPAN / SRI LANKA SPECIAL GRANT OF YEN 71,148,000/-
(22ND DEBT RELIEF GRANT)**

In terms of an agreement signed on 27th December 1995, the Government of Japan has made available, a Grant to the Government of the Democratic Socialist Republic of Sri Lanka for financing imports from selected countries. Allocations for imports under this grant will be issued by the Director General of External Resources. Commercial banks are requested to follow the procedure set out in these instructions in dealing with such imports.

2. A commercial bank may establish an irrevocable Letter of Credit under this facility in favour of a supplier through its correspondents in the Supplier's Country, when a holder of an allocation, makes an application with a copy of his contract with his supplier and a letter of authority issued by the Director General of External Resources. Every such Letter of Credit should carry immediately after the opening bank's identification number, a serial number prefixed with "1st Yen Grant 1996".
3. Each Letter of Credit should specify that the negotiating bank should obtain reimbursement from Bank of Tokyo Ltd., Global Service Banking Division, Tokyo, Japan, by Debit to Yen Ordinary Deposit Account No. 522-0021423 of the Government of the Democratic Socialist Republic of Sri Lanka. The request for reimbursement should accompany a certificate from the negotiating bank that the documents conform to the terms of the Letter of Credit and that the documents have been forwarded to the credit opening bank. The credit opening bank should forward two copies of each Letter of Credit immediately after such credit is established, to the Chief Accountant, Central Bank of Sri Lanka, who will then issue the reimbursement authorization in respect of the credit to Bank of Tokyo Ltd., Tokyo, without which, the negotiating bank would not be reimbursed.
4. On receipt of documents from negotiating banks, credit opening banks should release them to the importer only after collection of the Rupee equivalent of the value of the documents. Commercial banks should ensure that the full value of the documents is received before releasing such documents to the importer. Payments should be made by the importer within 10 days of advice of the receipt of documents by the bank concerned.
5. Failure to pay the value of documents within the stipulated period of 10 days by the importer would result in his having to pay interest at 3% p.a. above the Bank Rate from the date of advice of the receipt of documents by the bank up to the date of retirement of the bill by the importer.
6. When making payments to the Central Bank of Sri Lanka of the Rupee value of documents collected from the importer, the commercial bank should give the following information, quoting reference to this operating instructions:
 - (a) Name and Address of the Importer
 - (b) Letter of Credit Number
 - (c) The name of the Exporter

- (d) Yen equivalent (should be indicated if the value of documents is expressed in any other convertible currency)
 - (e) Exchange Rate applied (including the Japanese Yen rate)
 - (f) Date of Receipt of documents
 - (g) Date of Advice to the Importer
 - (h) Date of payment by the Importer
7. Commercial banks also should ensure when making payments that they attach a copy of each of the following documents relating to the shipment in respect of which the payment is made:-
- (i) Invoice
 - (ii) Bill of Lading / Airway Bill
 - (iii) Documents evidencing the date and amount of payment made to the supplier.

M. B. Dissanayake
Chief Accountant

- cc: 1. Director General of External Resources
Department of External Resources
Secretariat Building,
Colombo 1.
2. Controller of Exchange

Foreign Finance Division
Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.

29 August 1996.

Operating Instructions No. BD / 06 / 96

The Manager
Bank of Ceylon
Corporate Branch
Colombo 1.

Dear Sir,

IDA CREDIT 2249 CE - SECOND TELECOMMUNICATION PROJECT

The following procedure may be observed in respect of imports under the captioned loan granted to Sri Lanka by the International Development Association of the World Bank :

- (1) Imports shall be against confirmed irrevocable without recourse Letters of Credit established by your Bank on behalf of General Manager (Procurement), Sri Lanka Telecom., Sri Lanka Telecom Headquarters, Lotus Road, Colombo 1.
- (2) Your authority for opening Letters of Credit will be the Letters of Allocation issued by the Director of External Resources under the title "IDA 2249 CE - Second Telecommunication Project".
- (3) Every Letter of Credit opened by your Bank unless otherwise advised by me, should provide that the negotiating Bank will be reimbursed by IDA and that the Letter of Credit will become operative only when IDA issues its special commitment in favour of the negotiating bank.
- (4) Applications for Special Commitment to IDA should be made by your customer on Form 1931 (extract attached) supported by the following documents:
 - (a) A copy of the contract or purchase order related to the payment to be made; and
 - (b) Two copies of the Letter of Credit your Bank proposes to issue.
- (5) The negotiating bank should be advised to furnish copies of all amendment made to each Letter of Credit to II A which will provide its written approval for amendments involving:
 - (a) the value of the Letter of Credit;
 - (b) the description or quantity of goods;
 - (c) the beneficiary; and
 - (d) any extension of the expiry date of the Letter of Credit more than six months beyond the original date or beyond the date quoted in the Special Commitment issued by IDA.

No other amendments require IDA's prior approval.

- (6) Since the captioned line of credit is denominated in Special Drawing Rights (SDR), the IDA will specify the SDR commitment in its Special Commitment letter to the negotiating bank in respect of Letters of Credit expressed in another currency. If due to this limitation of its commitment, IDA does not reimburse the full amount of the foreign currency to your correspondent abroad as specified in the Letter of Credit, you may remit the balance due to the negotiating bank in accordance with the instructions issued to you in this regard by the Controller of Exchange.
- (7) Importers under this credit are not required to pay the Rupee value of the shipping documents involved to the Government's Counterpart Fund Account. You may therefore release such documents to your customers no sooner they are received by you after recovering commissions, charges *etc.*, if any, due to you or to the negotiating bank.
- (8) Copies of Letters of Credit and amendments, if any, should be forwarded to the Chief Accountant, Central Bank of Sri Lanka, Colombo, for information.
- (9) Controller of Exchange will advise you separately of his requirements in this connection.

Yours faithfully,

A. Shanmugasamy
Addl. Chief Accountant
for Chief Accountant

- c.c. 1. Controller of Exchange
2. General Manager (Procurement)
Sri Lanka Telecom.,
Sri Lanka Telecom. Headquarters,
Lotus Road,
Colombo 7.

Foreign Finance Division
Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.

14 October 1996.

Operating Instructions No. BD / 07 / 96

The Manager
Bank of Ceylon
Corporate Branch
Colombo 1.

Dear Sir,

**INDIA SRI LANKA CREDIT AGREEMENT
US\$ 15 MILLION - PAYMENTS PROCEDURE FOR IMPORTS**

In terms of a Credit Agreement concluded with the Government of Sri Lanka, the Government of India has agreed to finance 90% of the F.O.B. value of the import of capital goods, consumer durables and provision of consultancy services, upto a limit of US\$ 15 million under the above credit from India into Sri Lanka in terms of contracts approved by the two Governments. The Director General of External Resources will issue allocations to cover such imports. Commercial banks are requested to observe the following payments procedure in dealing with imports under this Credit Agreement.

2. On application by the holder of such an allocation or a specific import license, who should also submit copies of the Contract with his supplier, a commercial bank may:

- (a) remit 10% of the f.o.b. value of the contract to the supplier in India in U.S. Dollars under the Asian Clearing Union arrangement.
- (b) Open a Letter of Credit in U.S. Dollar in favour of the supplier for 90% of the f.o.b. value of the contract. The Letter of Credit should be advised through the State Bank of India, Overseas Branch, New Delhi, either direct to the supplier, or through another bank, in India and should be accompanied by a copy of the contract. If the Letter of Credit is to be transmitted through another bank, copies of the Letter of Credit and the contract should be made available to the State Bank of India, Overseas Branch, New Delhi. The Letter of Credit should indicate the reference number and the date of the letter issued by the Government of India when conveying its approval of the contract; subsequent amendments to the Letter of Credit should include, where necessary, similar information regarding the Indian Government's approval of such amendment.

3. Every Letter of Credit issued in terms of this instruction should include the following clauses:-

- (1) Reimbursement for 90% of the f.o.b. value of the contract shall be provided by the State Bank of India, Overseas Branch, New Delhi, from the US\$ 15 million (US Dollars Fifteen Million) credit extended by the Government of the Republic of India to the Government of the Democratic Socialist Republic of Sri Lanka. The Letter of Credit is negotiable after the State Bank of India, Overseas Branch, New Delhi, has issued an advice that it is operative. The Letter of Credit will be made operative by the State Bank of India, Overseas Branch, New Delhi after verifying the ceiling to the extent of 90% of the f.o.b. value only and it will be the responsibility of the negotiating bank to ensure that the remaining 10% of the credit has been received in free foreign exchange.

All claims to the State Bank of India, Overseas Branch, New Delhi, for payment of 90% of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10% directly payable has been received and that all the terms of the Letter of Credit have been complied with.

4. Every Letter of Credit issued in terms of this Instruction should stipulate that the negotiating bank should forward the original documents direct to the credit opening bank in Sri Lanka and should claim reimbursement from the State Bank of India, Overseas Branch, New Delhi, in terms of the India / Sri Lanka Credit Agreement 1996, furnishing the State Bank of India, Overseas Branch, New Delhi with a certificate stating that 10% of the f.o.b. value of the contract has been received by the negotiating bank and that the terms of the Letter of Credit have been complied with. The negotiating bank should also be instructed to submit copies of invoices and non-negotiable copies of bills of lading to the State Bank of India, Overseas Branch, New Delhi, in support of its claims for reimbursement. The Letter of Credit should provide for all the negotiating bank's charges to be claimed from the State Bank of India, Overseas Branch, New Delhi, together with the value of the documents negotiated. The State Bank of India, Overseas Branch, New Delhi, will itself levy a disbursement charge of 1/10 of 1 per cent of the amount disbursed as out of pocket expenses under the credit agreement. Every Letter of Credit should be established by 31.01.97 and it should not be valid for payment beyond 31.01.98 in respect of Import of capital goods. In the case of consultancy services & consumer durables, Letters of Credit may be opened and the full amount should be drawn by 31.1.97.

5. Every commercial bank should send to the Chief Accountant, Central Bank of Sri Lanka, a copy of every Letter of Credit issued in terms of this instruction, together with a letter undertaking to pay the Central Bank of Sri Lanka for credit of the Government of Sri Lanka counterpart fund account, the Sri Lanka Rupee equivalent of:-

- (i) the amount disbursed by the State Bank of India, Overseas Branch, New Delhi, *i.e.* 90% of the f.o.b. value of bills;
- (ii) bank charges of the negotiating bank in India;
- (iii) charges by State Bank of India, Overseas Branch, New Delhi *i.e.* 1/10 of 1% of the value of the claim; and
- (iv) interest on the total of (i) plus (ii) plus (iii) above at the prevailing Bank rate (currently 17% p.a.) from the date of bill of lading to the date of payment by the importer.

6. It has been decided to grant a rebate of 5% on the 90% f.o.b. value of imports under this Loan Agreement. This rebate shall not be applicable for imports made by Public Sector Institutions which receive funds for the imports under Annual Budget Provisions. Accordingly, commercial banks are requested to collect from the importers the amounts as indicated in the previous paragraph and thereafter remit to the Chief Accountant, Central Bank of Sri Lanka as follows:

- (a) in the case of importers other than Public Sector Institutions referred to above, the balance after retaining 5% of the 90% f.o.b. value of imports (the balance so retained should be refunded to the importer when documentary evidence pertaining to the removal of the goods from the Customs have been furnished); and
- (b) in the case of Public Sector Institutions referred to above, the full value collected from the importer as indicated at paragraph 5 above.

Such Sri Lanka Rupee equivalent should be calculated at the prevailing commercial Bank's spot selling rate for United States Dollar.

7. When making payments to the Central Bank of Sri Lanka in terms of above, the following particulars should be furnished by the commercial bank in Sri Lanka:

- (a) Name of importer

- (b) Number and date of allocation issued by Director General of External Resources and number of import license, if any.
- (c) Number of Letter of Credit and bill number
- (d) Amount paid to the supplier or to negotiating bank by State Bank of India, Overseas Branch, New Delhi, and date of payment.
- (e) Total value of documents received by commercial bank in Sri Lanka from negotiating bank in India.
- (f) Date of Bill of Lading
- (g) Date of payment of counterpart funds by the importer

8. Commercial banks should make arrangements with the importers concerned for the due payment to the Central Bank of Sri Lanka of the amounts mentioned in paragraphs 5 & 6 above as and when they become payable and it will be each commercial bank's responsibility to ensure that these payments are made, once it has issued a Letter of Credit in terms of this Instruction. Commercial banks should not, on any account, release documents to importers until the payments due to the Central Bank of Sri Lanka have been made.

9. Remittances authorized in respect of insurance and/or freight may be made at the time the 10% remittance mentioned in (a) of paragraph 2 above is made.

10. The Controller of Exchange will advise banks of exchange control requirements in this connection.

11. Please acknowledge receipt of this instruction.

M. B. Dissanayake
Chief Accountant

c.c. Controller of Exchange

To : All Commercial Banks

Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.

18 November 1996.

Operating Instructions No. BD / 08 / 96

The Manager
People's Bank
International Division
Colombo 1.

Dear Sir,

**PROCEDURE FOR IMPORTS - ADB LOAN No. 1414 SRI (SF)
SECOND POWER SYSTEM EXPANSION PROJECT**

The Asian Development Bank (hereinafter referred to as ADB) has agreed to lend to the Government of the Democratic Socialist Republic of Sri Lanka, an amount equivalent to SDR 53,528,000.00 to implement the Rural Electrification Program and develop the transmission and distribution system for the Second Power System Expansion Project. This Project will be executed by the Ceylon Electricity Board (hereinafter referred to as CEB) and Lanka Electricity Company (Private) Ltd. (hereinafter referred to as LECO). The Project Executing Agencies will utilise part of the credit for the importation of equipment for the project. You are required to observe the following procedure in dealing with imports under this Project.

2. All imports which must be from eligible source countries should be made against confirmed, irrevocable, without recourse of Credit established by you on application by CEB and LECO. Every such Letter of Credit should contain the following clause :

“ This Letter of Credit is established under Asian Development Bank Loan No. 1414 SRI (SF) and becomes effective only if and when Asian Development Bank issues its commitment letter to the advising/confirming bank. For payment, please follow the instructions contained in the said commitment letter.”

Even if the above mentioned clause is not incorporated in the Letter of Credit, it is immediately operative on the strength of your commitment to finance the transaction. However, the ADB's commitment if and when issued, will shift the financing commitment to the ADB. In this case, the Letter of Credit should contain the following clause :

“ The financing of this Letter of Credit is undertaken by People's Bank, International Division, Colombo 1, Sri Lanka. However, it is established under Asian Development Bank Loan No. 1414 SRI (SF), and if and when Asian Development Bank issues the commitment letter to the advising/confirming bank, the latter shall follow the instructions contained in the said commitment letter, and claim payment/reimbursement from Asian Development Bank.”

Two copies of your Letter of Credit should be sent to the respective Executing Agency who will arrange to have the ADB issue its formal letter of commitment to your correspondent. If the ADB agrees to the Executing Agency's request it will issue a formal commitment letter to the designated commercial bank in the form shown in the Annexure 1 to this letter.

3. (i) ADB's written approval is required for any amendments to the Letter of Credit involving:
- (a) terms of payment including currency and amount of the Letter of Credit;
 - (b) the description or quantity of goods;
 - (c) the beneficiary;
 - (d) the country of origin; and
 - (e) extension of the expiry date of the Letter of Credit beyond the closing date *i.e.* 31.12.2000 for withdrawal from the Loan Account.

Amendments not covered under (a) to (e) above do not require ADB's approval. Requests for approval of amendments mentioned above should be made promptly by the Executing Agency on the form shown in Annexure 2 to this letter accompanied by one copy of the amendment signed by you. The amendment of a Letter of Credit in such cases should include the following provision:

“ This amendment shall become effective when it is approved by ADB.”

The ADB's approval, if given, will be communicated to your correspondent as well as the Executing Agency on the form shown in Annexure 3 to this letter.

- (ii) The expiry date and the shipping date may be extended upto the closing date for withdrawal from the Loan Account without ADB's prior approval. When such extension has been made the Executing Agency, should promptly inform ADB of such extension in the form shown in Annexure 2 to this letter attaching one copy of the extension duly signed by you. Two copies of every amendment, whether subject to ADB's prior approval or not, should be sent by you to the Executing Agency who will arrange, where necessary, for the ADB's approval to be issued.

4. On making payment to the beneficiary in terms of a Letter of Credit in respect of which a letter of commitment has been issued by the ADB, your correspondent should forward the relevant documents to you and request reimbursement from ADB in the form shown in Annexure 4 to this letter. Your correspondent should also forward a copy of the request for reimbursement to the Executing Agency. In order to facilitate prompt disbursement, your correspondent may send an authenticated SWIFT, telex or cable request to the ADB in the form shown in Annexure 5 to this letter. You should arrange for your correspondent to advise you as expeditiously as possible whether the ADB has made reimbursement to your correspondent and you should retain in your possession the shipping documents received from your correspondent until you are satisfied that your correspondent has been reimbursed by ADB. No counterpart funds are to be collected from the Executing Agency at the time of releasing the documents.

5. In case there is any discrepancy/ies between the shipping documents and the terms of a Letter of Credit, the ADB will not be in a position to honour the payment claim. Neither will it be in a position to accept a Letter of Indemnity issued nor endorsed by (Negotiating) commercial bank. In such an event, the negotiating commercial bank should seek through yourselves the Executing Agency's authorization to pay despite such discrepancy.

The Executing Agency after authorizing the payment in consultation with yourselves, should inform ADB by cable of the discrepancy and of the payment authorization given to the negotiating bank.

6. Where a commitment is issued by ADB in a currency other than the U.S. Dollar, the commitment letter will specify the U.S. Dollar equivalent determined on the basis of the exchange rate at which the ADB expect the non-U.S. currency to become available for payment under such commitment. If, in the case of any particular claim made by any of your correspondents in a non-U.S. Currency, the U.S. Dollar equivalent exceeds the amount available under ADB's commitment, ADB will limit the reimbursement to the non-U.S. currency equivalent of such U.S. Dollar amount available. If for this reason or for any other reason whatso-

ever, ADB declines to reimburse your correspondent in full or in part in respect of a claim made in terms of your Letter of Credit, you may remit to your correspondent the amount disallowed by the ADB. You should make necessary arrangements for this purpose with the Executing Agency.

7. The Controller of Exchange will advise you regarding Exchange Control requirements in this connection.
8. All your charges should be for account of the Executing Agency.

Yours faithfully,

M. B. Dissanayake
Chief Accountant

- c.c. 1. Controller of Exchange
2. General Manager
Ceylon Electricity Board,
Sir Chittampalam A. Gardiner Mawatha,
P. O. Box 540
Colombo 02.
 3. Lanka Electricity Company (Pvt) Ltd.,
No. 411, E. H. Cooray Bldg.,
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