

PART III

PART III

MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 1999

OPERATING INSTRUCTIONS, CIRCULARS, DIRECTIONS AND NOTICES

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25 January, 1999

To : All Commercial Banks

**INDIA / SRI LANKA CREDIT AGREEMENT - SECOND TRANCHE OF US \$ 15 MILLION
PAYMENT PROCEDURE FOR IMPORTS**

1. Reference: Our Operating Instruction No. BD/07/96 dated 14th October, 1996 and the amendments thereto dated 2nd July, 1997 and 24th April, 1998.
2. We wish to inform you that the Government of India has extended the terminal date for contracting and opening of Letters of Credit under the Indian Line of Credit upto 31.01.2000 and the date of disbursement upto 31.01.2001 in respect of import of capital goods from India.
3. Other terms and conditions of our Operating Instruction No. BD/07/96 dated 14th October, 1996 remain unchanged.

M. B. Dissanayake
Chief Accountant

Addl. Chief Accountant

- CC: 1. Controller of Exchange
2. Director General
Dept. of External Resources

23 March, 1999

The Manager,
Bank of Ceylon,
Metropolitan Branch,
Colombo 1.

Dear Sir,

ADB LOAN NO. 1247 SRI (SF)
SECONDARY EDUCATION DEVELOPMENT PROJECT (SEDP)
PROCEDURE FOR IMPORTS

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 22,086,000 (Twenty Two Million Eighty Six Thousand) only for the Secondary Education Development Project. The proposed Project will be executed by the Ministry of Education and Higher Education (hereinafter referred to as MEHE) who will utilize a 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 as shown in Annexure I, should be made against confirmed, irrevocable, without recourse Letters of Credit established by your bank on application made by MEHE. Every such Letter of Credit should contain the following clause:

“This Letter of Credit is established under Asian Development Bank Loan No. 1247 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 will immediately become operative on the strength of your bank's commitment to finance the transaction. However, the ADB's commitment if and when issued, will shift the financing commitment to the ADB. In such case, the Letter of Credit should contain the following clause :

“The financing of this Letter of Credit is undertaken by Bank of Ceylon, Metropolitan Branch, Colombo, Sri Lanka. However, it is established under Asian Development Bank Loan No. 1247 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 MEHE who will arrange to have the ADB issue its formal letter of commitment to your bank's correspondent. If the ADB agrees to the MEHE's request it will issue a formal commitment letter to the designated commercial bank in the form shown in Annexure 2 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 & 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, 1999 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 MEHE on the form shown in Annexure 3 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 bank's correspondent as well as to the MEHE on the form shown in Annexure 4 to this letter.

- (ii) The expiry date and the shipping date may be extended up to the closing date for withdrawal from the Loan Account without ADB's prior approval. When such extension has been made, MEHE should promptly inform ADB of such extension in the form shown in Annexure 3 to this letter attaching one copy of the extension duly signed by an authorized officer of your bank. Two copies of every amendment, whether subject to ADB's prior approval or not, should be sent by your bank to MEHE 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 bank's correspondent should forward the relevant documents to your bank and request reimbursement from ADB in the form shown in Annexure 5 of this letter. Your bank's correspondent should also forward a copy of the request for reimbursement to MEHE. In order to facilitate prompt disbursement, your bank's correspondent may send an authenticated SWIFT, telex or cable request to the ADB in the form shown in Annexure 6 to this letter. Arrangements should be made with the correspondent to advise your bank as expeditiously as possible about the receipt of reimbursement from ADB, and the shipping documents should be retained until confirmation of such reimbursement has been received. No Counterpart Funds are to be collected from the MEHE at the time of releasing the documents.

5. In case there is any discrepancy 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 or endorsed by (Negotiating) commercial bank. In such an event, the negotiating commercial bank should seek through your bank the MEHE's authorization to make such payment despite any discrepancy.

The MEHE after authorizing the payment in consultation with your bank, 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 US dollar, the commitment letter will specify the US dollar equivalent determined on the basis of the exchange rate at which the ADB expects the non-US currency to become available for payment under such commitment. If in the case of any particular claim made by any of your bank's correspondents in a non-US currency, the US dollar equivalent exceeds the amount available under ADB's commitment, ADB will limit the reimbursement to the non-US currency equivalent of such US dollar amount available. If for this reason or for any other reason whatsoever, ADB declines to reimburse your bank's correspondent in full or in part in respect of a claim made in terms of your Letter of Credit, your bank may remit to your bank's correspondent the amount disallowed by the ADB. You should make necessary arrangements for this purpose with MEHE.

7. The Controller of Exchange will advise your bank regarding Exchange Control requirements in this connection.
8. All your bank's charges should be for account of MEHE.

Yours faithfully,

M. B. Dissanayake
Chief Accountant

CC: 1. Controller of Exchange
2. Project Director
Secondary Education Development Project
Ministry of Education and Higher Education
Isurupaya, Battaramulla.

11 May, 1999

The Manager,
Bank of Ceylon,
Metropolitan Branch,
Colombo 1.

Dear Sir,

IDA 2881 CE – TEACHER EDUCATION AND TEACHER DEPLOYMENT 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 :

- i. Imports shall be against confirmed irrevocable without recourse Letters of Credit established by your bank on behalf of Project Director, Teacher Education & Teacher Deployment Project, Isurupaya, Sri Jayawardhanapura, Kotte, Battaramulla.
- ii. Your bank's authority for opening Letters of Credit will be the letters of allocation issued by the Director of External Resources under the title "IDA 2881 CE - Teacher Education and Teacher Deployment Project".
- iii. 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.
- iv. 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.
- v. 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.

- vi. Since the captioned line of credit is denominated in Special Drawing Rights (SDR), the IDA will specify the SDR commitment in its special commitment letters 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.

- vii. Importers under this credit are not required to pay the Sri Lanka 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 your bank after recovering commissions, charges *etc.*, if any, due to your bank or to the negotiating bank.
- viii. Copies of Letters of Credit and amendments, if any should be forwarded to the Chief Accountant, Central Bank of Sri Lanka, Colombo, for information.

2. Controller of Exchange will advise you separately of his requirements in this connection.

Yours faithfully,

Actg. Chief Accountant

- CC: 1. Controller of Exchange
2. Project Director
Teacher Education & Teacher Deployment Project
Isurupaya
Sri Jayawardhanapura, Kotte, Battaramulla.

25 May, 1999.

To : All Commercial Banks

JAPAN / SRI LANKA SPECIAL GRANT OF YEN 44,263,000/-
(25TH 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 1999".
3. Each Letter of Credit should specify that the negotiating bank should obtain reimbursement from Bank of Tokyo - Mitsubishi Ltd., Global Service Banking Division, Tokyo, Japan, by debit to Yen Ordinary Deposit Account No. 3079636 of the Government of the Democratic Socialist Republic of Sri Lanka. The request for reimbursement should accompany a certificate from the negotiating bank indicating 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 Sri Lanka 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.

Y. M. W. B. Weerasekara
Actg. Chief Accountant

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

12 July, 1998.

The Manager,
Bank of Ceylon,
Metropolitan Imports Branch,
Colombo 1.

Dear Sir,

IDA 2837 CE – TELECOMMUNICATION REGULATORY COMMISSION OF SRI LANKA

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

1. Imports shall be against confirmed irrevocable without recourse Letters of Credit established by your Bank on behalf of Project Director, Telecommunications Regulatory Commission of Sri Lanka, 276, Elvitigala Mawatha, Colombo 8.
2. Your Bank's authority for opening Letters of Credit will be the letters of allocation issued by the Director-General of External Resources under the title "IDA 2937 CE – Telecommunication Regulatory Commission of Sri Lanka."
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 your bank 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,

M. B. Dissanayake
Chief Accountant

- c.c. 1. Controller of Exchange
2. Project Director,
Telecommunications Regulatory Commission of Sri Lanka,
276, Elvitigala Mawatha,
Colombo 8.

27 July, 1999

The Manager,
Bank of Ceylon,
Metropolitan Branch,
Colombo 1.

Dear Sir,

ADB LOAN NO. 1545 SRI (SF)
UPPER WATERSHED MANAGEMENT PROJECT
PROCEDURE FOR IMPORTS

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 12,237,000 (Twelve Million Two Hundred and Thirty Seven Thousand only) for the Upper Watershed Management Project. The proposed Project will be executed by the Forest Department of the Ministry of Forestry and Environment and the Department of Agriculture of the Ministry of Agriculture and Lands. A part of the credit will be utilized by the Ministry of Forestry and Environment (hereinafter referred to as MFE) against the importation of equipment for the above 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 as shown in Annexure I, should be made against confirmed, irrevocable, without recourse Letters of Credit established by your bank on application made by MFE. Every such Letter of Credit should contain the following clause:

“This Letter of Credit is established under Asian Development Bank Loan No. 1545 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 will immediately become operative on the strength of your bank's commitment to finance the transaction. However, the ADB's commitment if and when issued, will shift the financing commitment to the ADB. In such case, the Letter of Credit should contain the following clause :

“The financing of this Letter of Credit is undertaken by Bank of Ceylon, Metropolitan Branch, Colombo, Sri Lanka. However, it is established under Asian Development Bank Loan No. 1545 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 MFE who will arrange to have the ADB issue its formal letter of commitment to your bank's correspondent. If the ADB agrees to the MFE's request it will issue a formal commitment letter to the designated commercial bank in the form shown in Annexure 2 to this operating instruction.

3. (i) ADB's written approval is required for any amendments to the Letter of Credit involving :
- (a) terms of payment including currency & 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.* 31st December, 2004 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 MFE on the form shown in Annexure 3 to this operating instruction 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 bank's correspondent as well as to the MFE on the form shown in Annexure 4.

- (ii) The expiry date and the shipping date may be extended up to the closing date for withdrawal from the Loan Account without ADB's prior approval. When such extension has been made, MFE should promptly inform ADB of such extension in the form shown in Annexure 3 to this operating instruction attaching one copy of the extension duly signed by an authorized officer of your bank. Two copies of every amendment, whether subject to ADB's prior approval or not, should be sent by your bank to MFE 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 bank's correspondent should forward the relevant documents to your bank and request reimbursement from ADB in the form shown in Annexure 5. Your bank's correspondent should also forward a copy of the request for reimbursement to MFE. In order to facilitate prompt disbursement, your bank's correspondent may send an authenticated SWIFT, telex or cable request to the ADB in the form shown in Annexure 6. Arrangements should be made with the correspondent to advise your bank as expeditiously as possible about the receipt of reimbursement from ADB, and the shipping documents should be retained until confirmation of such reimbursement has been received. No Counterpart Funds are to be collected from the MFE at the time of releasing the documents.

5. In case there is any discrepancy 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 or endorsed by (Negotiating) commercial bank. In such an event, the negotiating commercial bank should seek through your bank the MFE's authorization to make such payment despite any discrepancy.

The MFE after authorizing the payment in consultation with your bank, 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 US dollar, the commitment letter will specify the US dollar equivalent determined on the basis of the exchange rate at which the ADB expects the non-US currency to become available for payment under such commitment. If in the case of any particular claim made by any of your bank's correspondents in a non-US currency, the US dollar equivalent exceeds the amount available under ADB's commitment, ADB will limit the reimbursement to the non-US currency equivalent of such US dollar amount available. If for this reason or for any other reason whatsoever, ADB declines to reimburse your bank's correspondent in full or in part in respect of a claim made in terms of your Letter of Credit, your bank may remit to your bank's correspondent the amount disallowed by the ADB. You should make necessary arrangements for this purpose with MFE.

7. The Controller of Exchange will advise your bank regarding Exchange Control requirements in this connection.
8. All your bank's charges should be for account of MFE.

Yours faithfully,

M. B. Dissanayake
Chief Accountant

CC: 1. Controller of Exchange
2. Project Director
Upper Watershed Management Project
223 A / 1, Stanley Thilakaratne Mawatha
Nugegoda.

Circular No. 4522

Banking Department
Central Bank of Sri Lanka
Level 31, West Tower,
World Trade Centre
Ecelon Square
Colombo 1.

12 August, 1999

To : All Licensed Commercial Banks

CENTRAL BANK'S RATE OF INTEREST ON ADVANCES

Licensed commercial banks are hereby informed that item (I) of our Circular No. 3231 dated 7 December, 1992 should be deleted and substituted with the following:—

- “ (i) The rate of interest on advances by the Central Bank to licensed commercial banks secured by the pledge of –
- (a) Government and Government guaranteed securities ; and
 - (b) Usance Promissory Notes relating to commercial and production loans will be 16 per centum per annum”.

This amendment will come into effect from 13 August, 1999.

M. B. Dissanayake
Chief Accountant

A.S. Jayawardena
Governor

Banking Department
Central Bank of Sri Lanka
Level 31, West Tower,
World Trade Centre
Ecelon Square
Colombo 1.

13 August, 1999

To : All Licensed 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 No. 1092/24 of 12th August, 1999.

2. Licensed 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 11 per cent 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 balances in foreign currency, be an amount equal to 11 per cent per annum of the total of such deposit liabilities.

3. The above amendments take effect from 20th August, 1999. All other instructions contained in our Operating Instruction No. BD/03/94 of 11th February 1994, as amended by Operating Instruction No. BD/01/97 of 16th January 1997, will continue to apply.

M. B. Dissanayake
Chief Accountant

Banking Department
Foreign Finance Division

10 December, 1998.

The Manager,
Bank of Ceylon,
Metropolitan Imports Branch,
Colombo 1.

Dear Sir,

IDA 3058 CE – MAHAWELI RESTRUCTURING & REHABILITATION PROJECT

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

1. Imports shall be against confirmed irrevocable without recourse Letters of Credit established by your Bank on behalf of Project Director, Mahaweli Restructuring and Rehabilitation Project, Mahaweli Authority of Sri Lanka, 500, T. B. Jayah Mawatha, Colombo 10.
2. Your Bank's authority for opening Letters of Credit will be the letters of allocation issued by the Director-General of External Resources under the title "IDA 3058 CE – Mahaweli Restructuring and Rehabilitation 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 your bank 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,

M. B. Dissanayake
Chief Accountant

- c.c. 1. Controller of Exchange
2. Project Director,
Mahaweli Restructuring and Rehabilitation Project,
2nd Floor, 500, T. B. Jayah Mawatha,
Colombo 10.
 3. The Manager,
Bank of Ceylon,
Nugegoda.

Central Bank Rates for the Purchase of Foreign Currency Notes from Commercial Banks

Sri Lanka Rupees

Effective Date	Circular No.	Australian Dollar (per \$)	Austrian Schilling (per 10 Sch.)	Bahrain Dinar (per Dinar)	Belgian Franc (per 10 Fr.)	Canadian Dollar (per \$)	Danish Kroner (per 10 Kr.)	Deutsch Mark (per DM)	Finland Markka (per 10 Markka)	French Franc (per 10 FF.)	Hong Kong Dollar (per 10 HK \$)	Italian Lira (per 1,000 Lira)	Japanese Yen (per 100 Yen)	Kuwait Dinar (per Dinar)	Netherlands Guilder (per Guilder)	Norwegian Kroner (per 10 Kr.)	Omani Riyal (per Riyal)	Saudi Arabian Riyal (per Riyal)	Singapore Dollar (per \$)	Swedish Kroner (per 10 Kr.)	Swiss Franc (per Sw. Fr.)	U. A. E. Dirham (per Dirham)	U.K. Pound (per £)	U.S. Dollar (per US \$)
05.01.99	4469	39.70		173.65	19.15	42.70	104.05	39.45	126.35	117.70	84.50	39.85	57.75	211.30	35.05	87.10	165.45	17.45	39.55	81.15	47.90	17.85	108.85	66.05
12.01.99	4471	39.80	55.15	173.95	18.80	43.30	101.90	38.80	124.20	115.70	84.60	39.20	59.50	211.65	34.45	88.50	165.75	17.50	39.15	82.80	47.05	17.85	107.65	66.20
20.01.99	4473	39.85	55.25	174.15	18.85		102.10	38.90	124.45	115.95	84.70	39.25	57.75	211.90	34.50	87.60	165.90	17.50	39.10	83.60	47.60	17.90	108.35	66.25
26.01.99	4475	39.90	55.35	174.45	18.90	43.30	102.30	38.95	124.65	116.10	84.85	39.35	57.45	212.25	34.55	88.15	166.20	17.55	39.00	84.95	47.65	17.90	108.90	66.35
02.02.99	4477	40.00	54.45	174.90	18.60	43.60	100.90	38.30	122.65	114.25	85.05	38.70	57.10	212.80	34.00	87.75	166.60	17.60	39.00	84.70	46.55	17.95	108.50	66.55
09.02.99	4479	40.00	54.00	175.00	18.40	44.30	99.90	38.00	121.60	113.25	85.10	38.35	58.40	212.00	33.70	85.90	166.70	17.60	39.05	83.75	46.45	17.95	107.65	66.55
16.02.99	4481	40.10	54.15	175.25	18.45	44.25	100.40	38.10	121.90	113.55	85.25	38.45	57.95	212.30	33.80	86.80	166.95	17.60	39.10	83.95	46.65	18.00	107.85	66.65
23.02.99	4483	42.40	53.20	176.20	18.15	44.60	98.85	37.45	119.85	111.65	85.75	37.80	54.35	213.50	33.25	84.50	167.90	17.70	38.70	82.55	45.70	18.10	107.65	67.05
03.03.99	4485	41.25	52.65	176.55	17.95	43.70	97.50	37.05	118.60	110.50	85.90	37.45	55.40	212.50	32.90	83.70	168.20	17.75	38.45	80.60	45.60	18.10	107.15	67.15
09.03.99	4487	41.95	52.45	177.15	17.90	43.95	97.25	36.90	118.15	110.05	86.20	37.30	54.30	213.25	32.75	84.30	168.80	17.80	38.60	80.65	45.35	18.20	107.15	67.40
16.03.99	4489	42.35	52.90	177.00	18.05	43.75	97.95	37.20	119.10	110.90	86.10	37.60	56.00	213.05	33.00	85.40	168.65	17.80	38.60	82.25	45.55	18.15	108.65	67.35
23.03.99	4491	42.10	52.85	177.15	18.00	44.10	98.75	37.15	119.00	110.85	86.15	37.55	56.90	213.45	33.00	86.70	168.80	17.80	38.70	82.40	45.50	18.20	108.70	67.40
30.03.99	4493	42.55	52.45	177.80	17.90	44.30	97.20	36.90	118.10	110.00	86.50	37.25	55.85	214.25	32.75	86.30	169.45	17.85	38.65	80.70	45.30	18.25	108.80	67.65
06.04.99	4495	42.60	52.50	178.15	17.90	44.85	97.05	36.95	118.20	110.10	86.65	37.30	55.30	214.65	32.75	86.45	169.75	17.90	38.70	81.35	45.25	18.30	107.70	67.80
15.04.99	4497	42.60	52.90	178.30	18.05	44.80	97.95	37.20	119.15	111.00	86.75	37.60	55.65	214.85	33.05	86.65	169.90	17.90	38.85	81.35	45.45	18.30	108.25	67.85
20.04.99	4499	43.65	52.30	178.45	17.85	45.50	96.75	36.80	117.75	109.70	86.85	37.15	56.95	215.05	32.65	86.75	170.05	17.90	39.55	80.80	44.95	18.30	108.55	67.90
27.04.99	4501	44.10	51.95	179.00	17.75	45.70	96.15	36.55	117.05	109.00	87.05	36.95	56.75	215.65	32.45	86.35	170.55	18.00	39.55	80.35	44.65	18.35	108.95	68.10
04.05.99	4503	44.70	52.00	179.30	17.75	46.40	96.30	36.60	117.10	109.05	87.20	36.95	56.50	215.35	32.45	86.70	170.85	18.00	39.85	80.20	44.40	18.40	108.75	68.20
11.05.99	4505	45.25	52.70	179.55	18.00	46.40	97.55	37.10	118.75	110.60	87.35	37.45	55.95	215.50	32.90	88.10	171.10	18.05	39.80	81.05	45.10	18.45	110.25	68.30
18.05.99	4507	45.10	52.55	180.05	17.95	46.35	97.40	36.95	118.35	110.25	87.55	37.35	55.10	216.05	32.80	88.15	171.55	18.10	39.60	80.80	45.05	18.50	109.85	68.50
25.05.99	4509	44.65	52.20	180.40	17.80	46.50	96.70	36.75	117.55	109.50	87.70	37.10	54.90	216.50	32.60	87.30	171.90	18.15	39.45	80.00	44.80	18.50	108.80	68.65
02.06.99	4511	44.10	51.50	180.40	17.55	46.05	95.35	36.25	116.05	108.10	87.70	37.60	55.85	216.10	32.15	86.05	171.90	18.15	39.40	78.95	44.50	18.50	108.75	68.65
08.06.99	4513	44.70	51.10	180.70	17.45	46.30	94.70	35.95	115.10	107.25	87.85	36.35	55.80	216.50	31.90	85.55	172.20	18.15	39.45	78.90	44.30	18.55	109.60	68.75
15.06.99	4515	45.20	51.95	180.75	17.75	46.60	96.20	36.55	117.05	109.00	87.80	36.95	56.80	217.10	32.45	87.05	172.30	18.15	39.85	80.55	44.85	18.55	109.90	68.75
22.06.99	4517	44.60	51.55	181.20	17.60	46.65	95.35	36.25	116.10	108.15	88.05	36.65	56.15	217.65	32.20	87.10	172.75	18.20	39.95	81.05	44.40	18.60	108.90	68.95
30.06.99	4519	45.00	51.50	181.70	17.55	46.60	95.25	36.20	115.95	108.00	88.30	36.60	56.40	217.60	32.15	87.05	173.20	18.25	40.15	81.05	44.30	18.65	108.35	69.15
06.07.99	4521	45.70	51.00	181.95	17.40	46.80	94.35	35.85	114.80	106.95	88.40	36.25	56.15	217.90	31.85	86.85	173.45	18.30	40.35	80.70	43.65	18.70	108.10	69.20
13.07.99	4523	45.75	50.90	182.40	17.35	46.70	94.25	35.80	114.65	106.80	88.60	36.20	56.25	218.45	31.80	86.40	173.85	18.35	40.45	80.35	43.60	18.75	106.65	69.40
20.07.99	4325	45.45	50.65	182.50	17.30	46.40	94.40	35.65	114.10	106.30	88.65	36.00	57.00	217.70	31.65	86.25	174.00	18.35	40.30	80.20	43.40	18.75	107.25	69.45
27.07.99	4327	44.70	52.60	182.20	17.95	45.60	97.25	37.00	118.45	110.35	88.45	37.40	58.80	217.30	32.85	87.60	173.65	18.30	40.40	82.50	45.05	18.70	108.70	69.30
03.08.99	4329	44.55	53.20	181.85	18.15	45.50	98.35	37.40	119.80	111.60	88.30	37.80	59.90	218.35	33.20	87.80	173.35	18.30	40.75	83.35	45.85	18.65	110.65	69.20
10.08.99	4331	44.70	53.55	182.05	18.25	45.65	98.90	37.65	120.55	112.30	88.40	38.05	59.55	218.60	33.45	88.80	173.60	18.30	41.10	83.60	46.00	18.70	110.45	69.25
17.08.99	4333	44.95	52.85	182.25	18.00	46.50	97.65	37.20	119.00	110.85	88.50	37.55	59.55	218.85	33.00	88.15	173.80	18.30	41.10	82.65	45.35	18.70	110.40	69.35
24.08.99	4535	43.75	53.20	182.00	18.15	45.85	98.40	37.40	119.75	111.55	88.35	37.80	61.80	218.50	33.20	88.55	173.50	18.30	41.00	83.40	45.80	18.70	110.90	69.25
31.08.99	4537	43.35	52.30	182.35	17.85	46.10	96.90	36.80	117.80	109.75	88.55	37.15	61.85	218.95	32.65	86.65	173.85	18.35	40.70	82.65	44.95	18.75	109.20	69.40
07.09.99	4539	44.35	52.85	182.25	18.00	46.10	97.75	37.20	119.00	110.85	88.50	37.55	62.80	218.85	33.00	87.55	173.80	18.30	40.70	83.65	45.50	18.70	110.35	69.35
14.09.99	4541	45.10	51.90	182.60	17.70	46.60	97.50	36.50	116.85	108.85	88.65	36.90	63.50	219.15	32.40	88.25	174.10	18.35	40.75	83.20	44.45	18.75	111.65	69.50
21.09.99	4543	44.35	52.15	182.70	17.80	46.75	96.50	36.70	117.40	109.35	88.70	37.05	63.75	219.25	32.55	87.25	174.20	18.35	40.60	83.25	44.70	18.75	111.80	69.50
28.09.99	4545	44.95	52.20	182.65	17.80	46.85	96.65	36.70	117.55	109.50	88.65	37.10	65.30	219.20	32.60	87.60	174.15	18.35	40.35	83.40	44.85	18.75	112.95	69.50
05.10.99	4547	45.20	53.60	182.60	18.30	46.65	99.15	37.70	120.65	112.40	88.60	38.05	65.30	219.10	33.45	89.50	174.10	18.35	40.60	84.30	46.35	18.75	113.85	69.45
12.10.99	4549	45.10	53.20	183.00	18.15	46.85	99.45	37.45	119.85	111.60	88.80	37.80	64.45	222.15	33.25	89.25	174.50	18.40	41.05	84.80	45.90	18.80	113.90	69.65
19.10.99	4551	44.50	54.55	182.90	18.60	46.30	100.35	38.35	122.80	114.40	88.75	38.75	65.20	222.05	34.05	89.65	174.40	18.40	41.25	85.25	47.30	18.80	115.05	69.60
26.10.99	4553	44.80	53.60	183.20	18.30	46.75	100.30	37.70	120.70	112.40	88.90	38.10	65.20	222.45	33.45	89.60	174.70	18.40	41.50	84.90	46.10	18.80	114.50	69.70
02.11.99	4555	44.05	53.00	183.50	18.05	47.05	98.05	37.25	119.30	111.15	89.00	37.65	66.40	222.20	33.10	88.35	174.95	18.45	41.60	84.25	45.45	18.85	113.65	69.80
09.11.99	4557	44.40	52.60	184.05	17.95	47.30	98.85	37.00	118.50	110.40	89.30	37.40	66.35	222.90	32.85	87.35	175.50	18.50	41.50	82.95	44.85	18.90	112.65	70.0

Circular No. : BS / 62 / 97

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

29 January, 1999

To : All Licensed Commercial Banks

Dear Sir,

PUBLIC DISCLOSURE BY PUBLICATION OF BANK ACCOUNTS IN THE PRESS

The Central Bank of Sri Lanka in keeping with international banking standards for greater transparency and market discipline, has decided to introduce certain disclosure requirements which would improve the market's ability to make well-informed decisions as a means of promoting a sound and efficient banking system in Sri Lanka.

In this connection, your attention is invited to the agreement on the format for disclosure by all LCBs. All LCBs are, therefore, informed that the publication of Bank accounts on a half-yearly and annual basis should be made in the press as per details in Annex I and II of the agreed format attached, and such publication should commence with the Audited Accounts for the year ended 31st December, 1998. In the case of banks whose financial year is a date other than 31st December, 1998, they are required to commence the publication with the half-year accounts falling due after 1st January, 1999.

With regard to the medium of publication, the Banks may initially publish the financial information in the daily English Newspapers. The date for the publication in Sinhala and Tamil would be intimated to the LCBs in due course.

In view of the heterogeneous character of group accounts of foreign banks, all foreign banks are requested to make every endeavour to publish all items given in the agreed format. The global financial information may be reported in the currency of the home country or in U.S. Dollars.

Please acknowledge receipt of this Circular.

Yours faithfully,

Y. A. Piyatissa
Director of Bank Supervision

Name of Bank :

SUMMARISED BALANCE SHEET

(In Rs. Million)

As at	BANK			Group
	Current 199...	Previous 199.....	Change (%)	
ASSETS				
Cash and short term funds				
Statutory Deposits with Central Bank of Sri Lanka				
Government of Sri Lanka Treasury Bills				
Commercial paper				
Dealing securities				
Investment securities				
Securities purchased under resale agreements				
Other investments				
Bills of exchange **				
Loans & advances **				
Receivable on leases **				
Less : Provision for possible credit losses				
Interest in suspense				
Net loans, advances and leases				
Investments in subsidiary companies				
Interest and fees receivable				
Other Assets				
Property, plant and equipment				
TOTAL ASSETS				
LIABILITIES				
Deposits				
Refinance borrowings				
Other borrowings				
Securities sold under repurchased agreements				
Current taxation				
Deferred taxation				
Proposed dividends				
Other liabilities				
TOTAL LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital/assigned capital				
Reserve fund				
Capital reserves - Share premium				
- Révaluation reserve				
Revenue reserves				
SUB TOTAL				
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS				
COMMITMENTS AND CONTINGENCIES				

The above Balance Sheet of the Bank as at is drawn-up from the unaudited accounts of the Bank and prepared in accordance with Sri Lanka Accounting Standards.

.....
General Manager / Chief Executive Officer

** Balances of respective overdue interest receivable accounts should also be included in these amounts.

Name of Bank :

SUMMARISED PROFIT & LOSS ACCOUNT

(In Rs. Million)

For the Six Months ended	BANK			Group
	Current 199...	Previous 199.....	Change (%)	
Turnover				
Net income from banking activities				
Other income				
Profit before provision for possible credit losses				
Provision for possible credit losses				
Profit before provision for taxation				
Provision for taxation				
Profit after provision for taxation				
Extraordinary items (Please specify)				
Profit after extraordinary items				
Unappropriated profit brought forward				
Unappropriated profit carried forward				

The above Profit & Loss Account for the six months ended is drawn-up from the unaudited accounts of the Bank and prepared in accordance with Sri Lanka Accounting Standards.

.....
General Manager / Chief Executive Officer / Country Manager

Name of Bank :

SUMMARISED BALANCE SHEET

(In Rs. Million)

As at	BANK			Group
	Current 199...	Previous 199.....	Change (%)	
ASSETS				
Cash and short term funds				
Statutory Deposits with Central Bank of Sri Lanka				
Government of Sri Lanka Treasury Bills				
Commercial paper				
Dealing securities				
Investment securities				
Securities purchased under resale agreements				
Other investments				
Bills of exchange **				
Loans & advances **				
Receivable on leases **				
Less : Provision for possible credit losses				
Interest in suspense				
Net loans, advances and leases				
Investments in subsidiary companies				
Interest and fees receivable				
Other Assets				
Property, plant and equipment				
TOTAL ASSETS				
LIABILITIES				
Deposits				
Refinance borrowings				
Other borrowings				
Securities sold under repurchased agreements				
Current taxation				
Deferred taxation				
Proposed dividends				
Other liabilities				
TOTAL LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital/assigned capital				
Reserve fund				
Capital reserves – Share premium				
– Revaluation reserve				
Revenue reserves				
SUB TOTAL				
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS				
COMMITMENTS AND CONTINGENCIES				

The above figures are from audited accounts which have been audited by

.....
General Manager / Chief Executive Officer / Country Manager

** Balances of respective overdue interest receivable accounts should also be included in these amounts.

Name of Bank :

SUMMARISED PROFIT & LOSS ACCOUNT

(In Rs. Million)

For the Year ended	BANK			Group
	Current 199...	Previous 199.....	Change (%)	
Turnover				
Net income from banking activities				
Other income				
Profit before provision for possible credit losses				
Provision for possible credit losses				
Profit before provision for taxation				
Provision for taxation				
Profit after provision for taxation				
Extraordinary items (Please specify)				
Profit after extraordinary items				
Unappropriated profit brought forward				
Unappropriated profit carried forward				
Appropriation				
Transfer to Resesrve Fund				
Transfer to reserves				
Dividends / Transfer to Head Office				
others				
Retained profit / (Accumulated Loss) C / F				

The above figures are from audited accounts which have been audited by

.....
General Manager / Chief Executive Officer / Country Manager

BANKING ACT

Directions given by the Monetary Board under Section 46(1)(d) of the Banking Act, No. 30 of 1988 as last amended by the Banking (Amendment) Act, No. 33 of 1995.

Sgd. A. S. Jayawardena
Governor
Central Bank of Sri Lanka

5 March, 1999

Banking Act Directions No. 1 of 1999 **(Share Capital Ownership)**

In exercise of the powers conferred by section 46(a)(d) of the Banking Act No. 30 of 1988 as last amended by the Banking (Amendment) Act No. 33 of 1995 the Monetary Board gives the following Directions:-

- Citation 1. These Directions may be cited as the Banking Act Directions No.1 of 1999
- Amendment of 2. Paragraph 2 of the Banking Act Directions No. 1 of 1998 is hereby amended in subparagraph
Directions (1) as follows –
No.1 of 1998
- (a) by repealing subparagraph (1)(b)(iv) and substituting therefor the following –
“ (iv) a company in which the company or its subsidiary or holding company or a subsidiary of its holding company has a substantial interest, where the substantial interest held in the shares of the first mentioned company exceeds 10 *per centum* of its paid up capital”.
- (b) by repealing subparagraph (1)(c)(ii) and substituting therefor the following –
“ (ii) a company in which the individual or a close relation of the individual has a substantial interest, where the substantial interest held in the shares of the company exceeds 10 *per centum* of the paid up capital of the company”;
- (c) by repealing subparagraph (1)(c)(vi), and substituting therefor the following –
“ (vi) a company in which a company referred to in subparagraph (c)(ii) or its subsidiary, holding company or a subsidiary of a holding company has a substantial interest, where the substantial interest held in the shares of the first mentioned company exceeds 10 *per centum* of its paid up capital”;
- (d) by repealing subparagraph (1)(c)(vii) and substituting therefor the following –
“ (vii) an incorporated body, other than a company, in which the individual or a close relation of the individual has a substantial interest, where the substantial interest held in the subscribed capital of the incorporated body exceeds 10 *per centum* of such capital”.

Circular No. : BS / 69 / 93

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

19 April, 1999

To : All Licensed Specialised Banks

Dear Sir,

**CRITERIA FOR SELECTION OF VALUERS UNDERTAKING
THE REVALUATION OF FIXED ASSETS FOR THE COMPUTATION
OF THE CAPITAL ADEQUACY RATIO**

All Licensed Specialised Banks are hereby informed that in the selection of Valuers to undertake the revaluation of the Bank's fixed assets for the purpose of including 50 *per cent* of such revaluation reserves in the computation of the Capital Adequacy Ratios, the following eligibility criteria would apply :-

The Valuer shall be :-

- (a) a Chartered Valuation Surveyor; or
- (b) a Fellow of the Institute of Valuers (Sri Lanka) with a Degree or Diploma in Valuation and work experience of 15 years; or
- (c) a Licentiate of the Institute of Valuers (Sri Lanka) with work experience of over 25 years.

Please acknowledge receipt of this letter.

Yours faithfully,

Ms. C. I. Fernando
Actg. Director of Bank Supervision

**BANKING ACT NO. 30 OF 1988 AS AMENDED BY BANKING (AMENDMENT)
ACT NO. 33 OF 1995**

The directions as given by the Monetary Board of the Central Bank of Sri Lanka under Section 46(1)(c) of the Banking Act No. 30 of 1988 as amended by the Banking (Amendment) Act No. 33 of 1995.

A. S. Jayawardena

Governor

Colombo
10 November 1999

Banking Act (Single Borrower Limit) Directions No. 2 of 1999

- Citation
1. These Directions may be cited as the Banking Act (Single Borrower Limit) Directions No. 2 of 1999 and shall have effect from 11th day of October 1999.
- Off-shore Banking Unit Exempted
2. The provisions of paragraphs 3 and 4 below shall not apply to accommodation granted by an Off-shore Banking Unit of a licensed commercial bank.
- Limits on maximum accommodation by a Licensed Commercial Bank incorporated or established in Sri Lanka.
3. A licensed commercial bank incorporated or established in Sri Lanka shall not grant accommodation, exceeding thirty *per cent* of the capital funds of such bank as at the end of its preceding financial year, to any one category of customer referred to in section 46(1)(c)(i) of the Banking Act, No. 30 of 1988 (as amended by Banking (Amendment) Act, No. 33 of 1995), hereinafter referred to as the Act; or, in the aggregate, to any category of customers referred to in section 46(1)(c)(ii)(a) or section 46(1)(c)(ii)(b) of the Act, as the case may be:
- Provided that such accommodation, exceeding fifteen *per cent* of the capital funds granted to the category of customers referred to in section 46(1)(c)(i) or section 46(1)(c)(ii) of the Act, shall not, when aggregated in respect of all such accommodation granted by such bank exceed fifty per cent of the total advances of the Domestic Banking Unit of such Licensed Commercial Bank including its total commitments to undertake contingent liabilities as at the end of the preceding financial year.
- Limits on maximum accommodation by a Licensed Commercial Bank incorporated outside Sri Lanka.
4. Subject to paragraph 8 below, a licensed commercial bank incorporated outside Sri Lanka shall not grant accommodation –
- (i) exceeding fifteen per cent of the total advances of the Domestic Banking Unit of such Licensed Commercial Bank including its total commitments to undertake contingent liabilities as at the end of its preceding financial year to any one category of customer referred to in section 46(1)(c)(i) of the Act or, in the aggregate, to any category of customers referred to in section 46(1)(c)(ii)(a) or section 46(1)(c)(ii)(b) of the Act, as the case may be; or
- (ii) exceeding thirty percent of the capital funds of such Licensed Commercial Bank as at the end of its preceding financial year, to any one category of customer referred to in section 46(1)(c)(i) of the Act or, in the aggregate, to any customers referred to in section 46(1)(c)(ii)(a) or section 46(1)(c)(ii)(b) of the Act, as the case may be :

Provided that such accommodation, exceeding fifty per cent of the Single Borrower Limit specified under clause (i) or clause (ii) of this paragraph, as the case may be, granted to the category of customers referred to in section 46(1)(c)(i) or section 46(1)(c)(ii) of the Act, shall not, when aggregated in respect of all such accommodation, granted by such bank exceed fifty *per cent* of the total advances of the Domestic Banking Unit of such Licensed Commercial Bank including its total commitments to undertake contingent liabilities as at the end of the preceding financial year.

- Application of Limitation
5. For the purpose of computing the maximum amount of accommodation that could be granted under paragraph 3 or paragraph 4, the existing limits or the outstanding amounts of all accommodation, whichever is more, and granted before or after the date on which these Directions take effect shall be taken into account.
- Limits not to apply to accommodation to specified institutions.
6. A licensed commercial bank may grant accommodation in excess of the limits specified in paragraph 3 or paragraph 4 above to –
- (i) the Ceylon Petroleum Corporation;
 - (ii) the Ceylon Electricity Board;
 - (iii) the Co-operative Wholesale Establishment; and
 - (iv) an entity which has been awarded a contract to undertake infrastructure development projects, in respect of accommodation granted for such projects, provided that such projects are funded to the extent of 50 *per cent* by sources outside Sri Lanka, or by a consortium of licensed commercial and/ or specialised banks excluding the bank making the request, supported by a certification to this effect, being submitted to the Director of Bank Supervision prior to the disbursement of the accommodation.
- Specified Securities to be excluded from the computation of the maximum limit.
7. For the purposes of determining whether the limits referred to in paragraph 3 or paragraph 4 above are exceeded or not, accommodation granted against the security of items indicated as items (i) to (iv) below shall not be taken into account –
- (i) Cash.
 - (ii) Government/Central Bank Securities.
 - (iii) Treasury/Central Bank Guarantees.
 - (iv) Guarantees issued by Asian Development Bank, International Development Association, World Bank or other Institutions acceptable to the Central Bank.
- Option granted to Licensed Commercial Banks incorporated outside Sri Lanka to select the basis of computing the Single Borrower Limit.
8. Each Licensed Commercial Bank incorporated outside Sri Lanka shall have the option of determining its Single Borrower Limit in accordance with paragraph 4(i) or paragraph 4(ii), and shall not later than 14 days from the date on which these Directions take effect convey in writing to the Director of Bank Supervision its option, which shall be an irrevocable one.
- Revocation of Directions issued on 22/8/97.
9. The Directions issued on 22nd August 1997 by the Monetary Board under section 46(1)(c) of the Act are hereby revoked.

CENTRAL BANK OF SRI LANKA

To: *Licensed Commercial Banks (LCBs),
Licensed Specialised Banks (LSBs) and
Registered Finance Companies*

YEAR 2000 READINESS

1. Introduction

This Circular is intended to inform Licensed Commercial Banks and Licensed Specialised Banks and Registered Finance Companies on the measures taken by the Central Bank of Sri Lanka, and contains instructions on measures to be taken by such institutions in order to minimize risks associated with the transition to Year 2000 and to ensure a smooth roll-over of the financial operations to Year 2000.

2. Action taken by the Central Bank of Sri Lanka

- 2.1 Steps have been taken to have Friday 31st December 1999 declared as a Special Bank Holiday in terms of the Holidays Act No. 29 of 1971.
- 2.2 Adequate supplies of cash will be available to be drawn by the Licensed Commercial Banks, if the need arises.
- 2.3 Liquidity support to Licensed Commercial Banks by the Central Bank would be made available in terms of the Monetary Law Act. Terms and conditions of the nature of the support will be announced later. The Reverse Repurchase Facility with the Central Bank would also be available.
- 2.4 An Operations Room will function in the Central Bank continuously from Thursday 30th December 1999, until the commencement of normal business operations. The Operations Room will be linked to the Operations Room of the National Task Force at CINTEC and to all Licensed Commercial Banks. The Operations Room will be responsible to take necessary remedial measures in the event of any disruption. The location of the Operation Room and the contact telephone numbers will be notified later.

3. Measures to be taken by Licensed Commercial Banks

Licensed Commercial Banks are required, in terms of Section 24 A of the Monetary Law Act –

- (a) to prepare, print and have ready for inspection by examiners of the Department of Bank Supervision, the following –
 - (i) The positions of all customer accounts (trial balances) on hard copy as at the latest possible date prior to midnight of Friday 31st December, 1999.
 - (ii) Complete system backups taken as at a latest possible date prior to midnight of Friday 31st December, 1999.
- (b) to despatch bank statements that are usually issued to customers as at a latest possible date prior to midnight of Friday 31st December, 1999.
- (c) to ensure that all Automated Teller Machines (ATMs) are in proper working order, and that they are adequately stocked with currency and printing paper during the week prior to and after Saturday 1st January, 2000 to cope with any increase in demand for cash and statements.

(d) to ensure that there would be an adequate number of employees to handle work that will arise from the Year 2000 roll over, when granting leave to employees during the period Thursday 16th December 1999 to Friday 14th January 2000.

4. Measures to be taken by Licensed Specialised Banks

The Monetary Board has directed, in terms of Section 76 J of the Banking Act, that Licensed Specialised Banks too shall comply with the requirements stipulated in paragraphs 3(a), 3(b), 3(c) in respect of all customers' accounts maintained by them, and paragraph 3(d).

5. Measures to be taken by Registered Finance Companies

The Monetary Board has directed, in terms of Section 9 of the Finance Companies Act, No. 78 of 1988, that registered Finance Companies too shall comply with the requirements stipulated in paragraph 3(a) and 3(d).

6. Overseas Transactions

In addition to the above, Licensed Commercial Banks and Licensed Specialised Banks who have transactions with overseas financial correspondents, should note that other international financial markets may declare special holidays during the last week of December, 1999 and the first week of January, 2000, and should ensure that all settlements are made on the due dates.

7. General

Licensed Commercial Banks, Licensed Specialised Banks and Registered Finance Companies are requested to declare in a newspaper advertisement in all three languages that their respective institutions are Year 2000 ready. The term "Year 2000 ready" would mean that they have taken all reasonable measures to prevent a disruption of their activities in the transition to the Year 2000, primarily arising from electronic and computer related problems. The declaration of an institution's status in this manner would help establish public confidence in that institution and discourage speculation. These advertisements may contain a disclaimer of liability should there be any malfunction or disruption at the time of the roll-over to the new Millennium.

P. M. Nagahawatte
Deputy Governor

03.11.1999

BANKING ACT

Directions given by the Monetary Board under section 76J(1) of the Banking Act, No.30 of 1988 as last amended by the Banking (Amendment) Act, No.33 of 1995.

Sgd. A. S. Jayawardena
Governor
Central Bank of Sri Lanka

23 November of 1999

Banking Act Directions No. 3 of 1999 **(Share Capital Ownership – Licensed Specialised Banks)**

In exercise of the powers conferred by section 76J(1) of the Banking Act, No.30 of 1988 as last amended by the Banking (Amendment) Act, No.33 of 1995 the Monetary Board gives the following Directions –

- | | |
|---|---|
| Citation | 1. These Directions may be cited as the Banking Act, Directions No.3 of 1999. |
| Maximum percentage of ownership of shares | 2. (1) Subject to the proviso to paragraph (q) of section 76J(1) of the Banking Act, No.30 of 1988 as amended by the Banking (Amendment) Act, No.33 of 1995 and subparagraph (2) of this paragraph, the percentage of the share capital in a licensed specialised bank incorporated or established in Sri Lanka held –

(a) by a company, an incorporated body or an individual shall not exceed 15 per centum of the issued share capital of the licensed specialised bank; or

(b) in the aggregate, by a company and anyone or more of the following –

(i) its subsidiary
(ii) its holding company ;
(iii) a subsidiary of its holding company ; or
(iv) a company in which the company or its subsidiary or holding company or a subsidiary of its holding company has a substantial interest, where the substantial interest held in the shares of the company first mentioned in this clause exceeds 10 <i>per centum</i> of its paid up capital,

shall not exceed 20 <i>per centum</i> of the issued share capital of the licensed specialised bank ; or

(c) in the aggregate, by an individual and one or more of the following –

(i) a close relation of the individual ;
(ii) a company in which the individual or a close relation of the individual has a substantial interest, where the substantial interest held in the shares of the company exceeds 10 <i>per centum</i> of the paid up capital of the company ; |

- (iii) a subsidiary of a company referred to in subparagraph (c)(ii) ;
- (iv) a holding company of a company referred to in subparagraph (c)(ii) ;
- (v) a subsidiary of a holding company referred to in subparagraph (c)(iv) ;
- (vi) a company in which a company referred to in subparagraph (c)(ii) or its subsidiary, holding company or a subsidiary of its holding company has a substantial interest, where the substantial interest held in the shares of the company first mentioned in this clause exceeds 10 *per centum* of its paid up capital ;
- (vii) an incorporated body, other than a company, in which the individual or a close relation of the individual has a substantial interest, where the substantial interest held in the subscribed capital of the incorporated body exceeds 10 *per centum* of such capital,

shall not exceed 20 *per centum* of the issued share capital of the licensed specialised bank.

- (2) (a) Notwithstanding the limits imposed by subparagraph (1), one of the promoters of a licensed specialised bank may, with the approval of the Monetary Board, hold as a company, incorporated body or an individual or in the aggregate, as set out in subparagraph (1)(b) or (c), such percentage, not exceeding 25 *per centum*, of the issued share capital of the bank.

- (b) For the purposes of this paragraph “promoter” means a company, incorporated body or an individual, who in the opinion of the Monetary Board, is predominantly responsible in promoting the establishment of a company as a bank.

Steps to secure compliance by banks.

3. In order to ensure compliance with the Direction contained in paragraph 2, a licensed specialised bank shall not enter the name of any company, incorporated body or individual referred to in paragraph 2 in the register of members of the bank as the holder of such number of shares as is in excess of the percentage specified in that paragraph.

Non-application of paragraph 2

4. (1) anything contained in paragraph 2 shall not be construed to restrict the ownership of shares in –
- (a) a licensed specialised bank established by a Statute, being shares held by the Government or a public corporation or a statutory body or a statutory fund ;
 - (b) a licensed specialised bank, being shares acquired by any person consequent to the underwriting of shares of such licensed specialised bank with the prior written approval of the Central Bank subject to such terms and conditions as may be imposed by the Central Bank ;
 - (c) a licensed specialised bank, being shares acquired by any person after obtaining the prior written approval of the Monetary Board where the Monetary Board considers that such acquisition of shares is necessary or expedient in the interest of the national economy.

Revocation of Banking Act Directions dated 21.11.1997

5. (1) The Banking Act Directions under section 76J(1) of the Banking Act dated 21.11.1997 are hereby revoked.
- (2) The revocation of the Directions by subparagraph (1) shall not affect any penalty or liability incurred under those Directions prior to the revocation.

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

24 November, 1999

To : *All Licensed Specialised Banks*

Dear Sir,

**MAXIMUM PERCENTAGE OF SHARE CAPITAL THAT COULD BE HELD IN
A LICENSED SPECIALISED BANK (LSB) INCORPORATED IN SRI LANKA**

We enclose herewith the direction issued by the Monetary Board in terms of Section 76J(1) of the Banking Act, No. 30 of 1988 as amended by Banking (Amendment) Act, No. 33 of 1995 in respect of the Maximum Percentage of Share Capital that could be held in a LSB incorporated in Sri Lanka for your information and compliance.

The operative date of this direction would be 23rd November 1999.

Please acknowledge receipt.

Yours faithfully,

Ms. C. I. Fernando
Director of Bank Supervision

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

1 December, 1999

To : All Licensed Commercial Banks &
All Licensed Specialised Banks

Dear Sir / Madam,

**SECRECY OF BANKING TRANSACTIONS IN TERMS OF
SECTION 77 OF THE BANKING ACT**

In terms of Section 77 of the Banking Act, No. 30 of 1988 as amended by Banking (Amendment) Act, No. 33 of 1995, Banks are required to observe strict secrecy in respect of all banking transactions.

Innovations in the field of Information Technology have changed the environment of the Banking Industry and it has been observed that staff of outside computer firms also have access to confidential customer information of Banks.

In the above circumstances all Licensed Commercial Banks and all Licensed Specialised Banks are hereby required to adhere to the following:

- i. Inclusion of a special clause/condition in software maintenance agreements or service agreements with outside software companies, requiring them to observe strict secrecy in respect of all transactions of the bank, its customers and the state of accounts of any person and all matters relating thereto.
- ii. Obtain declarations of secrecy from all persons and organisations who perform services in terms of such maintenance or service agreements.

Yours faithfully,

Dr. Anila Dias Bandaranaike
Actg. Director of Bank Supervision

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

13 December, 1999

To : *All Licensed Commercial Banks &
All Licensed Specialised Banks*

Dear Sir,

BANK OPERATIONS DURING THE YEAR 2000 ROLL-OVER

To ensure a smooth business transition in the Banking and the Financial sector during the year 2000 roll-over the Central Bank of Sri Lanka will be carrying out the following activities as a part of the Banking and Financial sector contingency plan.

1. Supervision of the backup procedures:

Bank Examiners of the Central Bank of Sri Lanka will be visiting the head offices of all the licensed commercial and specialised banks commencing from the 15th of December, 1999 to inspect the progress with respect to,

- (i) printing the positions of all customer accounts (trial balances), and
- (ii) taking system backups

as required by the Central Bank Circular on Year 2000 Readiness (No. 02/02/027/0600/002) dated 3rd November 1999.

2. Event Management Centre:

The Central Bank of Sri Lanka will operate an Event Management Centre (EMC) during the year 2000 rollover to collect from and provide information to local as well as international organisations. The EMC will be staffed by the officers of the Information Technology, Bank Supervision, Banking and Currency Departments of the Central Bank of Sri Lanka. The EMC will also act as the centre point which triggers the Banking sector contingency plans in case the necessity to do so arises. It will also liaise with the National Y2K Event Management Centre at CINTEC Head Quarters and other essential organisations including the Ceylon Electricity Board and the Sri Lanka Telecom. The EMC will be operative from 1800 hrs. on 30th December 1999 to 1800 hrs. on 3rd January 2000 continuously. The period of operation will be extended if the necessity arises. More information on the operations of the EMC will be provided to the banks in due course.

3. Checking the information and electronic systems of the banks

All banks are requested to commence checking their respective ATMs and Credit card systems by 0200 hrs. and all the other critical Information and Electronic systems by 0800 hrs. on 1st January 2000. The results of these checks should be furnished to the EMC through the appointed officers of each bank according to the following schedule:

ATM and Credit card operations

1st Report	Between 0600 hrs. – 0800 hrs. on 1st January 2000
2nd Report	Between 0800 hrs. – 1000 hrs. on 2nd January 2000
3rd Report	Between 0800 hrs. – 1000 hrs. on 3rd January 2000
Further Reports	Central Bank will notify the timings only if the necessity arises

Other Critical Information and Electronic Systems

1st Report	Between 1500 hrs. – 1800 hrs. on 1st January 2000
2nd Report	Between 1500 hrs. – 1800 hrs. on 2nd January 2000
3rd Report	Between 1500 hrs. – 1800 hrs. on 3rd January 2000
Further Reports	Central Bank will notify the timings only if the necessity arises

These reports should be provided using a form prepared according to the sample given below. (Please note that this is only a sample format provided as a guide. Each bank should prepare their forms and furnish a specimen to the Central Bank for inspection. Please use the same names for the systems as you have used in the inventory).

System	Have you encountered any major problems in operation? (Yes/No)	Have you encountered any minor problems in operation? (Yes/No)	Remarks
System 1 (e.g. Retail Banking Application)			
System 2 (e.g. Other Retail Banking System)			
System 3 (e.g. Wholesale Banking System)			
System 4 (e.g. NRFC System etc.)			
SWIFT operations			
Elevator System			
Bank Vaults			
Electric Power			
Telecommunications			
Water Supply			

4. Appointment of Liaison Officers

All the banks are requested to appoint three officers who will communicate with the Central Bank's EMC during the year 2000 rollover. One of the three officers appointed should be the Y2K Project Manager / Project Co-ordinator of the bank. It is recommended to provide mobile phones to all these three officers to facilitate communications with the Central Bank's EMC. The names and the telephone numbers of these three officers together with the sample of the bank's reporting form should be provided on or before 14th December, 1999 to,

Director,
Information Technology Department,
Level 10, Tower 2
Central Bank of Sri Lanka Building,
Janadhipathi Mawatha,
Colombo 1.

Yours faithfully,

Ms. C. I. Fernando
Director of Bank Supervision

Circular No. 02 / 04 / 004 / 0002 / 001

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

15 December, 1999

To : *All Licensed Specialised Banks*

Dear Sir,

**PRESCRIBED ACCOUNTING FORMAT FOR THE PUBLICATION OF
ANNUAL AUDITED ACCOUNTS OF LICENSED SPECIALISED BANKS**

We enclose herewith the Prescribed Accounting Format specified by the Monetary Board, in terms of Section 38(3) of the Banking Act, No. 30 of 1988 as amended by Section 76(H) of the Banking (Amendment) Act, No. 33 of 1995, for the publication of annual audited accounts of Licensed Specialised Banks (LSBs).

All LSBs are required to publish their annual audited accounts for the accounting periods ending on or after 31.12.1999 in the enclosed Prescribed Accounting Format.

Please acknowledge the receipt of this letter.

Yours faithfully,

Ms. C. I. Fernando
Director of Bank Supervision

Profit and Loss Account for the year ended

	Note	BANK		GROUP	
		Curr. Yr. 19.....	Prev. Yr. 19.....	Curr. Yr. 19.....	Prev. Yr. 19.....
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
Income	2 ===== ===== ===== =====
Interest Income	3	.....	.....	.....	.....
Interest Expense	4 _____ _____ _____ _____
Net Interest Income					
Other Income	5 _____ _____ _____ _____
<i>Less : Operating Expenses</i>	6				
Personnel Costs		.....	.....	.....	.....
Provision for Staff Retirement Benefits		.....	.....	.....	.....
Premises, Equipment and Establishment Expenses		.....	.....	.....	.....
Fee and Commission Expenses		.....	.....	.....	.....
Provision for Loan Losses		.....	.....	.....	.....
Provision for Fall in value of Dealing & Investment securities		.....	.....	.....	.....
Other Overhead Expenses	 _____ _____ _____ _____
Operating Profits					
Share of Associate Companies' Profits before Taxation	7	.....	.....	.....	.....
Profit on ordinary activities before tax					
<i>Less : Tax on profits on Ordinary Activities</i>	8 _____ _____ _____ _____
Profits on Ordinary Activities after tax					
<i>Less : Minority Interests</i>	 _____ _____ _____ _____
Extraordinary Items	9 _____ _____ _____ _____
Retained Profit/(Accumulated Loss) brought forward					
Prior Year Adjustments	10 _____ _____ _____ _____
Profit Available for Appropriation					
Appropriations					
Transfers to Reserves		.....	.....	.....	.....
Transfer to Reserve Fund		.....	.....	.....	.....
Dividends	11 _____ _____ _____ _____
Retained Profit Carried Forward	 ===== ===== ===== =====
Earnings per share	12 ===== ===== ===== =====

Balance Sheet as at

	Note	BANK		GROUP	
		Curr. Yr.	Prev. Yr.	Curr. Yr.	Prev. Yr.
		19.....	19.....	19.....	19.....
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
ASSETS					
Cash and Short Term Funds	13	.....	.....	.....	.....
Balances with Central Bank		.....	.....	.....	.....
Treasury Bills and other securities eligible for rediscounting with Central Bank	14	.....	.....	.....	.....
Government and other securities held for dealing purposes	15	.....	.....	.....	.....
Placements with and loans to other Banks and Financial Institutions	16	.....	.....	.....	.....
Bills of Exchange	17	.....	.....	.....	.....
Loans and Advances	18	.....	.....	.....	.....
Lease Rentals Receivable	19	.....	.....	.....	.....
Interest Receivable	20	.....	.....	.....	.....
Investment Securities	22	.....	.....	.....	.....
Investments in Associates and subsidiaries	23	.....	.....	.....	.....
Group Balances Receivable	24	.....	.....	.....	.....
Fixed Assets	25	.....	.....	.....	.....
Other Assets	26	.....	.....	.....	.....
Intangible Assets	27	.....	.....	.....	.....
		=====	=====	=====	=====
LIABILITIES					
Deposits	28	.....	.....	.....	.....
Borrowings	29	.....	.....	.....	.....
Group Balances Payable	30	.....	.....	.....	.....
Deferred Taxation	31	.....	.....	.....	.....
Other Liabilities	32	.....	.....	.....	.....
		=====	=====	=====	=====
SHAREHOLDERS' FUNDS					
Share Capital / Assigned Capital	33	.....	.....	.....	.....
Statutory Reserve Fund	34	.....	.....	.....	.....
Reserves	35	.....	.....	.....	.....
Shareholders' Funds		.....	.....	.....	.....
Minority Interest		.....	.....	.....	.....
		=====	=====	=====	=====
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS					
		=====	=====	=====	=====
Commitments and Contingencies	36	=====	=====	=====	=====

Cash Flow Statement for the Year Ended

	BANK		GROUP	
	Curr. Yr. 19..... (Rs.)	Prev. Yr. 19..... (Rs.)	Curr. Yr. 19..... (Rs.)	Prev. Yr. 19..... (Rs.)
<u>Cash Flows from Operating Activities</u>				
Interest received	.....	.....	.....	.....
Fees and Commission Receipts	.....	.....	.....	.....
Interest Payments	.....	.....	.....	.....
Receipts from other Operating Activities	.....	.....	.....	.....
Cash Payments to Employees and Suppliers	.....	.....	.....	.....
Payments on Other Operating Activities	.....	.....	.....	.....

Operating Profit before Changes in Operating Assets				
(Increase)/Decrease in Operating Assets :				
Funds Advanced to Customers	.....	.....	.....	.....
Other Short-term Securities	.....	.....	.....	.....
Increase/(Decrease) in Operating Liabilities :				
Deposits from Customers	.....	.....	.....	.....
Negotiable Certificates of Deposit	.....	.....	.....	.....

Net Cash from Operating Activities before Income Tax				
Income Tax Paid	.....	.....	.....	.....

Net Cash from Operating Activities	=====	=====	=====	=====
<u>Cash Flows from Investing Activities</u>				
Dividends Received	.....	.....	.....	.....
Proceeds from Sales of Non-Dealing Securities	.....	.....	.....	.....
Purchase of Non-Dealing Securities	.....	.....	.....	.....
Purchase of Property, Plant & Equipment	.....	.....	.....	.....
Proceeds from Sale of Property, Plant and Equipment	.....	.....	.....	.....

Net Cash from Investing Activities	=====	=====	=====	=====
<u>Cash Flows from Financing Activities</u>				
Issue/(Redemption) of Shares	.....	.....	.....	.....
Increase/(Decrease) of Long Term Borrowings	.....	.....	.....	.....
Net Increase in Other Borrowings	.....	.....	.....	.....
Dividends Paid	.....	.....	.....	.....

Net Cash from Financing Activities	=====	=====	=====	=====
Net Increase in Cash and Cash Equivalents	.....	.....	.....	.....
Cash and Cash Equivalents at Beginning of the year	.....	.....	.....	.....

Cash and Cash Equivalent at end of the year	=====	=====	=====	=====
<u>Reconciliation of Cash and Cash Equivalents</u>				
	At Beginning of the year		At End of the year	
Cash and Short Term Funds	.....	.....	.....	.....
Balances with Central Bank	.....	.....	.....	.....
Government of Sri Lanka Treasury Bills	.....	.....	.....	.....

	=====	=====	=====	=====

NOTES TO THE ACCOUNTS AS AT

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL

1.1.1 Accounting Convention

The Balance Sheet, Profit & Loss Account and Cash Flow Statement are prepared in conformity with generally accepted accounting principles and the Sri Lanka Accounting Standards (SLAS) laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) applied consistently on a historical cost/modified historic cost basis. Where appropriate, the policies are explained in the succeeding notes.

1.1.2 Basis of Consolidation

- (a) The Group Financial Statements include the consolidated results, assets and liabilities of the Bank and its subsidiaries and associates made up to their respective financial year ends. The interests of outside shareholders of the subsidiaries in the net assets, and their proportion of the results are grouped separately in the Consolidated Balance Sheet and Profit & Loss Account respectively, under the heading minority interests. (SLAS.26)
- (b) In the Group Financial Statements, investments in associate companies are accounted for on the equity method of accounting. Under the equity method of accounting the Group's share of profits and losses of the investee companies is accounted for in the Consolidated Profit and Loss account for the year. The carrying value of the investment in the Consolidated Balance Sheet is thereby increased or decreased to recognise the Group's share of retained profits and losses of the investee companies since the date of acquisition. (SLAS 27)

1.1.3 Foreign Currency Translation (SLAS 21)

- (a) Assets and liabilities in foreign currencies are translated at the middle rate of exchange ruling on the date of the Balance Sheet except as indicated in (b) below. Translation gains and losses are dealt with through the Profit & Loss Account.
- (b) Forward exchange contracts are valued at the forward market rates ruling on the date of the Balance Sheet. Unrealized losses are dealt with through the Profit & Loss Account whereas unrealized gains are deferred in other liabilities.

1.1.4 Taxation

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 28 of 1979 and amendments thereto.

1.1.5 Deferred Taxation

Deferred taxation is provided on the basis of tax effect accounting using the liability/deferral (whichever is applicable) method and the balance of the Deferred Taxation Account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which depreciation allowances are claimed and the net book value of such assets. Partial application method cannot be used as it is against the matching and prudence concept.

1.2 Assets and Bases of their Valuation

1.2.1 Advances to Customers

- (a) Advances to customers are stated in the Balance Sheet net of provisions for possible loan losses and also net of interest which is not accrued to revenue.
- (b) Specific provisions for possible loan losses are based on a continuous review of all advances in accordance with CBSL directions. (Briefly summarise the CBSL requirements).
- (c) State the policy for general provisioning.

1.2.2 Investments (SLAS 22)

Specify the accounting policy followed on valuation of dealing and investment securities.

1.2.3 Fixed Assets (SLAS 18)

- (a) Fixed Assets are recorded at cost or valuation together with any incidental expenses thereon. The assets are stated at cost less accumulated depreciation which is provided for on the basis specified in (b) below.
- (b) Depreciation is provided at the following rates on a straight-line basis over the estimated lives of different types of assets.

Leasehold Properties	Over the period of lease
Buildings	... per annum
Motor Vehicles	... per annum
Computer Equipment	... per annum
Office Equipment, Furniture & Fittings	... per annum

Full depreciation is provided on the assets purchased and used during the year.
Depreciation is not provided for freehold land.

1.3 Liabilities and Provisions

1.3.1 Commitments & Contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

1.3.2 Pensions and Retirement Benefits (SLAS 16)

The bank has a non-contributory pension scheme for the members of the staff. The bank's policy is to fund the pension reserve annually from post tax profits by appropriating a sum which, in the management's opinion, is sufficient to meet future pension commitments. An actuarial valuation, at least every five years, is undertaken to ascertain the full liability and any shortfall of the pension fund would be adjusted accordingly.

OR

The bank operates an approved pension fund for the payment of pensions and monthly contributions are made to the pension fund based on a percentage of the gross emoluments excluding certain allowances. The percentage of contributions was determined by an independent actuary and retirement benefits are provided for all members of the permanent staff.

OR

Provisions are not made in the accounts for gratuities to employees, who complete 5 or more years of continuous service, payable under the payment of Gratuities Act, No.12 of 1983, as the bank has its own non-contributory pension scheme in force.

1.4 Profit and Loss Account

1.4.1 Revenue Recognition

Interest Income

Interest income is recognised on an accrual basis. Interest ceases to be taken into revenue when the recovery of interest or principal is in arrears for over three (3) months. Thereafter, interest on advances is accounted for on a cash basis.

Lease Income

All leases are financial leases. As such, the income recognised is the interest component of the lease rentals receivable during the year.

The excesses of aggregate rentals receivable over the cost of the leased asset constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed, in proportion to the remaining balance of the lease.

1.4.2 Losses on Dealing & Investment Securities

Fall in value of dealing & investment securities, whether temporary or permanent, should be routed through the P&L A/c. Charging diminution in value of securities direct to reserves lacks transparency, specially for a deposit taking institution such as a bank and results in the loss of credibility of the P&L A/c as a measure of management performance.

1.4.3 Terminal Benefits – SLAS 16

Pension costs are charged to the Profit and Loss Account in the year in which such costs are determined.

The actual amounts paid as pensions and retirement gratuities are charged to the Pension Fund.

1.4.4 Extraordinary Items – SLAS 10

Extraordinary items are those derived from events or transactions outside the ordinary course of business and which are material and are not expected to recur frequently or regularly.

2. INCOME

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
Gross Income
Less : Turnover based taxes
	=====	=====	=====	=====
Interest Income (3)
Other Income (5)
	=====	=====	=====	=====

3. INTEREST INCOME

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
Loans and Advances
Treasury Bills & Placement with Other Banks
Other Interest Income
	=====	=====	=====	=====

4. INTEREST EXPENSE

Long Term Borrowings	.....	.....	.....	.....
Debentures	.....	.....	.....	.....
Deposits	.....	.....	.....	.....
Treasury bills repurchased	.....	.....	.....	.....
Others	.....	.....	.....	.....
	=====	=====	=====	=====

5. OTHER INCOME

Net Foreign Exchange Gain/Loss	.....	.....	.....	.....
Dividend Income from Securities :				
Quoted	.....	.....	.....	.....
Unquoted	.....	.....	.....	.....
Dividend Income from Investments in Associates/Subsidiaries:				
Quoted	.....	.....	.....	.....
Unquoted	.....	.....	.....	.....
Fee and Commission Income	.....	.....	.....	.....
Gains from dealing securities	.....	.....	.....	.....
Gains from Investment Securities	.....	.....	.....	.....
Others	.....	.....	.....	.....
	=====	=====	=====	=====

6. OPERATING EXPENSES

Operating Expenses include the following:				
Chairman's Emoluments	.....	.....	.....	.....
Directors' Emoluments – Fees	.....	.....	.....	.....
Salaries	.....	.....	.....	.....
Others	.....	.....	.....	.....
Auditors' Remuneration	.....	.....	.....	.....
Depreciation	.....	.....	.....	.....
Expenses on litigation	.....	.....	.....	.....
	=====	=====	=====	=====

7. SHARE OF ASSOCIATE COMPANIES PROFITS BEFORE TAXATION - BREAK UP

Name of Company	Percentage Holding	GROUP	
		Current Year	Previous Year
		(Rs.)	(Rs.)
.....
.....
		=====	=====
		=====	=====

8. TAX ON PROFITS ON ORDINARY ACTIVITIES

BANK		GROUP	
Curr. Yr.	Prev. Yr.	Curr. Yr.	Prev. Yr.
(Rs.)	(Rs.)	(Rs.)	(Rs.)

(a) Charge to Taxation is as follows :-

Taxation based on profits for the year	.....	.....	.....	.....
Transfer to/from Deferred Taxation	.....	.....	.....	.....
(Over)/under Provision in Previous years	.....	.....	.....	.....
	=====	=====	=====	=====

Income tax on profits has been computed at the rate of on the taxable income of the Bank plus a surcharge of on the income tax payable.

(b) In computing the liability to taxation, credit has been taken for investment relief amounting to Rs. granted under Section of the Inland Revenue Act, No. 28 of 1979 in respect of the following investments :

.....

If the investments mentioned are disposed of (other than by the dissolution or cessation of business by the Investor Company) on or before, the Company may be liable to an additional assessment of income tax of the said amount in respect of the year(s) of assessment

OR

Investment relief amounting to Rs. granted under Section of the Inland Revenue Act, No. 28 of 1979 in respect of the following investments has been credited to the Investment Relief Reserve :

.....

If the investments mentioned are disposed of (other than by the dissolution or cessation of business by the Investor Company) on or before, the Company may be liable to an additional assessment of income tax of the said amount in respect of the year(s) of assessment

9. EXTRAORDINARY ITEMS – SLAS 10

Specify the nature, particulars and amount of extraordinary items.

10. PRIOR YEAR ADJUSTMENTS – SLAS 10

The details of any restatement of retained profits brought forward on account of prior year adjustments. The amount should be shown on the face of the P&L A/c, but the details can be given in a note.

11. DIVIDENDS

	Inteirm Paid (%)	Final Proposed (%)	Curr. Yr. Total (Rs.)	Prev. Yr. Total (Rs.)
Net dividends
Tax deducted at source
	=====	=====	=====	=====
Gross Dividends

12. EARNINGS PER SHARE

Give the basis of calculation.

13. CASH AND SHORT TERM FUNDS

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
Cash in Hand and Balances with Banks
Money at Call and Short Notice
	=====	=====	=====	=====

14. TREASURY BILLS AND OTHER SECURITIES ELIGIBLE FOR REDISCOUNTING WITH THE CENTRAL BANK

Treasury Bills	.....	.....	.....	.....
Treasury Bonds	.....	.....	.....	.....
	=====	=====	=====	=====

15. GOVERNMENT AND OTHER SECURITIES HELD FOR DEALING PURPOSES

Quoted	.....	.....	.....	.....
Unquoted	.....	.....	.....	.....
	=====	=====	=====	=====

15.1 Quoted

	No. of Ordinary Shares	Cost Current Year	Market Value Curr. Yr.	No. of Ordinary Shares	Cost Previous Year	Market Value Prev. Yr.
(a) Bank						
.....
.....
	=====	=====	=====	=====	=====	=====
(b) Group						
.....
.....
	=====	=====	=====	=====	=====	=====

15.2 Unquoted

	No. of Ordinary Shares	Cost Current Year	Directors' Valuation Curr. Yr.	No. of Ordinary Shares	Cost Previous Year	Directors' Valuation Prev. Yr.
(a) Bank						
.....
.....
	=====	=====	=====	=====	=====	=====
(b) Group						
.....
.....
	=====	=====	=====	=====	=====	=====

Value of Securities sold subject to repurchase agreements reported under Note Nos. 14, 15 or any other Note should be disclosed separately together with the estimated market values of such items (UITF 13).

16. PLACEMENTS WITH AND LOANS TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
Banks
Financial Institutions
	=====	=====	=====	=====

Loans under Reverse Repurchase agreements should be separately disclosed with estimated market values of underlying securities. (UITF 13)

17. BILLS OF EXCHANGE

Local Bills	.....	.....	.....	.....
Other Bills	.....	.....	.....	.....
(a) Less : Provision for Bad Debts	.....	.....	.....	.....
	=====	=====	=====	=====

18. LOANS AND ADVANCES

Direct Loans	.....	.....	.....	.....
Refinance Loans	.....	.....	.....	.....
Staff Loans	.....	.....	.....	.....
Other Loans	.....	.....	.....	.....
(b) Less : Loan Loss Provision	.....	.....	.....	.....
	=====	=====	=====	=====

19. LEASE RENTALS RECEIVABLES

Total Rentals Receivable	.....	.....	.....	.....
Less : Unearned Income	.....	.....	.....	.....
Less : Provision for Bad & Doubtful Debts	.....	.....	.....	.....
Interest in Suspense	.....	.....	.....	.....
	=====	=====	=====	=====

The above analysis should be given for both lease rental receivable within one year and after one year.

20. INTEREST RECEIVABLE

Interest Receivable	.....	.....	.....	.....
Less : Interest in Suspense	.....	.....	.....	.....
	=====	=====	=====	=====

22. INVESTMENT SECURITIES

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
Quoted
Unquoted
	=====	=====	=====	=====

22.1 Quoted

	No. of Ordinary Shares	Cost Current Year	Market Value Curr. Yr.	No. of Ordinary Shares	Cost Previous Year	Market Value Prev. Yr.
(a) Bank

	=====	=====	=====	=====	=====	=====
(b) Group

	=====	=====	=====	=====	=====	=====

22.2 Unquoted

	No. of Ordinary Shares	Cost Current Year	Directors' Valuation Curr. Yr.	No. of Ordinary Shares	Cost Previous Year	Directors' Valuation Prev. Yr.
(a) Bank

	=====	=====	=====	=====	=====	=====
(b) Group

	=====	=====	=====	=====	=====	=====

23. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

23.1 Investment in subsidiaries – By Bank

Subsidiary Company	Principal Activity	% Holding	Cost Current Year	Market Value* Curr. Yr.	% Holding	Cost Previous Year	Market Value* Prev. Yr.
.....
.....
			=====	=====		=====	=====

* Directors' valuation in the case of unquoted subsidiaries/associates.

23.2 Investments in Associate Companies

(a) By Bank

Company	Principal Activity	% Holding	Cost Current Year	Market Value* Curr. Yr.	% Holding	Cost Previous Year	Market Value* Prev. Yr.
.....
.....
.....

* Directors' valuation in the case of unquoted subsidiaries/associates.

(b) By the Group

Company	Balance B/F (Rs.)	Increase in Investment (Rs)	Share of Profits Net of Dividend Received (Rs)	Balance B/F (Rs.)
.....
.....
.....

24. GROUP BALANCES RECEIVABLE

Name of Company	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
.....
.....
.....

25. FIXED ASSETS

(a) Bank

	Land and Buildings	Equipment/ Furniture	Motor Vehicles	Total	
				31. 12. (Rs.)	31. 12. (Rs.)
Cost/Valuation					
Balance as at (Previous year)
Additions for the year
Disposals during the year
Excess on Revaluation
Accumulated Depreciation					
Balance as at (Previous year)
Charge for the year
Disposals
Revaluation adjustment
Net Book Value as at 31.12. - Current Year
Net Book Value as at 31.12. - Previous Year

(b) Group

	Land and Buildings	Equipment/ Furniture	Motor Vehicles	Total	
				31. 12. (Rs.)	31. 12. (Rs.)
Cost/Valuation					
Balance as at (Previous year)
Additions for the year
Disposals during the year
Excess on Revaluation
Accumulated Depreciation					
Balance as at (Previous year)
Charge for the year
Disposals
Revaluation adjustment
Net Book Value as at 31.12. - Current Year
Net Book Value as at 31.12. - Previous Year

25.1 Other disclosures required by SLAS 18 and SLAS 19 should also be made.

26. OTHER ASSETS

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
Deposits & Prepayments
Others
	=====	=====	=====	=====

27. INTANGIBLE ASSETS

Goodwill	.....	.....	.....	.....
Deferred Expenditure	.....	.....	.....	.....
Others	.....	.....	.....	.....
	=====	=====	=====	=====

28. DEPOSITS

Savings Deposits	.....	.....	.....	.....
Time Deposits	.....	.....	.....	.....
Certificates of Deposit	.....	.....	.....	.....
Others	.....	.....	.....	.....
	=====	=====	=====	=====
Deposits from Non bank customers	.....	.....	.....	.....
Deposits from Banks	.....	.....	.....	.....
Deposits from Financial Institutions	.....	.....	.....	.....
Other Money Market Deposits	.....	.....	.....	.....
	=====	=====	=====	=====

29. BORROWINGS

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
Govt. of Sri Lanka (GOSL) Loans under Foreign Credit Lines
Other GOSL Loans
Direct Foreign Borrowings
Refinance Borrowings
Debentures
Subordinated Debentures
Borrowings under Repurchase Agreements
Other borrowings
	=====	=====	=====	=====
Due within one year
1-5 years
After five years
	=====	=====	=====	=====

29.1 Assets Pledged as Security

Disclose the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security.

30. GROUP BALANCES PAYABLE

Name of Company				
.....
.....
	=====	=====	=====	=====

31. DEFERRED TAXATION

Balance B/F	.....	.....	.....	.....
Increase/(Decrease) in Provision	.....	.....	.....	.....
	=====	=====	=====	=====

32. OTHER LIABILITIES

Accrued Expenditure	.....	.....	.....	.....
Dividends Payable	.....	.....	.....	.....
Current Taxation	.....	.....	.....	.....
Provision for Gratuities	.....	.....	.....	.....
Others	.....	.....	.....	.....
	=====	=====	=====	=====

33. SHARE CAPITAL

	BANK		GROUP	
	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)	Curr. Yr. (Rs.)	Prev. Yr. (Rs.)
<u>Authorised</u>				
..... Ordinary Shares of Rs. each
	=====	=====	=====	=====
<u>Issued & Fully Paid</u>				
<u>Balance B/F</u>				
..... Ordinary Shares of Rs. each
<u>Issued during the year</u>				
..... Ordinary Shares of Rs. each
	=====	=====	=====	=====

34. STATUTORY RESERVE FUND

Balance as at 1st January 19.....	.....	.....	.....	.....
Add : Transfers during the year	.....	.....	.....	.....
	=====	=====	=====	=====
Balance as at 31st December 19.....	.....	.....	.....	.....
	=====	=====	=====	=====

35. RESERVES

Disclose the movement in all reserve balances.

36. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

(b)

Acceptances	.....	.....	.....	.....
Stand by letters of credit	.....	.....	.....	.....
Guarantees	.....	.....	.....	.....
Bonds and Warranties	.....	.....	.....	.....
Documentary Credit	.....	.....	.....	.....
Bills for Collection	.....	.....	.....	.....
Forward Exchange Contracts (Net)	.....	.....	.....	.....
Forward Rate Agreement	.....	.....	.....	.....
Others	.....	.....	.....	.....
	=====	=====	=====	=====

(c) Litigation against the Bank

(d) Capital expenditure approved by the Board of Directors, for which provision has not been made in these accounts, amounted to approximately –

Approved and Contracted for	.....	.....	.....	.....
	=====	=====	=====	=====
Approved but not Contracted for	.....	.....	.....	.....
	=====	=====	=====	=====

37. POST BALANCE SHEET EVENTS (SLAS 12)

38. DIRECTORS' INTEREST IN CONTRACTS

Disclose the Directors' interest in contracts in accordance with the requirements of SLAS 30 and SLAS 23.

39. RELATED PARTY TRANSACTIONS

Disclose the related party transactions in accordance with the requirements of SLAS 30 and SLAS 23.

40. MATURITY ANALYSIS

An analysis of the assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows:

	Upto 3 Months (Rs.)	3 to 12 Months (Rs.)	1 to 3 Years (Rs.)	3 to 5 Years (Rs.)	More than 5 years (Rs.)	Total (Rs.)
Interest Earning Assets						
Non-Interest Earning Assets						
Total Assets						
Interest Bearing Liabilities						
Non-Interest Bearing						
Liabilities						
Total Liabilities						

41. TRUST ACTIVITIES

Disclose the significant trust activities undertaken by the Bank and an indication of the extent of those activities and the potential liability if it fails in its fiduciary duties.

42. SIGNIFICANT RISKS ASSOCIATED WITH THE BANK'S OPERATIONS

I. A statement enumerating the following risks to which the bank is exposed :-

- (a) Credit risk, including concentration of credit risk, credit risk to bank counterparties and related party credit risk
- (b) Foreign Exchange Risk
- (c) Interest rate risk
- (d) Liquidity Risk
- (e) Any other material risks associated with the bank's operations

The statement should include a brief description of the way in which the banking risks specified above are managed and controlled and should cover the following aspects :-

- (a) an explanation of the nature of the risk and the activities of the Bank which give rise to that risk;
- (b) a general description of the methods used to identify and monitor exposure to the risk, including the frequency with which exposures are monitored; and
- (c) a general description of the systems and procedures for controlling the risk, including, where applicable, whether exposure limits are employed, any policies with respect to collateral or other security, and any policies on the use of Financial Instruments to mitigate or hedge risks.

II. Disclosure is also required, to the effect that directors are responsible for maintaining a proper system of internal controls to meet the following objectives :

1. efficiency and effectiveness of operations (operational objectives)
2. reliability and completeness of financial and management information (information objectives); and
3. compliance with applicable laws and regulations (compliance objective)

An outline of the procedures that the directors have established and which are designed to provide an effective internal control system, apart from the procedures described under risk management, should also be given.

BANKING ACT, NO. 30 OF 1988
AS AMENDED BY BANKING (AMENDMENT) ACT, NO. 33 OF 1995

Direction

Amendment to Direction relating to maintenance of Capital Adequacy Ratio dated 21.11.1997 issued by the Monetary Board of the Central Bank of Sri Lanka under Section 76J(1) of the Banking Act, No. 30 of 1988 as amended by Banking (Amendment) Act, No. 33 of 1995 which would come into effect on 1st January 2001.

1. Delete Paragraph 1 of the aforesaid direction and substitute therefore the following as Paragraph 1.
 - “ 1. With effect from 1st January 2001 a Licensed Specialised Bank having an equity capital as defined in the Banking Act is required, at all times, to maintain a minimum Capital Adequacy Ratio of 10% in relation to its Risk Weighted Assets with Core Capital constituting not less than 5% computed as per instructions given in Schedule 1 of the directions issued under Section 76J(1) of the Banking Act, No. 30 of 1988 as last amended by Act, No. 33 of 1995.”
2. Every reference, in Schedule I of the Direction dated 21st November 1997 and referred to in paragraph 1 of this Direction, to the percentage of the minimum capital adequacy ratio as 8% and the core capital ratio as 4% shall with effect from 1st January 2001, be amended to read as 10% and 5% respectively.

A. S. Jayawardena
Governor

Colombo
27.12.1999

**BANKING ACT, NO. 30 OF 1988
AS AMENDED BY BANKING (AMENDMENT) ACT, NO. 33 OF 1995**

Notice

Amendment to Notice relating to maintenance of Capital Adequacy Ratio dated 22.08.1997 issued by the Monetary Board of the Central Bank of Sri Lanka under Section 19(2) and 19(7) of the Banking Act, No.30 of 1988 as amended by Banking (Amendment) Act, No. 33 of 1995 which would come into effect on 1st January 2001.

1. Delete Paragraph 2 of the aforesaid notice and substitute therefore the following as Paragraph 2.

“ 2. With effect from 1st January 2001 every Licensed Commercial Bank shall at all times, maintain a minimum Capital Adequacy Ratio of 10% in relation to its Risk Weighted Assets with Core Capital constituting not less than 5% computed as per instructions given in Schedule (1) of the Notice issued under Section 19(7) of the Banking Act, No. 30 of 1988 and last amended by Act, No. 33 of 1995.”

2. Every reference, in Schedule I of the Notice dated 22nd August 1997 and referred to in paragraph 1 of this Notice, to the percentage of the minimum capital adequacy ratio as 8% and the core capital ratio as 4% shall with effect from 1st January 2001, be amended to read as 10% and 5% respectively.

A. S. Jayawardena
Governor

Colombo
27.12.1999

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

28 December, 1999

To : All Licensed Commercial Banks

Dear Sir,

INCREASE OF RISK WEIGHTED CAPITAL ADEQUACY RATIO

This is to inform you that the Monetary Board of the Central Bank of Sri Lanka has, by an amendment to the Notice relating to Maintenance of Capital Adequacy Ratio dated 22.08.1997 issued under Section 19(7) of the Banking Act, No. 30 of 1988 as amended by Act, No. 33 of 1995, increased the Capital Adequacy Ratio from 8% to 10% and Core Capital or Tier I Capital ratio from 4% to 5% with effect from 1st January 2001.

Kindly acknowledge receipt of this letter.

Yours faithfully,

Ms. C. I. Fernando
Director of Bank Supervision

Bank Supervision Department
8th Floor, Renuka Building
41 Janadhipathi Mawatha
Colombo 1.

28 December, 1999

*To : All Licensed Specialised Banks
(other than National Savings Bank)*

Dear Sir,

INCREASE OF RISK WEIGHTED CAPITAL ADEQUACY RATIO

This is to inform you that the Monetary Board of the Central Bank of Sri Lanka has, by an amendment to the Directions relating to Maintenance of Capital Adequacy Ratio dated 21.11.1997 issued under Section 76(J)(1) of the Banking Act, No. 30 of 1988 as amended by Act, No. 33 of 1995, increased the Capital Adequacy Ratio from 8% to 10% and Core Capital or Tier I Capital ratio from 4% to 5% with effect from 1st January 2001. A copy of the amendment is attached

Kindly acknowledge receipt of this letter.

Yours faithfully,

Ms. C. I. Fernando
Director of Bank Supervision

Ref. No. EC / 01 / 99 (C & F)
Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1.

9th February, 1999.

Operating Instructions to Authorised Dealers

Dear Sirs,

LOANS AND OVERDRAFTS AND OTHER CREDIT FACILITIES
TO FOREIGN-CONTROLLED COMPANIES

Your attention is invited to Sub-Section 7 of Section 30 of the Exchange Control Act No.24 of 1953 (Chapter 423) as amended by Exchange Control (Amendment) Law No.39 of 1973 and my Operating Instructions No.EC/118/92(C & F) dated 24.12.1992, issued thereunder.

2. In terms of the provisions of the above-mentioned Section of the Act, no person resident in Sri Lanka shall, except with the permission of the Central Bank, lend any money to any firm or company (other than a banking company) which is controlled directly or indirectly by persons resident outside Sri Lanka.

3. You are hereby informed that general permission in terms of Sub-Section 7 of Section 30 read with Section 48 of the Exchange Control Act is granted for you to provide accommodation including loans and advances to Companies incorporated in Sri Lanka with a majority of non-resident shareholders, provided such Companies have not been approved under Section 17 of the Board of Investment of Sri Lanka Act No.4 of 1978.

4. You are required to furnish a statement of accommodation granted during each quarter to companies with a majority of non-resident shareholders, indicating the following particulars –

- (i) Name of the Company
- (ii) Date of granting the accommodation
- (iii) Type of accommodation
- (iv) Period for which the accommodation is granted
- (v) Nature of Security
- (vi) Amount
- (vii) Purpose

to the Monitoring Unit of the Exchange Control Department, Central Bank of Sri Lanka, P.O. Box 883, Equity Two Building, No.61, Janadhipathi Mawatha, Colombo 1, before the 15th day of the following month.

Please note that all Operating Instructions issued in this regard previously, are cancelled with effect from the date of this Circular.

Yours faithfully,

M. R. Fernando
Controller of Exchange

Ref. No. EC / 02 / 99 (B)
Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1.

24 February, 1999.

Operating Instructions to Authorised Dealers

Dear Sirs,

LETTERS OF CREDIT SUBMISSION OF FORM E2

By Operating Instructions issued by us bearing reference No. EC / 03 / 78 (B) dated 03.02.1978 you were required to forward Form E2 with the required particulars entered therein to the Director of Statistics, Central Bank of Sri Lanka. As the establishment of LCC for payment for imports is no longer mandatory, it is now not necessary for Authorised Dealers to forward to the Director of Statistics E2 Forms as required in the above mentioned circular.

Operating Instructions No.EC/03/78(B) dated 03.02.1978 are hereby rescinded.

Yours faithfully,

M. R. Fernando
Controller of Exchange

Ref. No. EC / 03 / 99 (M)
Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1.

27 May, 1999.

Operating Instructions to Authorised Dealers

Dear Sirs,

NON-RESIDENT BLOCKED ACCOUNTS

Authorised Dealers are hereby informed that they may pay interest to persons resident outside Sri Lanka maintaining Blocked Accounts under the provisions of Section 31 of the Exchange Control Act, in respect of any sum lying to the credit of such accounts.

Permission is also granted for the Authorised Dealer to remit to such account-holder, on a request made, the interest accruing on such blocked funds, after the deduction of the taxes payable.

Yours faithfully,

M. R. Fernando
Controller of Exchange

Ref. No. EC / 07 / 99 (D)
Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1.

14 December, 1999.

Operating Instructions to Authorised Dealers

Dear Sirs,

RESIDENT FOREIGN CURRENCY ACCOUNTS

Further to my Operating Instructions No. EC / 52 / 91 (D) of 1991.08.01, Authorised Dealers are hereby informed that they are no longer required to close Resident Foreign Currency Accounts in the event the balance in the account falls below US \$ 500 or its equivalent in other designated currencies.

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

Ref. No. EC / 08 / 99 (G)
Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1.

15 December, 1999.

Operating Instructions to Authorised Dealers

Dear Sirs,

FREIGHT FORWARDING AND THE ISSUE OF
HOUSE AIRWAY BILLS / HOUSE BILLS OF LADING / FORWARDERS
CARGO RECEIPTS

Further to my Operating Instructions No.EC/48/91(G) dated 12.07.1991 and No. EC / 04 / 97 (G) dated 4th March 1997 on the above subject, Authorised Dealers are hereby requested to include the following Freight Forwarders, who are now registered with the Central Bank of Sri Lanka to the list of Freight Forwarders given in the Operating Instructions and accept House Airway Bills/House Bills of Lading/ Forwarders Cargo Receipts issued by them for negotiation in respect of export cargo.

<i>Name of Freight Forwarder</i>	<i>Registration No.</i>
1. Accord Express Lanka (Pvt.) Ltd.	06 / 07 / 009 / 0087
2. Ceylon Ship Suppliers Co.(1972) Ltd.	06 / 07 / 009 / 0088

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

Ref. No. EC / 09 / 99 (D)
Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1.

17 December, 1999.

Operating Instructions to Authorised Dealers

Dear Sirs,

**MONITORING SCHEME ON FOREIGN EXCHANGE DRAWING AGAINST
INTERNATIONAL ELECTRONIC CREDIT, DEBIT OR ANY OTHER
FUND TRANSFER CARDS**

With the development of electronic fund transfer systems (EFTS), the number of Credit Cards, Debit Cards and other Electronic Fund Transfer Cards (EFTCs) with global access, issued to residents of Sri Lanka by Authorised Dealers for making payments abroad in foreign exchange has increased substantially. Therefore, the introduction of a monitoring system has become necessary to ascertain the nature of payments made through EFTCs, as in the case of release of foreign exchange for travel abroad.

2. Authorised Dealers are permitted to release foreign exchange for payments in respect of expenditure incurred abroad using EFTCs, only for personal expenses such as travel expenses, hotel charges, incidental expenses, medical expenses and purchase of goods for personal use. EFTCs are not permitted to be utilised for payments in respect of capital transactions and purchase/import of goods in commercial quantities.

3. In order to facilitate monitoring of expenditure incurred by the use of EFTCs abroad, Authorised Dealers are required to follow the under-mentioned procedure when issuing EFTCs, which could be used abroad.

- 3.1 EFTCs should be issued only to residents of Sri Lanka.
- 3.2 Authorised Dealers should obtain a written undertaking from the applicant for a EFTC on Form 3 (a specimen of which is at Annex 1) to the effect that the foreign exchange drawings/payments on the card will be only for authorised purposes as set out in para 2 above before issuing the EFTCs.
- 3.3 Authorised Dealers should forward the original of duly completed Form 3 to the "Monitoring Unit" of the Exchange Control Department on a daily basis, retaining a copy with them.
- 3.4 If the cardholder leaves the country either for good or for employment abroad, the card issued to him/her should be surrendered to the Authorised Dealer as per declaration in Form 3.
- 3.5 Authorised Dealers should incorporate the conditions at para 3.2 and 3.4 above in the agreement that the cardholder enters into with the Authorised Dealer, or in the conditions for the use of the card at the time of issue.
- 3.6 The above procedure should be effective for issue of new EFTCs as well as for renewal of EFTCs already issued.

4. Periodic Statements to Exchange Control Department

- 4.1 Authorised Dealers should keep accounts for each cardholder in respect of expenditure incurred in foreign exchange abroad segregated from the expenditure incurred in Sri Lanka.
- 4.2 A monthly report (a specimen of which is at Annex II) containing information on cardholders who have incurred expenditure in foreign exchange exceeding US \$ 5,000 or its equivalent in any other foreign currency, in any one month, should be forwarded to reach the undersigned marked

'Attention Monitoring Unit' not later than the 15th day of the following month. This Report should be signed by a responsible officer of the bank.

H. A. G. Hettiarachchi
Controller of Exchange

cc.: DGG
EDD
AG
Consultants
SG

(To be filled by the Card Applicant and the Authorised Dealer)

CENTRAL BANK OF SRI LANKA

Form 3 – Declaration by an Applicant for Electronic Fund Transfer Cards (EFTCs)

To : The Controller of Exchange

To be filled by the Applicant to obtain foreign exchange against a Credit/Debit or any other Fund Transfer Card

Name in full :
(In Block Letters)

Address :
(In Block Letters)

.....

.....

N.I.C. No. :

Passport No.

Income Tax File No.:

Purposes for which EFTC is required:
(personal expenses such as travel expenses, hotel charges, incidental expenses, medical expenses and purchase of goods for personal use)

Credit/Debit Limit :

I declare that all details given above by me on this form are true and correct and I hereby undertake to use my International Electronic Fund Transfer Card abroad solely for the purposes specified above within the limit authorised by card issuing Authorised Dealer and affirm that it will not be used to purchase goods in commercial quantities and for capital transactions. I also declare that I am in possession of the following Cards and undertake to surrender the International Electronic Fund Transfer Card to the Issuing Authorised Dealer if I migrate or leave Sri Lanka for employment abroad.

Name of the Bank	Type of Card	Card No.
1.
2.
3.
4.
5.

Date :
DD.MM.YY

.....
Signature of Applicant

To : The Controller of Exchange

To be filled by the Bank/Card Centre/Authorised Dealer/ authorised to issue Credit/Debit/Fund Transfer Cards

Bank Code :

Branch Code :

Purpose Code :

Currency Code :

Credit/Debit limit Approved :

I have examined the relevant document and am satisfied with the *bona-fide*. I confirm that EFTC applicant has given an undertaking in the agreement with the bank to the effect that the foreign exchange released through the EFTC would not be used for any purpose other than the purpose declared by the applicant in this form and I undertake to inform the Controller of Exchange the required information on the expenditure incurred by the cardholder.

Date :
DD.MM.YY

.....
Signature and seal of
Authorised Dealer

N.B. Form 3 should be signed personally by the applicant. Applications signed by third parties should not be accepted. Originals of completed Form 3 should be forwarded on a daily basis to the Monitoring Unit of the Exchange Control Department, Central Bank of Sri Lanka, Janadhipathi Mawatha, Colombo 1, after the issuing of EFTC, retaining copies with you.

To : Controller of Exchange (Attention Monitoring Unit)
 Exchange Control Department
 Central Bank of Sri Lanka
 Colombo 1.

Monthly Report
 Serial No. :

Central Bank of Sri Lanka

**Report for the Month of 1999, in accordance with the Para 4.2
 of the Operating Instructions No. EC/09/99(D) of 1999.12.17 issued in terms of Section (3) of the
 Exchange Control Act No.24 of 1953**

Part A – Details of Card Holders who have Utilized Foreign Exchange in Excess of US\$ 5000

Name of the Card Holder & Address (in block letters)	N.I.C. No.	Passport No.	Card No.	Total Amount utilised in the month	For Office Use

Part B – Summary of Issue and Utilization of EFT Cards

Total No. of Cards issued for the month	Types of Cards	Total Value of foreign Exchange utilised by all EFT Card holders

I hereby certify that this statement has been prepared in accordance with the Operating Instructions No.EC/09/99(D) of 1999 .12.17 in compliance with the Exchange Control Act No.24 of 1953.

*Signature of the officer authorised by the bank
 Stamp of the Bank/Authorised Dealer*

Date :
 MM/DD/YY

Ref. No. EC / 10 / 99 (MU)
Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1.

17 December, 1999.

Operating Instructions to Authorised Dealers

Dear Sirs,

SALE AND PURCHASE OF FOREIGN EXCHANGE
SUBMISSION OF FORM 1 AND FORM 2

Further to my Operating Instructions No.EC/07/98(MU) dated 24th December 1998, Authorised Dealers are hereby informed that Form 1 and Form 2, used for the sale and purchase of foreign exchange, should hereafter contain the Income Tax File No. as indicated in the attached specimens.

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

cc.: DGG
EDD
AG
Consultants
SG

Bank	Branch	Serial No.
□ □ □	□ □ □	□ □ □ □ □

CENTRAL BANK OF SRI LANKA
Information on Inward Remittances of Foreign Exchange
Form 2 – Purchase of Foreign Exchange

To : Authorised Dealer

To be filled by the beneficiary of the Inward Remittance.

Name in full :

.....

.....

Address :

.....

.....

N.I.C. No. :

Income Tax File No.:

Name and Address of the Remitter :

.....

.....

.....

Purposes of the Inward Remittance :

.....

.....

Currency & Amount :

I declare that all details given above by me on this form are true and correct and funds received will be used only for the purpose given in this form.

Date :
 DD.MM.YY *Signature of Applicant*

To : The Controller of Exchange

To be filled by the Authorised Dealer

Bank Code / Name of Travel Agent :

.....

.....

Branch Code :

Sector Code :

Country Code :

Amount :

I have examined the relevant documents and am satisfied with the bonafides of the remittance and confirm the purchase of foreign exchange is in conformity with the purpose given by the remitter.

Date :
 DD.MM.YY *Signature and seal of Authorised Dealer / Travel Agent*

N.B. Form should be signed personally by the beneficiary. In instances where the Authorised Dealer purchases the inward remittance on behalf of a constituent, the application may be signed by the Authorised Dealer.

Originals of completed Form 2 in respect of amounts of US \$ 5,000 and above and amounts below US \$ 5,000 should be submitted on a daily and weekly basis respectively, to the Monitoring Unit of the Exchange Control Department.

To : All Primary Dealers

TREASURY BILL GUIDELINES NO. 2

1. Effective from 20th October, 1999 at primary auctions, Treasury Bills will be issued with 91 days, 182 days and 364 days of day counts to maturity instead of three month, six month and twelve month Treasury Bills which were issued hitherto.
2. Primary Dealers are advised to price their bids submitted at primary auctions accordingly. Treasury Bills which have been issued to-date with 3 month, 6 month and 12 month maturities will remain with such maturities with which they were issued prior to 20th October, 1999 until such time such Treasury Bills mature and are repaid.
3. With the change outlined in (1) above, the day count used on Actual/Actual basis at primary auctions of Treasury Bills will be done away with. In order to be able to maintain a uniform practice in the market, Primary Dealers are expected to comply with the day count base of 364 days. The formula for secondary market transactions would be Actual/364 days.
4. Through the new formula for day counts is effective from 19th October, 1999, Primary Dealers may comply with the new day count requirement with regard to secondary market transaction involving Treasury Bills that were issued prior to this effective date with 3 month, 6 month and 12 month maturities. This would bring about uniformity with regard to day count without any time lag.
5. In the event of bank holidays falling on maturity dates of Treasury Bills, as is the current practice, the settlement dates will be the working days preceding such maturity dates.

K. G. D. D. Dheerasinghe
Addl. Superintendent of Public Debt

11th October, 1999