

PART III

PART III

MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 1997

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

16 January, 1997

To : All Commercial Banks

RESERVE REQUIREMENTS

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Section 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) and published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No.958/1 of 13th January, 1997, on the above subject.

2. In terms of the Gazette Notification referred to in the previous paragraph, Operating Instruction No. BD/3/94 of 11th February 1994 has been amended as follows:-

Paragraph 1 (ii) has been deleted and the following substituted therefor -

"In terms of the provisions of Section 93 of the Monetary Law Act, the classes of deposit liabilities against which reserves shall be held, are defined as follows:-

- (a) deposit liabilities denominated in Sri Lanka currency;
- (b) deposit liabilities denominated in foreign currency arising out of monies accepted by way of deposits in foreign currency other than those invested outside Sri Lanka, including however, the working balances in foreign currency".

Paragraph 2 has been deleted and the following substituted therefor -

"Commercial banks are hereby informed that they should maintain reserves against Deposit Liabilities in terms of Regulation 'D' as follows:-

- (a) in the case of deposit liabilities specified at (b) of 1(ii) above, be an amount equal to 14 per centum of the total of such deposit liabilities and
- (b) in the case of deposit liabilities specified at (b) of 1(ii) above, be an amount equal to 15 per centum of the total of such deposit liabilities".

3. Schedule B attached to Operating Instruction No. BD/3/94 has been deleted and it is substituted with a new Schedule B which is attached hereto.

4. The above amendments take effect from 17th January 1997. All other instructions contained in our Operating Instruction No. BD/3/94 of 11th February, 1994 will continue to apply.

M. B. Dissanayake
Chief Accountant

BD / FF / IND / 661

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

22 January, 1997

To : All Commercial Banks

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

Reference to our Operating Instruction No. BD/07/96 dated 14th October, 1996.

We wish to inform you that the Government of India has extended the terminal date of signing contracts and establishing of Letters of Credit under the Indian line of credit upto 31.01.1998 and the terminal date of disbursements upto 31.01.1999.

Other terms and conditions of Operating Instruction No. BD/07/96 dated 14th October, 1996 remain unchanged.

M. B. Dissanayake
Chief Accountant

- c.c. 1. Controller of Exchange
2. Director-General
External Resources Department

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

26 March, 1997

To : All Commercial Banks

RESERVE REQUIREMENTS

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) and published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka 968/3 of 25th March 1997, on the above subject.

2. Commercial banks are hereby informed that they should maintain reserves against Deposit Liabilities in terms of the Regulation 'D' of the said notification as follows:-

- (a) in the case of deposit liabilities denominated in Sri Lanka Currency, be an amount equal to 12 per centum of the total of such deposit liabilities; and
- (b) in the case of deposit liabilities denominated in foreign currency arising out of monies accepted by way of deposits in foreign currency other than those invested outside Sri Lanka, including however, the working balance in foreign currency, be an amount equal to 12 per centum of the total of such deposit liabilities.

3. The above amendments take effect from 28th March 1997. All other instructions contained in our Operating Instruction No. BD/3/94 of 11th February 1994, as amended by Operating Instruction No. BD/1/97 of 16th January 1997, will continue to apply.

M. B. Dissanayake
Chief Accountant

**WEEKLY REPORT OF DEPOSIT LIABILITIES
(FOREIGN CURRENCY DEPOSIT LIABILITIES)**

For close of business on Wednesday *1 199.....

From:

(Name of Bank)

To: Chief Accountant
Central Bank of Sri Lanka
Colombo.

The amounts of deposit liabilities reported below are based on the deposit balances shown by the books of the Bank at the close of business of the day specified above.

| I | II |
|---|----------------------|
| All deposit liabilities Other than those invested outside Sri Lanka (inclusive of working balances)*2 | US Dollar Equivalent |
| | |
| Total in US Dollars | |

Required Reserves

For week commencing Friday

Reserves required to be held in respect of deposit liabilities other than those invested outside Sri Lanka, inclusive of working balances. US Dollars

..... of US Dollar

We/I hereby certify that the above statement is correct and is in accordance with the books of this bank and that the figures shown above are in accordance with the regulations prescribed by the Monetary Board of the Central Bank of Sri Lanka for the purpose.

Date:

.....
Official Signature

*1. Strike off if Wednesday was a bank holiday and enter immediately preceding day which was a working day.

*2. Indicate the respective currencies in which the deposit liabilities are held.

Note:- (a) Deposit liabilities in respect of current accounts are the total of credit balances on such accounts without deducting debit balances in such accounts in respect of overdrafts allowed.

(b) All items in Column II should be shown to the nearest United States Dollar.

Foreign Finance Division
Banking Department
Central Bank of Sri Lanka
P.O. Box 590
Colombo 1.
Telephone : 346287

4 July 1997.

To : All Commercial Banks

**JAPAN / SRI LANKA SPECIAL GRANT OF YEN 60,734,000/-
(23RD DEBT RELIEF GRANT)**

1. Commercial Banks are hereby requested to follow the procedure set out in these instructions in dealing with imports under a grant extended by the Government of Japan 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.
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 for this purpose. Every such Letter of Credit should carry immediately after the opening bank's identification number, a serial number prefixed with "1st Yen Grant 1997".
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. 522-0023647 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 - Mitsubishi Ltd., Tokyo, Japan 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 *vis-a-vis* the currency in which the L/C has been opened)
 - (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 to the Central Bank of Sri Lanka 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

29 December, 1997.

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

Dear Sir,

IDA CREDIT 2928CE - HEALTH SERVICES 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 Co-ordinator, IDA/WB Health Services Project, Ministry of Health and Indigenous Medicine, 231, De Saram Place, Colombo 10.
2. Your authority for opening Letters of Credit will be the Letter of Allocation issued by the Director of External Resources under the title "IDA 2928 CE - Health Services 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 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. Project Co-ordinator,
IDA/WB Health Services Project,
Ministry of Health and Indigenous Medicine
231, De Saram Place,
Colombo 10.

