

PART III

PART III

MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 2001

OPERATING INSTRUCTIONS, CIRCULARS, DIRECTIONS AND NOTICES

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CONFIDENTIAL

Ref. No. : 01 / 01 / 002 / 0035 / 001

Banking Department
22nd January, 2001

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Dear Sir,

LIMIT ON DAILY WORKING BALANCES IN FOREIGN CURRENCIES

You are hereby informed that in terms of the Provisions of Section 77 of the Monetary Law Act, the Monetary Board has determined, with effect from 23 January 2001, a sum equivalent to US\$ mn. (US dollars million only) as the maximum amount of the working balances in all foreign currencies your bank should hold at the end of each working day. Any amounts in excess of these limits at the end of each working day could be sold to the Central Bank.

2. Please continue to report to me the daily foreign exchange position of your bank at the end of each day, as set out in Annexure. Accuracy of such reports should be confirmed by a senior officer of your bank authorized for the purpose.

Yours faithfully,

Y.M.W.B. Weerasekera
Chief Accountant

Daily Foreign Exchange Position Report

Name of Bank :

Date :

	Rs.	Rs.
1. Net position at the beginning of the day :		
(i) Foreign currency assets	
(ii) Foreign currency liabilities	
(iii) Net position of foreign currency assets/liabilities (i) – (ii)	
(iv) Net forward position	
(v) Overall position 1. (iii) + (iv)
2. Spot/Tom/Cash transactions of the day :		
(i) Sales to Central Bank of Sri Lanka	
(ii) Purchase from Central Bank of Sri Lanka	
(iii) Net position with Central Bank of Sri Lanka	
(iv) Sales to other banks	
(v) Purchase from other banks	
(vi) Net position with other bank	
(vii) Sales to customers :		
(a) Against imports	
(b) Other	
(viii) Purchases from customers :		
(a) Against exports	
(b) Other	
(ix) Net position with customers	
(x) Total transactions-Spot/Tom/Cash(Net) of the day		
2. (iii) + (iv) + (ix)	
3. Forward transactions of the day :		
(i) Sales to Central Bank of Sri Lanka	
(ii) Sales to other banks	
(iii) Purchases from other banks	
(iv) Net forward with other banks	
(v) Sales to customers	
(vi) Purchases from customers	
(vii) Net forward with customers	
(viii) total transactions (Net) of the day		
3. (i) + (iv) + (vii)	
4. Net position at end of the day		
1. (v) + 2(x) + 3.(viii)	

I certify that the information given above are accurate.

Date :

.....
Authorized Signature

Please submit the above form duly completed to the Chief Accountant, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 1, Fax : 346282, 346284, at end of each working day.

CONFIDENTIAL

Ref. No. : 01 / 01 / 002 / 0035 / 001

Banking Department

1st February, 2001

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Dear Sir,

LIMIT ON DAILY WORKING BALANCES IN FOREIGN CURRENCIES

I write further to my letters No. 01/01/002/0035/001 dated 22nd January, 2001 and 26th January, 2001 addressed to you on the above subject.

I wish to inform you that, at the request of the Sri Lanka Forex Dealers Association at their meeting with the Central Bank of Sri Lanka (CBSL) held on 26.1.2001, the CBSL has decided to allow larger net negative exposure limits for commercial banks while keeping the positive exposure positions unchanged as at present. Accordingly, your net negative exposure limit is hereby fixed at a sum equivalent to US\$ mn. (US dollars) only, with effect from 2nd February, 2001.

Please continue to report to me the daily new foreign exchange position as set out in the Annexure to my letter dated 22nd January 2001 referred to above. The accuracy of reports should be confirmed by a senior officer of your bank authorized for the purpose.

Yours faithfully,

Y.M.W.B. Weerasekera
Chief Accountant

Operating Instructions No. : 01 / 02 / 005 / 0018 / 017

Banking Department

1st March, 2001

To : All Licensed Commercial Banks

ASIAN CLEARING UNION

Further to our Operating Instructions No. BD/09/95 dated 14th December, 1995 on the above subject and wish to inform you that, in terms of a decision taken by the Board of Directors of the Asian Clearing Union, all ACU member central banks have agreed to implement "Tom" basis transactions in addition to the "Spot" basis transactions for funding of Nostro Accounts.

Accordingly, the licensed commercial banks are hereby informed that the paragraph 3 VI of the above mentioned operating instructions is hereby amended as follows with effect from 1st March, 2001.

Delete paragraph 3.VI and substitute the following paragraph.

" 3.VI Value date for the purpose of this circular shall be the Spot value date or the Tom value date".

K.R.M. Siriwardhane
Additional Chief Accountant

Circular No. : 4728

Banking Department
Central Bank of Sri Lanka
Level 8
P.O. Box 590
30, Janadhipathi Mawatha
Colombo 1.

2nd July, 2001

To : All Licensed Commercial Banks

CENTRAL BANK'S RATE OF INTEREST ON ADVANCES

Licensed commercial banks are hereby informed that with effect from 2nd July 2001, 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 twenty three (23) *per centum per annum*.

Y.M.W.B. Weerasekera
Chief Accountant

A. S. Jayawardena
Governor

Operating Instructions No. : 01 / 02 / 005 / 0018 / 018

Ref. No. : 01 / 11 / 015 / 0834 / 003

Banking Department
Foreign Finance Division

3rd July, 2001

The Manager,
Bank of Ceylon,
International Unit,
Nugegoda.

Dear Sir,

**IDA CR. No. 3014 CE - MINISTRY OF EDUCATION - GENERAL EDUCATION
PROJECT - 2**

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, General Education Project-2, Ministry of Education, "Isurupaya", Battaramulla.
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 Cr. 3014 CE - General Education Project-2".
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 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 bank 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 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.

8. Copies of Letters of Credit and amendments, if any should be forwarded to the Chief Accountant, Central Bank of Sri Lanka, Colombo, for information.

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

Yours faithfully,

Y.M.W.B. Weerasekera

Chief Accountant

- c.c. 1. Controller of Exchange
2. Project Director,
General Education Project-2,
Ministry of Education,
"Isurupaya",
Battaramulla.
3. The Manager,
Bank of Ceylon, Imports Dept.,
Metropolitan Branch,
York Street,
Colombo 1.

Operating Instructions No. : 01 / 02 / 005 / 0018 / 019

Ref. No. : 01 / 11 / 001 / 0843 / 003

Banking Department

5th September, 2001

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

Dear Sir,

ADB LOAN No. 1575 SRI (SF)
3rd WATER SUPPLY AND SANITATION SECTOR 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 54,937,000 (Fifty Four Million Nine Hundred and Thirty Seven Thousand only) for a 3rd Water Supply and Sanitation Sector Project which will be executed by the National Water Supply and Drainage Board (hereinafter referred to as NWSDB) 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 NWSDB. Every such Letter of Credit should contain the following clause:

“This Letter of Credit is established under Asian Development Bank Loan No. 1575 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, Corporate Branch, Colombo, Sri Lanka. However, it is established under Asian Development Bank Loan No. 1575 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 NWSDB who will arrange to have the ADB issue its formal letter of commitment to your bank's correspondent. If the ADB agrees to the NWSDB'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, 2005 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 NWSDB 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 NWSDB 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, NWSDB 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 NWSDB 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 NWSDB. 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 NWSDB 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 NWSDB's authorization to make such payment despite any discrepancy.

The NWSDB 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 NWSDB.

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 NWSDB.

Yours faithfully,

Y.M.W.B. Weerasekera

Chief Accountant

CCs: 1. Controller of Exchange

2. Project Director
3rd Water Supply and Sanitation Sector Project
National Water Supply and Drainage Board
Galle Road
Ratmalana.

5th October, 2001

To : All Commercial Banks

**RATE OF EXCHANGE FOR THE PURCHASE OF
KUWAITI DINAR CURRENCY NOTES**

I write with reference to our circulars : No. 2657 and 2658 of 16th October, 1990; No. 2666 of 25th October, 1990; No. 2771 of 25th March, 1991; No. 2773 of 26th March, 1991; No. 2789 of 19th April, 1991; No. 2822 of 4th June, 1991 and No. 2932 of October, 1991 on the above subject.

2. Commercial banks are hereby informed that consequent on the submission of a claim to the United Nations Compensation Commission (UNCC), Central Bank of Sri Lanka (CBSL) has now received a part of the proceeds of the Kuwaiti Dinar currency notes approved and accepted by the UNCC.
3. Accordingly, the CBSL has worked out a uniform rate of exchange for the old Kuwaiti Dinar currency notes purchased by the commercial banks in terms of our above circulars and deposited with the CBSL for realization. This rate has been worked out after deducting the expenses incurred by the CBSL.
4. On the above basis the rate of exchange works out to Rs. 184.32 per Kuwaiti Dinar. Accordingly, the CBSL will be crediting the accounts of the relevant commercial banks, the amounts due on account of the Kuwaiti Dinar currency notes deposited by them with the CBSL and accepted by the UNCC for compensation.
5. Commercial banks are hereby requested to :
 - i. bring this information to the notice of customers who have deposited old Kuwaiti Dinar currency notes with them and make arrangements for immediate release of balance amounts of money where, partial payment has already been made and the fully realized value thereon has not been paid against their Kuwaiti Dinar currency notes. All payments are to be completed by 30th October, 2001.
 - ii. furnish to the Chief Accountant of the Banking Department a statement regarding the payments made to the depositors of Kuwaiti Dinars by the respective commercial banks, giving the name of depositor, passport number, amount deposited in KD, amount paid in Rupees and the date of payment, by the end of the 1st week of November, 2001.
 - iii. return any unpaid amounts to the Central Bank along with the list of non-claimants and the reasons for the non-payment, as the UNCC has requested the CBSL to remit back the unclaimed funds to them. The latest date for the return of unclaimed funds to the CBSL is 9th November, 2001.

Y.M.W.B. Weerasekera
Chief Accountant

Banking Department
Central Bank of Sri Lanka
Janadhipathi Mawatha
Colombo 1.

17th October, 2001

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. 1206/18 of 17th October, 2001.

2. Licensed commercial banks are hereby informed that in accordance with the said notification they should maintain reserves against Deposit Liabilities denominated in Sri Lanka currency at an amount equal to 10 *per centum* (10%) of the total of such deposit liabilities.

3. The above amendments take effect from 19th October, 2001. All other instructions in respect of deposit liabilities denominated in Sri Lanka rupees 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 and No. 01/02/005/0018/014 of 1st August 2000, will continue to apply.

Y. M. W. B. Weerasekara
Chief Accountant

Operating Instructions No. : 01 / 02 / 005 / 0018 / 022

Ref. No. : 06 / 04 / 15 / 2001

Exchange Control Department

Ref. No. : 01 / 04 / 011 / 0013 / 001

Banking Department

28th November, 2001

To : All Commercial Banks

INTRODUCTION OF THE EUROPEAN SINGLE CURRENCY - THE "EURO"

1. Further to our operating instructions No. BD/03/98 and EC/03/98(D) dated 12.11.1998 on the above subject (copy attached).
2. All licensed commercial banks are hereby informed that Euro currency which was introduced on 01.01.1999 would come into circulation as bank notes and coins on 01.01.2002. The Euro area national currency notes and coins that were in use in the Euro zone will be withdrawn from the system during the period 01.01.2002 - 30.06.2002. The period of dual circulation will last until 30.06.2002. Please note that all Euro area national currency notes and coins that were in circulation will be totally withdrawn from the system by 01.07.2002 and will no longer be treated as legal tender.
3. Please also note that on 01.01.2002, the Euro area national currencies will cease to exist as book entries, and all transactions and accounts and future contracts will be automatically converted into Euros from that date.
4. The Commercial Banks are, therefore, advised to take necessary early action to exchange their stocks of Euro area national currency notes and coins for Euros and place orders for the requirements of new currency notes and coins through their respective agents. Commercial banks should also advise their customers who hold Euro area national currency notes and coins to make necessary arrangements to exchange the old currency notes and coins for new Euro currency notes and coins before 30.06.2002.
5. Since the Euro area national currencies will cease to exist, even as book entries from 01.01.2002, all such currencies will be withdrawn from the list of designated currencies for different foreign currency deposit schemes with effect from that date. All foreign currency accounts such as Foreign Currency Banking Unit (FCBU) Accounts, Non Resident Foreign Currency (NRFC) Accounts, Resident Foreign Currency (RFC) Accounts, Resident Non National Foreign Currency (RNNFC) Accounts, Exporters Foreign Currency (EFC) Accounts and any other special foreign currency accounts permitted to be maintained in such currencies will have to be maintained in Euros or any other designated currency other than Euro Area national currencies which will be withdrawn from the list of designated currencies.

H. A. G. Hettiarachchi
Controller of Exchange

Y.M.W.B. Weerasekera
Chief Accountant

Operating Instructions No. : 01 / 02 / 005 / 0018 / 023

Ref. No. : 01 / 11 / 001 / 0910 / 002

Banking Department

26th December, 2001

The Manager,
Bank of Ceylon,
Metro Imports Department,
Colombo 1.

Dear Sir,

ADB LOAN No. 1707 SRI (SF)
SKILLS DEVELOPMENT 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 13,724,000 (Thirteen Million Seven Hundred and Twenty Four Thousand only) for a Skills Development Project which will be executed by the Ministry of Vocational Training and Rural Industries (hereinafter referred to as MOVTRI) 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 MOVTRI. Every such Letter of Credit should contain the following clause:

“This Letter of Credit is established under Asian Development Bank Loan No. 1707 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, Metro Imports Department, Colombo, Sri Lanka. However, it is established under Asian Development Bank Loan No. 1707 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 MOVTRI who will arrange to have the ADB issue its formal letter of commitment to your bank's correspondent. If the ADB agrees to the MOVTRI'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.* 31st October, 2006 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 MOVTRI 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 MOVTRI 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, MOVTRI 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 MOVTRI 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 to this letter. Your bank's correspondent should also forward a copy of the request for reimbursement to MOVTRI. 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 MOVTRI 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 MOVTRI's authorization to make such payment despite any discrepancy.

The MOVTRI 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 MOVTRI.

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 MOVTRI.

Yours faithfully,

Y.M.W.B. Weerasekera
Chief Accountant

CCs: 1. Controller of Exchange

2. Project Director,
Skills Development Project,
Ministry of Technical Education and Vocational Training,
No. 282, Nawala Road,
Rajagiriya.

3. Director/General,
Dept. of External Resources,
The Secretariat,
3rd Floor,
Colombo 1.

Circular No. : 4786

Banking Department
Central Bank of Sri Lanka
Level 8
P.O. Box 590
30, Janadhipathi Mawatha
Colombo 1.

27th December, 2001

To : All Licensed Commercial Banks

CENTRAL BANK'S RATE OF INTEREST ON ADVANCES

Licensed commercial banks are hereby informed that with effect from 27th December 2001, 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 eighteen (18) *per centum per annum*.

Y.M.W.B. Weerasekera
Chief Accountant

A. S. Jayawardena
Governor

5th January, 2001

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

**GUIDELINES ON THE GRANT OF FACILITIES FOR THE ISSUE OF
COMMERCIAL PAPER AND OTHER FORMS OF PROMISSORY NOTES**

All Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) are hereby required to observe the following guidelines when they provide accommodation for the issue of Commercial Paper and other forms of Promissory Notes (CP/PN) by their corporate customers by accepting, endorsing, guaranteeing, underwriting or purchasing such CP/PN, or where they support the issue of such instruments by acting as issuing/paying agents, dealers, or by authenticating signatures of the issuers.

1. **Form of Commercial Paper/Promissory Notes** – CP/PN shall take the form of a usance promissory note negotiable by delivery, or endorsement and delivery, in accordance with the Bills of Exchange Ordinance.
2. **Eligibility Criteria** – The LCBs and LSBs shall observe the following criteria when supporting the issue of CP/PN referred to above:
 - 2.1 The issuing corporate customers should not be LCBs, LSBs or Finance Companies.
 - 2.2 All existing credit facilities enjoyed by the issuing company with any LCB/LSB should be “current” in terms of the Central Bank’s Directions on Non-Performing Advances issued under Section 46A and Section 76J(1) of the Banking Act for LCBs and LSBs, respectively.
 - 2.3 In the case of providing accommodation, the issuing company should have an approved stand-by credit line from the LCB/LSB supporting the issue, to the full redemption value, which should be specifically reserved for the purposes of redemption of such CP/PN. Such credit line should be for a period longer than the maturity date of CP/PN.

OR

An ‘investment grade rating’ by a Rating Agency approved by the Central Bank of Sri Lanka.

“full redemption value” refers to the amount of the principal, interest and any other charges which is payable upon redemption of such CP/PN.

3. **Procedures** – A LCB’s/LSB’s support for the issue of CP/PN does not require the prior approval of the Central Bank of Sri Lanka. However, in supporting the issue of these instruments, LCBs/LSBs shall ensure that:
 - 3.1 The company intending to issue such CP/PN submits to LCBs/LSBs –
 - (a) A written request indicating the nature of support applied for in respect of each issue of CP/PN;
 - (b) Comprehensive financial information which would include company profiles and financial data including a projected cash flow statement;
 - (c) The value of CP/PN already issued and outstanding;
 - (d) Board resolution for the issue of CP/PN concerned.

- 3.2 The LCBs/LSBs should also ensure that the company profiles and financial data are made available to investors upon request.
- 3.3 An adequate appraisal of the financial condition of the issuer is carried out and due caution is exercised before lending the support of the LCB/LSB. For this purpose, the LCB/LSB should, among other things, obtain a report from the Credit Information Bureau (CRIB).
- 3.4 The CP/PN are printed on good quality security paper incorporating adequate security features, that necessary precautions have been taken to keep documents in safe custody, preventing access by unauthorised persons.
- 3.5 The issue of CP/PN is completed within a period of 14 calendar days from the date of issue. Thus, any unsold portion of the issue after the 14th day cannot be issued.
- 3.6 Each single issue of CP/PN should have the same maturity date.
- 3.7 The issuing company should discharge the obligations on the CP/PN on the date of maturity. No grace period shall be given to the issuer in this regard.
- 3.8 The CP/PN shall contain the following minimum information/features:
- (a) The description of debt instrument should be clearly printed on it;
 - (b) Name of the issuing company;
 - (c) Serial number;
 - (d) Place of payment (of interest and principal);
 - (e) Date of issue;
 - (f) Amount (in words and figures);
 - (g) Date of maturity;
 - (h) Names of the issuing and paying agents;
 - (i) If the repayment of principal and payment of interest are guaranteed, name of the guarantor;
 - (j) Signatures of authorised signatories of the issuing company
 - (k) Where the LCB/LSB does not accept any obligation for the payment on the CP/PN, as when it only authenticates the signature, such fact should be conspicuously stated on the CP/PN;
 - (l) The counterfoil of CP/PN should also contain the information at (a) to (k). In the case of (j), the signature/initials of the respective signatories.
 - (m) Adequate space should be provided for endorsements on the reverse of the CP/PN.
- 3.9 (a) The LCB's/LSB's accounts in respect of CP/PN should be in conformity with applicable/ accepted accounting practices and non fund based support for CP/PN should be recorded and reported as off-balance sheet items.
- (b) The LCB's/LSB's obligations/commitments on CP/PN shall be reported in the statutory returns submitted to the Central Bank of Sri Lanka.
- (c) Details of the LCB/LSB support for the issue of CP/PN outstanding monthly, shall be reported to the Director of Bank Supervision in a monthly statement as in the annexed format. This statement shall be submitted by the 15th of the following month, duly certifying that the obligations of the LCB/LSB under the different categories of issue, as recorded in the General Ledger, are correctly reflected in the statement. A 'nil' statement should be sent if there are no outstanding balances.

3.10 The LCBs/LSBs supporting the issue of CP/PN should conform to all legal requirements.

3.11 Roll-over of CP/PN should be considered as a new issue.

4. Prudential Requirements of the Central Bank

4.1 All credit facilities extended, and commitments made, by LCBs/LSBs relating to the issue of CP/PN will be treated as accommodation granted to the issuing company and shall be subject to directions issued from time to time under the Banking Act and to all prudential guidelines issued by the Central Bank.

5. These Guidelines shall be effective from 05 January 2001.

6. Guidelines to Licensed Commercial Banks in Sri Lanka on the grant of facilities for the issue of Commercial Paper dated 05.06.1995 are hereby rescinded.

7. Any clarifications/queries with regard to these Guidelines should be addressed to the Director of Bank Supervision.

P. T. Sirisena

Director of Bank Supervision

MONTHLY STATEMENT OF COMMERCIAL PAPER/ PROMISSORY NOTES
AS AT IN TERMS OF GUIDELINES DATED 5 JANUARY 2001

(Amounts in Rupees Thousands)

Name of Issuing Company (1)	Legal Status of Issuing Company (2)	Type of Promissory Notes Issued (3)	Amount of the Issue (Face Value) (4)	Amount Subscribed (5)	Date of Issue (YY/MM/DD) (6)	Date of Maturity (YY/MM/DD) (7)	Rate of Interest (%) (8)	Nature of Support (9)

(ixxi)

Instructions :

- | | |
|--|--|
| <p>* Column (2)
Please indicate using the following Codes:</p> <p>Private Company - PR
 Public Unquoted Company - PU
 Public Quoted Company - PQ
 Peoples Company - PC</p> <p>* Column (3) : Please indicate whether Commercial Paper (CP), Promissory Notes (PN), or any other form (Please specify)</p> <p>* This statement should reach the Director, Bank Supervision Department on or before the 15th of the following month.</p> <p>* A 'nil' statement should be submitted if there are no outstanding amounts.</p> | <p>* Column (9)
Please indicate using the following Codes:</p> <p><i>Nature of Support</i> <i>Code</i></p> <p>Accepting - AC
 Endorsing - EN
 Guaranteeing - GT
 Underwriting - UN
 Purchasing - PR
 Issuing Agent - IA
 Paying Agent - PA
 Dealer - DE
 Authenticating - AU</p> |
|--|--|

We hereby certify that this statement reflects the value of support extended to the Bank's customers and that the statement figures tally with the General Ledger Balances as at the end of the month.

Date : Name of Bank : *Authorised Officer:*

22nd January, 2001

To : All Licensed Commercial Banks

RECOVERY OF ACCOMMODATION TO EXPORTERS

As discussed at the Bank Managers' meetings of 22nd December 2000 and 18th January 2001 and the meeting of Sri Lanka Forex Dealers' Association on 24th November 2000, it has been agreed that the delays in the settlement of accommodation granted by licensed commercial banks for financing export orders, can cause problems for the prudential management of the banks and that there is a need to adopt a uniform practice in this regard by all the banks.

2. Therefore, with a view to securing the early settlement of financial accommodation granted to exporters on the basis of export orders, licensed commercial banks are required to observe the following procedures with effect from 23 January 2001.

- (a) Licensed commercial banks should make every endeavour to ensure the repatriation of export proceeds in time against export orders made through them.
- (b) In doing so, licensed commercial banks should ensure that their borrowers settle in full the accommodation granted to finance export orders out of export proceeds within a period of 90 days from the date of shipment of goods in respect of which the accommodation has been granted.
- (c) In order to achieve the above objectives, the rate of interest applicable on such accommodation, where the borrower does not repay export proceeds in time, shall be enhanced as follows:
 - (i) 1,000 basis points *per annum*, where there is a delay of not more than 30 days beyond the 90 days from the date of shipment; and
 - (ii) an additional 200 basis points *per annum* for every 30 days delay thereafter.

3. Licensed commercial banks are hereby requested to submit monthly reports to the Director of Bank Supervision (DBS) on the details of such accommodation which has not been settled within the specified period in the format given in the Annexure.

4. Each monthly report should be submitted to DBS on or before the end of the second week of the subsequent month. Accordingly, the first report providing the aforementioned details in respect of January 2001 should reach DBS on or before 16th February 2001.

Chief Accountant

Director of Bank Supervision

INTEREST CHARGED ON OVERDUE EXPORT FACILITIES FOR THE MONTH OF

Name of the Bank:

(Amounts in SL Rupees)

Name of Customer	Date Granted	Amount Granted	Rate of Interest (%)	Maturity or Expiry Date	Overdue Amount	No. of Days overdue	Enhanced Interest Rate (%)

(XIX)

Date:

.....
Signature of Authorized Officer
Name and Seal of Bank

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

29th January, 2001

To : All Licensed Commercial Banks

RECOVERY OF ACCOMMODATION TO EXPORTERS

At the meeting of Bank Managers held on 26 January 2001 the Bank Managers sought clarifications with regard to the contents of the Circular No. 01/01/002/0034/001 of 22nd January 2001 on the above subject. The agreements reached at the meeting are set out below.

(A) Settlement of Export Credit out of Export proceeds

The Bank Managers raised the issue as to whether in all instances export credit should be settled out of proceeds of the relevant exports. It is agreed that export credit (including overdraft granted for export purposes) is granted on the basis that repayment would be made out of export proceeds and that, therefore, the enhanced interest rates specified in the circular would apply where there is failure to settle the export credit out of export proceeds within 90 days of the shipment of goods under the export order.

(B) Applicability of the Circular to Off-shore Banking Units

The Bank Managers also raised the issue as to whether the requirements of the circular would apply to off-shore banking units as well. It was agreed that the rationale underlying the requirements of the circular would apply equally to credit granted by both domestic units and off-shore units of banks which are part of a single licensed commercial bank and that, therefore, its requirements would apply to settlement of export credit granted by both such units.

(C) Applicability of the Circular to Overdrafts

The Bank Managers raised the question of the settlement of overdrafts out of export proceeds. It was agreed that the overdraft facilities granted for export purposes should be settled out of export proceeds within 90 days of the shipment of goods and the failure to do so would attract the enhanced interest rates specified in the circular.

Licensed commercial banks are required to abide by the agreements reached at the Bank Managers' meeting.

Director of Bank Supervision

January 29, 2001

Dear Sirs,

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE

The Central Bank is concerned that in view of the weaknesses of the forward market in foreign exchange in Sri Lanka, licensed commercial banks that are Authorised Dealers under the Exchange Control Act (Authorised Dealers) could be undertaking heavy risks by engaging in forward transactions in foreign exchange which are unrelated to trade transactions, which would be detrimental to the interests of the depositors of such banks and to the economy. Therefore, in the interest of the depositors and to stabilise the foreign exchange market, it is considered necessary to streamline the operations in the forward market in foreign exchange, pending the development of an efficient forward market. Hence, both from a prudential standpoint and from considerations relating to the stability of the foreign exchange market, it is desirable that forward foreign exchange contracts by banks with their customers should, for the time being, be in respect of transactions concerning payments and receipts in foreign exchange relating to trade in goods and services and for a period reasonably adequate to meet the needs of trade transactions.

2. In view of the foregoing, Authorised Dealers are hereby informed that the authority conferred on them to enter into forward contracts for the sale and/or purchase of foreign exchange for a period up to 360 days irrespective of the purpose by paragraph B(ii)(a) of Operating Instructions No.EC/41/93(D) of 29.03.1993 issued by the Controller of Exchange is hereby withdrawn with immediate effect.

3. Therefore, without prejudice to the permission granted to Authorised Dealers for the release of foreign exchange for all current (non-capital) international transactions by Operating Instructions No.EC/06/94 of 18.03.1994 of the Controller of Exchange, and pending the development of an efficient forward market in foreign exchange in Sri Lanka, Authorised Dealers shall, with immediate effect, comply with the following conditions when entering into forward contracts in foreign exchange (including renewal of existing contracts) with their customers, until further notice;

- (i) forward contracts for the sale and/or purchase of foreign exchange should only be for a period up to 180 days and only for the purpose of payments and receipts in foreign exchange in respect of trade in goods and services;
- (ii) an Authorised Dealer entering into a forward foreign exchange contract should satisfy himself that the transaction relates to a genuine commercial contract involving trade in goods and services;
- (iii) an Authorised Dealer who enters into a forward contract for the sale of foreign exchange with a customer should obtain at the time the contract is entered into, a deposit of not less than 50% of the value of the contract in Sri Lanka rupees, which should be retained until the date of performance of the contract;
- (iv) the date of performance of the forward foreign exchange contract should not be beyond the date of payment or receipt in foreign exchange, as the case may be, in terms of the relevant commercial contract underlying the forward exchange contract; and
- (v) as at present, any cancellation of a forward foreign exchange contract by the customer should be subject to a penalty, at least to fully compensate the loss arising therefrom to the Authorised Dealer.

4. Details relating to forward transactions in foreign exchange on any day should be reported at the end of the same day (not later than 6.00 p.m.) to the Director of Bank Supervision on fax No.325824 in the form set out in the Annex hereto. Please contact Mr. P. Samarasiri, Deputy Director of Bank Supervision on telephone number 344838 for any clarification.

Yours faithfully

Controller of Exchange

Director of Bank Supervision

FORWARD TRANSACTIONS IN FOREIGN CURRENCY

Name of the Authorised Dealer:

Date:

	Outstanding Balances at the beginning of the Day (US dollar equivalent Mn)	Total Transactions during the day (US dollar equivalent Mn)	Total Margin Deposit Accepted (SL Rs Mn)	Outstanding position at the end of the day (US dollar equivalent Mn)
A. Total Forward Sales				
B. Total Forward Purchases			Not applicable	

I certify that information given above is correct.

Date:

.....
Signature of the Authorised Officer

29th January, 2001

*To : All Licensed Commercial Banks who are
Authorized Dealers*

.....
.....
.....

Dear Sirs,

PREPAYMENT OF IMPORT BILLS

You would recall the discussion at the Bank Managers' meeting held on 26 January 2001 with regard to the pre-payment of import bills. The Bank Managers in particular mentioned that importers who had imported goods on deferred payment terms have recently resorted to the practice of settling the relevant import bills prior to the date on which payment of the bills is due. It was agreed that this practice could cause difficulties to banks and also result in instability in the foreign exchange market. It was, therefore, decided that pre-payment of import bills should not be undertaken by banks.

The licensed commercial banks who are authorized dealers are, therefore, informed that they should not effect pre-payment of import bills and that such bills should be honoured on the date of maturity as agreed to in the contract entered into with the supplier at the time of placing the import order.

Yours faithfully

Controller of Exchange

Director of Bank Supervision

Ref. No. : 02 / 04 / 002 / 0005 / 002

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

31st January, 2001

To : All Licensed Commercial Banks

Dear Sir / Madam,

DEFINITION OF LIQUID ASSETS - UNDER SECTION 86
OF THE BANKING ACT No. 30 OF 1988

In exercise of the powers conferred by Item (g) of the definition of "liquid assets" in Section 86 of the Banking Act, No. 30 of 1988, the Monetary Board has determined that 50% of the investments in Commercial Paper/Promissory Notes, which are backed by an approved standby credit line from a Licensed Commercial Bank/Licensed Specialised Bank supporting the issue to the full redemption value or an investment grade rating by a Rating Agency approved by the Central Bank of Sri Lanka, and has a remaining maturity of less than 1 year be considered as liquid assets.

Kindly acknowledge receipt of this letter.

Yours faithfully

P.T. Sirisena

Director of Bank Supervision

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

14th Febuary, 2001

*Operating Instructions to Licensed Commercial Banks
Appointed as Authorized Dealers in Foreign Exchange*

Dear Sirs,

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE

We have received inquiries from banks seeking clarifications on the contents of our Operating Instructions dated 29th January 2001, on the above subject. Accordingly, the following clarifications are made for your information.

1. The Operating Instructions will not apply to
 - (i) Inter-bank forward contracts (local and foreign),
 - (ii) Forward contracts where a foreign currency is purchased with another foreign currency,
 - (iii) Purchases of foreign exchange in respect of share trading transactions specified in the item 3 in the Operating Instructions No. EC/74/92(C&F) dated 28/07/1992 issued by the Controller of Exchange.
2. Subject to 1(iii) above, forward contracts with customers should be permitted only in respect of trade in goods and services. Forward contracts in respect of capital transactions should not be permitted.
3. In the case of renewal or extension of a contract, the maximum period of forward contract should be 180 days inclusive of the period that has already elapsed. In cases where the period exceeds 180 days, a fresh contract should be entered into which requires a 50 per cent of deposit in case of a forward contract for the sale of foreign exchange.
4. In case of an importer, the margin already obtained in respect of Letters of Credit, if any, should not be treated as the deposit required for a forward contract for the sale of foreign exchange and, therefore, a fresh deposit of 50% of the value of the contract in Sri Lanka rupees is required for the forward contract.
5. The banks may pay interest on the 50% margin as a deposit.
6. The attached format should be used in future to report details regarding daily position of forward transactions to the Bank Supervision Department.

Yours faithfully,

Controller of Exchange

Director of Bank Supervision

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

16th February, 2001

To : All Licensed Commercial Banks

RECOVERY OF ACCOMMODATION TO EXPORTERS

I refer to our Circulars 01/01/002/0034/001 dated 22nd January, 2001 and 02/05/009/0100/001 dated 29th January, 2001, in which procedures agreed on the above subject were conveyed by us. Since then, some banks and exporters have requested an extension of the maximum period of 90 days granted from the date of shipment to settle export credit out of export proceeds, without being subjected to enhanced interest rates, on the ground that it is customary for certain exports to be made on 120 days deferred payment terms. They have cited, as an example, tea exports to Russia where, in the normal course of business, a period exceeding 90 days would be necessary for settlement of export credits.

2. Having considered these representations, it has now been decided that licensed commercial banks may use their judgement and discretion to enhance the period granted to settle export credit out of export proceeds up to 120 days from the date of shipment in respect of exports where it is customary to grant 120 days deferred payment terms to buyers. Accordingly, enhanced rates of interest applicable on accommodation in respect of such exports will be as follows.

- (i) 1,000 basis points *per annum*, where there is a delay of not more than 30 days beyond the 120 days or lesser period decided by the banks from the date of shipment; and
- (ii) an additional 200 basis points *per annum* for every 30 days delay thereafter.

This will come into effect from Monday 19th February, 2001.

3. The following clarifications on the contents of the two Circulars referred to above are also made for your information.

- (i) In the event the agreed payment period of the export bill/order connected with the accommodation exceeds 90 days or the period decided by the banks under the paragraph 2 above, enhanced interest rates would apply for the period beyond 90 days or the period decided by the banks, as the case may be, from the date of shipment.
- (ii) Where export credits are not recovered within 90 days or the period decided by banks under the paragraph 2 above, enhanced interest rates would apply to all accommodation granted to such exporters by way of purchasing/discounting bills, pre-shipment/post-shipment credit as well as other loans and overdraft facilities. In the event credit facilities such as overdrafts cannot be identified with a specific export bill/order, such credit facilities may be apportioned among export bills/orders of the customer concerned for the purpose of applying enhanced interest rates.
- (iii) Enhanced interest rates would apply to export credit facilities in rupees as well as in foreign currencies granted by both Domestic Banking Units and Foreign Currency Banking Units.
- (iv) Enhanced interest rates would not apply to credit facilities granted against export bills negotiated prior to 22nd January, 2001. However, enhanced interest rates would apply to such credit facilities if they are not recovered out of export proceeds within the agreed payment period of the export bill/order.

FORWARD TRANSACTIONS IN FOREIGN CURRENCY

Name of the Authorised Dealer :

Date:

	Outstanding Balance at the beginning of the day (Rs. Mn.)	New Contracts Entered during the day (Rs. Mn.)	Total Margin Deposit Accepted (Rs. Mn.)	Total Contracts Matured during the day (Rs. Mn.)	Outstanding position at the end of the day (Rs. Mn.)
Total Forward Sales					
Total Forward Purchases			Not applicable		

I certify that information given above is correct.

Date:

.....
Signature of the Authorised Dealer

- (v) The banks may permit exemption from enhanced interest rates in respect of credit facilities which will be granted against export bills which have been supported by Letters of Credit opened prior to 22nd January, 2001. However, enhanced interest rates would apply if such export credits are not recovered within the agreed period out of export proceeds.

4. The reporting format has now been changed as given in Annex. Please use the new format to report to the Bank Supervision Department monthly the details of accommodation and enhanced interest. In particular, please note that the credit settlement period of the normal 90 days or the enhanced 120 days should be indicated in column 2 of the Annex.

P.T. Sirisena

Director of Bank Supervision

INTEREST CHARGED ON OVERDUE EXPORT CREDIT FACILITIES* FOR THE MONTH OF

Name of the Bank:

(Amounts in Sri Lanka Rupees '000)

Name of Customer (1)	Export Bills Finance (Discounted/Negotiated)								Other Export Credit Facilities**	
	Credit Settlement • Period (2)	Date Granted (3)	Amount Granted (4)	Rate of Interest (%) (5)	Tenor (6)	Overdue Amount (7)	No. of Days overdue (8)	Enhanced Interest Amount Charged (9)	Amount Outstan- ding (10)	Enhanced Interest Amount Charged (11)

Notes

* Include export credits in rupees as well as in foreign currencies granted by both DBUs and FCBUs.

** All export credits other than bills financing such as short term loans and overdrafts granted to finance export business identified separately with or apportioned among export bills/orders.

Please send the duly completed form to Bank Supervision Department, Central Bank of Sri Lanka, Fax 477711.

Date:

.....
Signature of Authorized Officer
Name and Seal of Bank

Ref. No. : 02 / 04 / 004 / 0009 / 001

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

19th March, 2001

*Instructions to Licensed Commercial Banks
Appointed as Authorized Dealers in Foreign Exchange*

Dear Sirs,

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE

Further to our Instructions dated 29.01.2001 and the clarifications contained in our Operating Instructions dated 14.02.2001 on the above subject.

We wish to inform you that the 50% deposit referred to in sub-item (iii) of item (3) of the above mentioned Instructions dated 29.01.2001 has been reduced with immediate effect to 25% of the value of the contract in Sri Lanka Rupees in respect of forward contracts to be entered into with customers for the sale of foreign exchange.

Yours faithfully,

Controller of Exchange

Director of Bank Supervision

Ref. Nos. : 02 / 04 / 002 / 0105 / 001
&
02 / 04 / 002 / 0151 / 001

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

20th March, 2001

*To : All Licensed Commercial Banks and
Licensed Sepcialised Banks*

Dear Sir,

**PUBLICATION OF CAPITAL ADEQUACY
STATEMENT IN THE ANNUAL REPORT**

You may be aware that the CBSL guidelines permit consolidation of subsidiaries for the purpose of computing capital adequacy ratios of banks but have not specified the nature of subsidiaries to be consolidated. The CBSL is presently reviewing the policy on consolidation of subsidiaries by banks for capital adequacy purposes.

It is observed that there had been no uniformity among banks in presenting the capital adequacy statement in their Annual Reports. While few banks publish the statement on a 'solo' basis others present it on a 'consolidated' basis.

With a view to giving a true picture to the readers, it is recommended that the basis of computation of the capital adequacy and the inclusion of non banking and non-financial subsidiaries in the computation of the capital adequacy ratio, be disclosed as a footnote to the capital adequacy statement, if published in the Annual Report of the bank.

Yours faithfully

P.T. Sirisena
Director of Bank Supervision

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

30th March, 2001

To : All Licensed Commercial Banks

RECOVERY OF ACCOMMODATION TO EXPORTERS

We refer to our circulars 01/01/002/0034/001 dated 22nd January, 2001 and 02/05/009/0100/001 dated 29th January, 2001 and 16th February, 2001 on the above subject.

Some licensed commercial banks have sought further clarifications on the contents of the above circulars. Accordingly, we furnish the following clarifications;

1. Circulars will apply to credit granted to finance all types of export orders irrespective of the terms of payments which can be on sight, on deferred payment terms supported with letters of credit or other terms inclusive of bills on collection or on consignment basis. All such export credit should be recovered only out of export proceeds, and enhanced rates of interest should apply, if there is any delay in recovery of credit beyond the periods specified in the previous circulars.
2. There may be instances where export credit requested may not be identified with a particular export order with specific terms of payments. Also, some customers may negotiate for credit to finance imports of raw materials or other needs which are directly connected with export business, although it may be difficult to identify such credit with specific export orders. In such cases, banks are requested to apportion such credit among export orders or shipments of the particular exporter and enhanced rates of interest should apply if there is any delay in recovery of the apportioned credit beyond the periods specified in the previous circulars.
3. Certain instances have also been reported where some customers repay their export credit out of rupee funds on the grounds that export proceeds are brought and kept in their foreign currency accounts with banks. However, this would not conform to the method of recovery of export credit stipulated in our circulars. Banks are requested to recover export credit only out of export proceeds, which should be surrendered to banks in sufficient amounts to settle in full the export credit.

All banks are requested to refer queries, if any, to Director, Bank Supervision Department, for any further clarifications on the contents of these circulars.

J M T B Jayasundara
Actg. Director of Bank Supervision

Ref. No. : 02 / 04 / 004 / 0009 / 001

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

16th July, 2001

*Instructions to Licensed Commercial Banks
Appointed as Authorized Dealers in Foreign Exchange*

Dear Sirs,

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE

Further to our Operating Instructions dated 29.01.2001 and 19.03.2001 and the clarifications contained in our Operating Instructions dated 14.02.2001 on the above subject.

The requirement that a margin of not less than 25 *per cent* should be obtained from customers when entering into a forward contract for the sale of foreign exchange is withdrawn, with effect from 16th July, 2001.

However, for prudential reasons, banks may continue to obtain deposits from customers for forward sales of foreign exchange, based on their assessment of customer risk.

Contracts for forward sales and/or purchases will continue to be for a maximum of 180 days and only for the purpose of payments and receipts in foreign exchange in respect of trade in goods and services.

Yours faithfully,

Controller of Exchange

Director of Bank Supervision

Ref. No. : 02 / 04 / 004 / 0007 / 001

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

15th August, 2001

To : All Licensed Specilised Banks

Dear Sir,

**PUBLIC DISCLOSURE BY PUBLICATION OF
FINANCIAL STATEMENTS IN THE PRESS**

The Central Bank of Sri Lanka (CBSL) in keeping with international banking standards for greater transparency and market discipline has decided to introduce certain disclosure requirements. These are aimed at improving the market's ability to make well-informed decisions as a means of promoting a sound and efficient banking system in Sri Lanka.

Accordingly, we enclose herewith the format prepared for publishing the financial statements in the Press as agreed with the Chief Executive Officers of Licensed Specialised Banks' (LSBs) Meeting.

All LSBs are hereby informed that the annual and half-yearly financial statements should be published in the Press as per the enclosed formats commencing from the half-yearly accounts as at 30 June 2001. Banks whose financial year end is 31 March should commence publishing with the half-yearly accounts as at 30 September 2001. Publication of financial statements in the Press should be made within three months of the close of the half-year and six months of the close of the financial year.

Further, the enclosed formats specify the minimum information required to be disclosed, and the CBSL would welcome any additional voluntary disclosures by banks.

With regard to the medium of publication, LSBs may initially publish the financial statements in the daily English Newspapers. However, if any LSB wishes to publish financial statements in Sinhala or Tamil it may do so to suit the bank's requirements.

Please acknowledge receipt of this letter.

Yours faithfully

Director of Bank Supervision

ENCL :

Name of Bank :

SUMMARISED BALANCE SHEET

(in Rs. '000s)

	BANK			Group
	Current As at	Previous As at	Change (%)	
ASSETS				
Cash and Short Term Funds				
Balances with Central Bank of Sri Lanka				
Treasury Bills and Other Securities eligible for rediscounting with Central Bank				
Government and Other Securities held for dealing purposes				
Placement with & Loans to Other Banks & Financial Institutions				
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 Bills of Exchange, Loans & Advances and Leases				
Investments in Associate & Subsidiary Companies				
Interest and Fees Receivable				
Group Balances Receivable				
Property, Plant & Equipment				
Other Assets				
TOTAL ASSETS				
LIABILITIES				
Deposits				
Refinance Borrowings				
Other Borrowings				
Securities Sold under Repurchase Agreements				
Group Balances Payable				
Deferred Taxation				
Other Liabilities				
TOTAL LIABILITIES				
SHAREHOLDERS' FUNDS				
Share Capital/Assigned Capital				
Statutory Reserve Fund				
Reserves				
Minority Interest				
TOTAL FUNDS EMPLOYED				
TOTAL LIABILITIES AND FUNDS EMPLOYED				
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 amounts should also be included.

Name of Bank :

SUMMARISED PROFIT & LOSS ACCOUNT

(in Rs. '000s)

For the Six Months ended	BANK			Group
	Current	Previous	Change (%)	
Total Income				
Interest Income				
Interest Expenses				
Net Interest Income				
Other Income				
Net Income				
Operating Expenses				
Personnel Costs				
Provision for Credit Losses				
Other Operating Expenses				
Operating Profit/(Loss) before provision for fall in value of dealing & investment securities				
Provision for fall in value of Dealing & Investment Securities				
Share of Associate/Subsidiary Companies Profit/(Loss) Before Taxation				
Profit/(Loss) Before Provision for Taxation				
Provision for Taxation				
Profit/(Loss) After Provision for Taxation				
Minority Interest				
Extra-ordinary Items (please specify)				
Profit/(Loss) after Extra-ordinary Items				
Retained or Unappropriated Profits B/F				
Retained Profits C/F				

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. '000s)

	BANK			Group
	Current As at	Previous As at	Change (%)	
ASSETS				
Cash and Short Term Funds				
Balances with Central Bank of Sri Lanka				
Treasury Bills and Other Securities eligible for rediscounting with Central Bank				
Government and Other Securities held for dealing purposes				
Placement with & Loans to Other Banks & Financial Institutions				
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 Bills of Exchange, Loans & Advances and Leases				
Investments in Associate & Subsidiary Companies				
Interest and Fees Receivable				
Group Balances Receivable				
Property, Plant & Equipment				
Other Assets				
TOTAL ASSETS				
LIABILITIES				
Deposits				
Refinance Borrowings				
Other Borrowings				
Securities Sold under Repurchase Agreements				
Group Balances Payable				
Deferred Taxation				
Other Liabilities				
TOTAL LIABILITIES				
SHAREHOLDERS' FUNDS				
Share Capital/Assigned Capital				
Statutory Reserve Fund				
Reserves				
Minority Interest				
TOTAL FUNDS EMPLOYED				
TOTAL LIABILITIES AND FUNDS EMPLOYED				
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 amounts should also be included.

Name of Bank :

SUMMARISED PROFIT & LOSS ACCOUNT

(in Rs. '000s)

For the Year ended	BANK			Group
	Current	Previous	Change (%)	
(a) Income Statement				
Total Income				
Interest Income				
Interest Expenses				
Net Interest Income				
Other Income				
Net Income				
Operating Expenses				
Personnel Costs				
Provision for Credit Losses				
Other Operating Expenses				
Operating Profit/(Loss) before provision for fall in value of dealing & investment securities				
Provision for fall in value of Dealing & Investment Securities				
Share of Associate/Subsidiary Companies Profit/(Loss) Before Taxation				
Profit/(Loss) Before Taxation				
Taxation				
Profit/(Loss) Afte Provision for Taxation				
Minority Interest				
Extra-ordinary Items (please specify)				
Net Profit for the Period				
(b) Statement of Changes in Equity (#)				
(c) Statement of Recognised Gains and Losses (##)				

(#) (Indicate changes in each equity component in accordance with SLAS 3)

(##) (Indicate changes in equity that represent gains and losses recognised in accordance with SLAS 3)

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

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

Ref. No. : 02 / 04 / 004 / 0009 / 001

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

17th August, 2001

*To : All Licensed Commercial Banks who are
Authorized Dealers in Foreign Exchange*

Dear Sirs,

PREPAYMENT OF IMPORT BILLS

We refer to our circular dated 29th January 2001 on the above subject, in terms of which licensed commercial banks who are Authorized Dealers were informed that they should not effect pre-payment of import bills and that such bills should be honoured on the date of maturity as agreed to in the contract entered into with the supplier at the time of placing the import order.

Commercial banks who are Authorized Dealers are hereby informed that this requirement is withdrawn with effect from Monday, 20th August 2001. However, a commercial bank/Authorized Dealer may use his discretion for prudential reasons to reject any prepayment of an import bill, without referring to us.

Yours faithfully,

Controller of Exchange

Director of Bank Supervision

Ref. No. : 02 / 05 / 009 / 0100 / 001

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

5th September, 2001

To : All Licensed Commercial Banks

RECOVERY OF ACCOMMODATION TO EXPORTERS

We refer to our circulars dated 22nd January, 2001, 29th January, 2001, 16th February, 2001 and 30th March, 2001 on the above subject.

As agreed at the Bank Managers' meeting held on 23rd August, 2001, licensed commercial banks may use their judgment and discretion to extend the credit period granted to exporters who experienced delays in dispatching their documents due to interruption of flights in July by a maximum of 7 days.

P.T. Sirisena

Director of Bank Supervision

Ref. No. : BS/62/97

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

10th September, 2001

To : All Licensed Commercial Banks

Dear Sir,

PUBLIC DISCLOSURE BY PUBLICATION OF BANK ACCOUNTS IN THE PRESS

Your attention is drawn to our circular No.BS/62/97 dated 29.01.1999 on the above subject.

If the audited accounts of banks are published in the newspapers stating that they are audited without any reference to any audit qualifications, where there are such qualifications, it could mislead the public. Therefore, banks should include a brief description of any audit qualifications when they publish the audited accounts in the newspapers.

Further, I wish to inform you that banks are expected to publish their annual audited accounts in newspapers within six months of the end of their financial year and their half yearly un-audited accounts within three months of the end of the half-year.

Yours faithfully

Director of Bank Supervision

Bank Supervision Department
Central Bank of Sri Lanka

3rd December, 2001

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

CUSTOMER DUE DILIGENCE -
'KNOW YOUR CUSTOMER' PROCEDURES

Your attention is drawn to the discussion on the above subject at the Bank Managers' Meetings held in the months of October and November 2001. Please find enclosed a Guideline on Customer Due Diligence - 'Know Your Customer' procedures, which set out the minimum criteria to be adopted by banks.

These guidelines will be effective immediately.

Yours faithfully

Director of Bank Supervision

3rd December, 2001

To : All Licensed Commercial Banks and
Licensed Specialised Banks

GUIDELINES ON CUSTOMER DUE DILIGENCE -
'KNOW YOUR CUSTOMER' PROCEDURES

In order to prevent the unchecked use of the financial system for money laundering and transactions related to terrorism and subversive activities, it is recommended that all banks follow these guidelines on customer identification at the time of opening an account for a prospective customer, or before establishing a business relationship with a prospective customer, or thereafter when there is a material change in the way an account is operated. In addition to minimising the risk of use of the banking system for illicit activities, the adoption of these guidelines will provide protection against possible frauds, and enable the timely recognition of suspicious transactions and protect the bank from reputational, legal and financial risks.

1. All banks are encouraged to document their policies on customer acceptance, customer identification/risk management and monitoring of high risk accounts.
2. In order to 'know their customers' the banks are expected to:
 - (i) Have sufficient information on the identity of the customer.
 - (ii) Be satisfied that a *prospective customer is who he/she claims to be*. If the customer is acting on behalf of another, sufficient evidence on the identity of both parties should be obtained.
 - (iii) Ensure that information obtained in respect of a customer in the normal course of business is used effectively for the prevention of money laundering/terrorism funding.

3. Customer Identification

3.1 Personal Accounts

The following information should be obtained from all prospective personal customers:

- Customer's name from an original of a document issued by an official authority, preferably bearing a photograph of the customer, such as the national identity card, passport or the driving license. The reference number of such document should be recorded by the bank.
- Customer's permanent mailing address and supporting evidence which should be confirmed through correspondence.
- The authenticity and integrity of an introducer and his own identity should be established to the satisfaction of the bank.
- Independent verification of introducer's address should be made and filed with the mandate.

3.2 Corporate Customers

The following documents should be obtained:

- Certificate of Incorporation, Memorandum and Articles of Association or Partnership Agreement, as appropriate, to establish the legal status of the customer
- Resolution by the Board of Directors

- Duly completed application form containing authorised specimen signatures
- The identity of each director and those authorised to operate the account, should be established.
- For companies, businesses or partnerships registered outside Sri Lanka, similar documents should be obtained, taking into consideration any soft regulatory system in the country of origin.

3.3 In the case of accounts operated by:

- A Power of Attorney
- Joint account holders
- Partnerships
- Trust accounts/Fiduciary accounts

The identity should be established in respect of each signatory to the account.

3.4 More stringent customer identification policies should be established in the following circumstances:

- Accounts opened by post or in any other circumstances where there is no face to face contact with the customer.
- In the case of one-off transactions for non-account holders of the bank, in particular where such transactions involve large amounts of cash, or the receipt of unusually large foreign remittances, the customer should be asked to produce documentary evidence of identity, and copies of such documents should be retained by the bank.
- Where safe custody facilities are made available to non-account holders, identification procedure for non-account holders, as above, should be followed.
- In accommodating requests for remittances of funds between accounts using electronic payment systems, where such transactions are of a large size, the bank should establish the identity of the sender and ascertain the identity of the recipient.

4. In instances where the bank cannot establish the true identity of the customer to its satisfaction, it should not commence any business relationship with such customer.

5. Other Recommendations

- 5.1 In respect of all types of accounts, returned letters and statements should be followed-up.
- 5.2 Where after opening an account, the features of the transactions, as known at the time of opening of the account changes significantly, causing grounds for suspicion of criminal activity, inquiries should be made with regard to the changes in the financial position and nature of activities, which should be recorded.
- 5.3 Retention of records: All evidence of identification as set out above should be maintained for a minimum period of five (05) years even after an account is closed.
- 5.4 Where the officer handling the account opening has reasons to believe that a new relationship may expose the bank to significant reputational risk, he may refer such request to an officer of higher authority before opening the account.
- 5.5 The internal controller/auditor may be required to ensure compliance with the bank's policies on customer acceptance and identification.

P.T. Sirisena
Director of Bank Supervision

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

The Direction issued by the Monetary Board of the Central Bank of Sri Lanka, relating to maintenance of Capital Adequacy Ratio dated 21 November 1997, under Section 76J(1) of the Banking Act, No.30 of 1988 as amended by Banking (Amendment) Act, No.33 of 1995 is hereby amended and would come into effect on 1 January 2002.

Sgd. A. S. Jayawardena
Governor

Colombo, on this 27th day of December, 2001.

DIRECTION

1. Delete Paragraph 1 of the Direction dated 21 November 1997 relating to maintenance of Capital Adequacy Ratio as amended by the Direction dated 27 December 1999 and the Direction dated 29 November 2000 and substitute therefor the following as Paragraph 1.

“With effect from 1 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 9% in relation to its Risk Weighted Assets with Core Capital constituting not less than 4½% upto 31 December 2002, and thereafter at all times, 10% in relation to its Risk Weighted Assets with Core Capital constituting not less than 5%, computed as per instructions in Schedule I attached hereto”

2. Every reference, in Schedule I of the Direction dated 21 November 1997 to the percentage of the minimum Capital Adequacy Ratio as 8% and the Core Capital ratio as 4% shall;
 - (a) for the period commencing on 1 January 2001 and ending on 31 December 2002 be amended to read as 9% and 4½% respectively.
 - (b) for the subsequent period commencing on 1 January 2003 be amended to read as 10% and 5% respectively.
3. The Direction issued to licensed specialised banks on 29 November 2000 relating to the maintenance of Capital Adequacy Ratio is hereby repealed.

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

The Notice issued by the Monetary Board of the Central Bank of Sri Lanka dated 22 August 1997, relating to maintenance of Capital Adequacy Ratio, 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 is hereby amended as follows with effect from 1 January 2002.

Sgd. A. S. Jayawardena
Governor

Colombo, on this 27th day of December, 2001.

NOTICE

1. Delete Paragraph 2 of the Notice dated 22 August 1997 relating to maintenance of Capital Adequacy Ratio as amended by the Notice dated 27 December 1999 and the Notice dated 29 November 2000 and substitute therefor the following as Paragraph 2.

“The Monetary Board in terms of Section 19(7)(a) of the Banking Act No. 30 of 1988 as amended by the Banking (Amendment) Act No. 33 of 1995, has determined that for the period commencing on 1 January 2001 and ending on 31 December 2002, every Licensed Commercial Bank shall at all times, maintain a minimum Capital Adequacy Ratio of 9% in relation to its Risk Weighted Assets with Core Capital constituting not less than 4½% and thereafter at all times, 10% in relation to its Risk Weighted Assets with Core Capital constituting not less than 5%, computed as per instructions given in Schedule I attached hereto.”

2. Every reference, in Schedule I of the Notice dated 22 August 1997 to the percentage of the minimum Capital Adequacy Ratio as 8% and the Core Capital ratio as 4% shall;
 - (a) for the period commencing on 1 January 2001 and ending on 31 December 2002 be amended to read as 9% and 4½% respectively.
 - (b) for the subsequent period commencing on 1 January 2003 be amended to read as 10% and 5% respectively.
3. The Notice issued to licensed commercial banks on 29 November 2000 relating to the maintenance of Capital Adequacy Ratio is hereby repealed.

Ref. No. : 06 / 07 / 01 / 2001

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

23rd January, 2001

Operating Instructions to All Authorised Dealers

Dear Sirs,

**FREIGHT FORWARDING AND 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 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.

<u>Name of the Freight Forwarder</u>	<u>Registration No.</u>
1. Laksiri International Freight Forwarders (Pvt) Ltd.	06/07/009/0094
2. Tower Group Asia Lanka (Pvt) Ltd.	06/07/009/0095
3. F.S.L. Lanka (Pvt) Ltd.	06/07/009/0096

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

Department of Exchange Control
Central Bank of Sri Lanka
Equity Two Building
No. 61, Janadhipathi Mawatha
Colombo 1

12th March, 2001

Operating Instructions to All Authorised Dealers

Dear Sirs,

IMPORT OF VEHICLES ON CONCESSIONARY / DUTY FREE BASIS

In the Budget Speech of 8 March, 2001 it was announced that the facility for Parliamentarians, Provincial Councillors, Heads of Local Authorities, public servants and others to import motor vehicles on concessionary duty or on duty free terms was suspended with immediate effect, except in cases where letters of credit have already been established for such imports. Therefore, Authorized Dealers are cautioned to take account of this when establishing letters of credit for the import of motor vehicles.

It has also been brought to my notice that some banks have opened letters of credit after the announcement of the above suspension in the Budget Speech, *i.e.* around 5.30 p.m. on 8 March, 2001 by indicating a prior date or time. This is an irregular and fraudulent practice designed to circumvent the suspension announced in the Budget Speech, and Authorised Dealers will be liable for any loss of government revenue arising therefrom and for any penalties under the Exchange Control Act.

Please bring this to the notice of your employees.

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

- cc: (1) Secretary to the Treasury
(2) Director-General of Customs
(3) Commissioner-General of Inland Revenue

Ref. No. : 06 / 02 / 02 / 2001

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

13.03.2001

Operating Instructions to Authorised Dealers

Dear Sirs,

AUTHORISATION OF REMITTANCES IN RESPECT OF REINSURANCE

The attention of Authorised Dealers are drawn to my Operating Instructions No. EC/06/94 dated 18.3.94 and the Explanatory Note attached to it defining Current and Capital transactions.

In terms of the above Operating Instructions, the release of foreign exchange for insurance services such as marine insurance, reinsurance and other insurance, which are defined as current international transactions, have been permitted through you, subject to local regulations relating to insurance.

The Board of Insurance of Sri Lanka, which is the regulatory authority for the insurance industry in Sri Lanka with effect from 01/03/2001 in terms of Regulation of Insurance Industry Act, No. 43 of 2000, has now informed us that you may permit applications made by registered insurers in Sri Lanka for making payments of their reinsurance premia to overseas insurers on the production of the following:

1. A certified copy of the treaty agreement entered into with re-insurer or debit/credit notes issued by the re-insurer.
2. A confirmation by a Director or staff member of the local insurer not below the rank of an Assistant General Manager to the effect that the amount of reinsurance premium claimed to be paid to the overseas re-insurer is in accordance with the valid agreement/policy entered into with the re-insurer for the purpose of covering the required risk.

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

cc: Governor
DG (N)
DG (W)
AG (D)
DBS
DER

Ref. No. : 06 / 04 / 04 / 2001

Department of Exchange Control
Central Bank of Sri Lanka
No. 61, Janadhipathi Mawatha
Colombo 1

20th April, 2001

Operating Instructions to Authorised Dealers

Dear Sirs,

PAYMENT OF INTEREST ON NON-RESIDENT RUPEE ACCOUNTS

It has been the practice in the past that certain categories of non residents were not permitted to operate rupee accounts on which licensed banks could pay interest. You are therefore, now informed that interest may be paid on the following types of accounts, excluding specifically, current accounts on which money could be withdrawn on demand.

- (1) Non Residents Rupee Accounts which are authorised in terms of our Operating Instructions No. EC/79/93(D) dated 29/12/1993, in favour of :
 - (a) non nationals resident outside Sri Lanka
 - (b) companies registered outside Sri Lanka
 - (c) Sri Lanka nationals resident outside Sri Lanka
- (2) External, Internal and Personal Accounts in rupees authorised in terms of our Operating Instructions No. ED/35/64(E) dated 15/09/1964, in favour of:
 - (a) diplomatic missions in Sri Lanka
 - (b) other foreign missions in Sri Lanka (specialised agencies of the United Nations and other agencies)
 - (c) non Sri Lankan staff of diplomatic and other foreign missions in Sri Lanka

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

cc: Governor
DG (N)
DG (W)
AG (D)
D/ER
D/BS
CA
Consultant / Banking & Financial Services

Ref. No. : 06 / 07 / 03 / 2001

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

4th May, 2001

Operating Instructions to Authorised Dealers

Dear Sirs,

**FREIGHT FORWARDING AND 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 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.

<u>Name of the Freight Forwarder</u>	<u>Registration No.</u>
1. Sealink Shipping (Pvt) Ltd.	06/07/009/0097
2. Mass Logistics & Shipping (Pvt) Ltd.	06/07/009/0098
3. ATE Lanka (Pvt) Ltd.	06/07/009/0099
4. Transglobal Freighters Colombo (Pvt) Ltd.	06/07/009/0100
5. Union Cargo (Pvt) Ltd.	06/07/009/0101

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

28th May, 2001

Operating Instructions to All Authorised Dealers

Dear Sirs,

**THE SCHEME OF RUPEE ACCOUNTS FOR NON-RESIDENT
SRI LANKAN INVESTMENT (RANSI)**

The above scheme has been formulated to implement the budget proposals of the Hon. Minister of Finance and Planning for the purpose of encouraging persons who are citizens of Sri Lanka and resident outside Sri Lanka, to remit to Sri Lanka their foreign exchange earnings for investment in Sri Lanka.

2. Criteria for Eligibility for RANSI

In terms of the scheme, Authorised Dealers are permitted to operate a scheme of special accounts known as Rupee Accounts for Non-resident Sri Lankan Investment (RANSI) in respect of the following categories of citizens of Sri Lanka:

- (i) Citizens of Sri Lanka who have made their permanent place of abode outside Sri Lanka.
- (ii) Citizens of Sri Lanka who have proceeded outside Sri Lanka for taking up employment or setting up in a business or profession and continue to reside abroad.

3. Opening of Accounts

RANSI should be opened only with proceeds of foreign exchange received through a licensed commercial bank, appointed as an Authorised Dealer, to the credit of the person intending to open the account. Such accounts should be opened only in the domestic unit of such bank and should be maintained in Sri Lanka rupees.

4. Credits to RANSI

- (i) Proceeds of inward remittances made by the account holder through banking channels.
- (ii) Interest earned on funds lying to the credit of the account.
- (iii) Income derived from investments made out of funds in the account.
- (iv) Sale/liquidation proceeds of investments made out of funds in the account (other than proceeds of bearer certificates of deposits).

5. Debits to RANSI

- (i) for capital funds required for making investment in securities such as shares, government securities, debentures and units in unit trusts and other financial assets and real assets including land and buildings.
- (ii) for outward remittances from funds lying to the credit of the account.
- (iii) for any other local disbursements.

6. General permission is hereby granted in terms of the Exchange Control Act for credits and debits mentioned at paragraphs 4 and 5 above under the scheme.

7. Payment for investments out of funds in the account should be made by bank drafts purchased out of funds in the account in favour of the person or body of persons to whom payment is made in respect of the investment, and Authorised Dealers should maintain a record of such payments made out of funds in the account.

8. RANSI cannot be maintained as a joint account unless the joint account holders are non residents falling under the categories mentioned in item (2) above.

9. Reporting

Authorised Dealers are required to report the credits to RANSI in the purchase schedules that are sent to the International Finance Division of the Economic Research Department and to forward half yearly statements in the annexed format in respect of debits and credits to such accounts on or before 15th July and 15th January of each year to the Branch D of the Exchange Control Department.

Yours faithfully,

H. A. G. Hettiarachchi

Controller of Exchange

cc: Governor
DG (N)
DG (W)
AG (D)
DER
DBS
CA
Consultant - Banking & Financial Services

Statement of the RANSI for the Half Year Ending

Name of the Authorised Dealer:

Branch :

Branch Code :

(lix)

(1) Name of Account Holder	(2) Account No. (indicate whether Current, Savings or Deposit)	(3) Opening Balance (at the beginning of the six month period) (Rs.)	During the Six Month Period						Closing Balance (Rs.)
			Credits			Debits			
			Inward Remittances	Income Derived from Investment including interest	Sale/Liquidation proceeds of Investment	Investment	Other Local Disbursement	Outward Remittances	
II Grand Total									

I certify that the information given in this statement is true and correct.

Date:

.....
Signature and Seal of Authorised Dealer

EXTRAORDINARY

No. 1186/18 - Wednesday, May 30, 2001

EXCHANGE CONTROL NOTICE

Exchange Control Act

Permission required in terms of Sections 5, 21 and 22 of the Exchange Control Act

(1) Subject to paragraph (4) below, general permission is hereby granted in terms of Sections 5, 21 and 22 of the Exchange Control Act read with Sections 3 and 48 of the said Act, for the purpose of -

- (i) buying gold in Sri Lanka ;
- (ii) selling gold in Sri Lanka by any person who is resident in Sri Lanka ;
- (iii) importing into Sri Lanka or exporting from Sri Lanka of gold by any person subject to the conditions specified in paragraph (2) and (3) below.

(2) Every importer of gold under paragraph (1)(iii) shall before clearance of gold from Sri Lanka Customs and every exporter of gold under paragraph (1)(iii) shall at or before the time of export of gold from Sri Lanka, declare to the Director General of Customs on such forms as may be provided by the Director General, the quantity and value of gold and the purpose for which the gold is imported or exported.

(3) Every importer/exporter of gold under paragraph (1)(iii) shall comply with the provisions of the Import and Export Control Act and regulations made thereunder regulating the import and export of goods.

(4) Gold may be imported into Sri Lanka on consignment account basis only by a licensed commercial bank, subject to such conditions as may be imposed by the Controller of Exchange from time to time.

(5) Notices published in the *Government Gazettes (Extraordinary)* No. 820/5 dated 26th May, 1994 and 1047/12 of 30th September, 1998 are hereby revoked.

H. A. G. Hettiarachchi

Controller of Exchange

30th May 2001

30th July, 2001

*Operating Instructions to All Authorised Dealers
in Foreign Exchange*

Dear Sirs,

ENTREPOT TRADE

Attention of all Authorised Dealers is hereby invited to para 2(c) of my Operating Instructions No. EC/26/93(H) of 25th February 1993 (copy attached) and they are hereby informed that the restriction imposed on import of cloves for re-export under Entrepot Trade has now been removed by the Ministry of Internal and International Trade and Commerce and Shipping Development and Muslim Affairs subject to following terms and conditions:

- (1) Import of cloves should not be made for re-export to member countries with which Sri Lanka has preferential arrangements such as GSP donor countries, Bangkok Agreement, GSTP, SAPTA and to India under the Free Trade Agreement. A list of countries that extend preferential tariffs for cloves exported from Sri Lanka is given below:

<i>Preferential Arrangement</i>	<i>Country</i>
Generalized System Of Preferences (GSP)	Australia, Bulgaria, Canada, Czechoslovakia, EU – (Austria, Belgium Denmark, Greece, Germany, Finland, France, Ireland, Italy, Luxembourg, Netherlands, UK, Spain, Portugal & Sweden), Hungary, Japan, Poland, Federation of Russia
Bangkok Agreement	India
Global System of Trade Preferences (GSTP)	Cuba, Romania
SAARC Preferential Trading Arrangement (SAPTA)	Bangladesh, India, Nepal, Pakistan
Free Trade Agreement with India	India

- (2) The existing quarantine regulations are adhered to when importing cloves for re-export under Entrepot Trade.
- (3) Cloves imported under Entrepot Trade for export are treated as goods originated from the country from which cloves have been imported without treating them as products of Sri Lankan origin.

Yours faithfully,

Controller of Exchange

cc: Governor DER
 DG (N) DBS
 DG (W) CA
 AG (C)

25th February, 1993

Operating Instructions to Authorised Dealers

Dear Sirs,

ENTREPOT TRADE

Authorised Dealers are hereby informed that they may approve applications for import of goods for Entrepot Trade on Documents against Payment (DP) and on Documents against Acceptance (DA) terms without Letters of Credit being established subject to the following conditions:

- 1.1 Goods imported to be stored in a Customs bonded warehouse until they are re-exported to a third country.
 - 1.2 Re-packing/labeling/simple processing of goods imported to be carried out in a Customs bonded warehouse before re-export to a third country.
 - 1.3 Exportation of goods directly from a second country to a third country without the goods physically arriving in the trader's country.
 - 1.4 Transfer from one ship/air-craft to another within the port without the cargo being taken into a bonded warehouse.
2. Importation of the following items for re-export under Entrepot Trade is strictly prohibited.
- (a) Textile Fabric
 - (b) Garments
 - (c) Cloves
 - (d) Narcotics
 - (e) Arms & Ammunitions
3. Although, import for Entrepot trade transactions could be permitted on DP or DA terms without Letters of credit being established, re-export under Entrepot Trade transactions should be permitted on Letters of Credit or Documents on Payment or against Advanced Payment terms. Re-export should not be permitted on DA terms.
- (a) All payments received from the buyer in respect of re-exports should be in convertible currencies (designated currencies) only.
4. Remittance in payment for the imports should be for a sum which is less than that of the corresponding payment that would be received either on a Letter of Credit or on DP terms for the goods supplied to the buyer so that there is a margin to cover the value added costs and other local charges including bank charges and trading profit.
5. Export of each consignment of goods should be permitted on form EC/EXP-1 under the normal procedure for exports from Sri Lanka but reference should be made on Form EC/EXP-1 to the permit number and the terms of payment on which the goods were imported.

6. Where a consignment of goods is not cleared through Customs before export but the export is effected ex-ship or ex-warehouse, the necessary cross reference to the relevant EC/EXP-1 Form should be made on the relevant Exchange Control Form ENC or E3 NC.
7. Transshipment cargo (originally consigned to one country but subsequently diverted to a third country through Colombo) should be permitted by customs without reference to this Department provided;
 - (a) that the Customs is furnished with confirmation from the bankers of the receipt of an inward remittance from the supplier to cover local charges incurred on the transshipment.
 - (b) that the name of the Sri Lankan exporter is indicated as the shipper in the Bill of Lading.
8. An exporter need not maintain a separate account for Entrepot Trade transactions. However, records should be maintained by you in such a manner as to identify all Entrepot Trade transactions and the bank should report all such transactions to the Export Monitoring Branch of the Exchange Control Department on a quarterly basis on the relevant Form.
9. Operating Instructions No: EC/30/80(H) of 1980.08.01 and EC/03/92(H) of 1992.01.08 are hereby rescinded.

Yours faithfully,

M. R. Fernando
Controller of Exchange

Ref. No. : 06 / 04 / 07 / 2001

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

1st August, 2001

*Operating Instructions to Authorised Dealers
in Foreign Exchange*

Dear Sirs,

**THE SCHEME OF RUPEE ACCOUNTS FOR NON-RESIDENT
SRI LANKAN INVESTMENT (RANSI)**

This is with reference to item 4 of my operating instructions No. 06/04/05/2001 dated 28th May 2001 on the above subject.

Authorised Dealers are hereby informed that once a RANSI account is opened with the proceeds of an inward remittance, the movement of funds between a RANSI account and a NRFC account is freely permitted, provided that both accounts are held by one and the same person who is a Sri Lankan citizen and is resident abroad.

It should be noted that if such an account holder becomes a resident of Sri Lanka, or ceases to be a Sri Lankan citizen, he/she is not qualified to effect transfer of funds from his/her NRFC account to his/her RANSI account or from his/her RANSI account to his/her NRFC account.

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

cc: Governor
DG (N)
DG (W)
AG (C)
DER
DBS
CA
Consultant - Banking & Financial Services

Ref. No. : 06 / 07 / 08 / 2001

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

10th August, 2001

Operating Instructions to All Authorised Dealers

Dear Sirs,

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

Further to my Operating Instructions Nos. EC/48/91(G) dated 12.07.1991 and 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 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.

<u>Name of the Freight Forwarder</u>	<u>Registration No.</u>
1. Famous Pacific Shipping Lanka (Pvt.) Ltd.	06/07/009/0102
2. Aramex Airborne Freight Corporation (Lanka) Pvt. Ltd.	06/07/009/0103
3. Worldwide Logistics (Private) Ltd.	06/07/009/0104
4. South Asia Logistics Limited	06/07/009/0105
5. Sea Air Worldwide (Pvt.) Ltd.	06/07/009/0106

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

Ref. No. : 06 / 07 / 10 / 2001

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

19th October, 2001

Operating Instructions to Authorised Dealers

Dear Sirs,

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

Further to my Operating Instructions Nos. EC/48/91(G) dated 12.07.1991 and 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 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.

<u>Name of the Freight Forwarder</u>	<u>Registration No.</u>
1. Maritime Logistics International Colombo (Pvt.) Ltd.	06/07/009/0107
2. A.E. Logistics (Pvt.) Limited	06/07/009/0108
3. McCallum Cargo (Pvt.) Ltd.	06/07/009/0109

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

30th October, 2001

*To Primary Dealers appointed as Designated Agents
for Sri Lanka Development Bonds and
all Authorised Dealers in Foreign Exchange*

Dear Sirs,

SRI LANKA DEVELOPMENT BONDS (SLDBs)

Permission is hereby granted in terms of Section 17 of the Exchange Control Act, to both Primary Dealers and Authorised Dealers in foreign exchange who have been appointed by the Superintendent of Public Debt of the Central Bank of Sri Lanka (*Superintendent of Public Debt*) as designated agents for the purpose of purchasing and marketing *Sri Lanka Development Bonds (SLDBs)* issued by the Government of Sri Lanka (Government) to acquire, hold or transfer SLDBs on which capital and interest are payable in U.S. Dollars.

2. Permission is also hereby granted to such designated agents to maintain the following two special accounts in U.S. Dollars for the said purpose, with a commercial bank appointed as an Authorised Dealer in foreign exchange (Authorised Dealers).

- (i) A US dollar interest bearing account titled "*Sri Lanka Development Bond Investment Account (SLDBIA)*" maintained on behalf of the Government to credit funds payable to the Government and received from the categories of investors specified in paragraph 3, who directly purchase SLDBs from the Government. The funds in this account belong to the Government.
- (ii) A US dollar account titled "*Dollar Account for Bond Investment (DABI)*" which may be maintained on an interest bearing basis (in the case of such designated agent who is an Authorised Dealer in foreign exchange, the maintenance of this account is not mandatory), for the purpose of purchasing SLDBs from the Government and dealing in SLDBs with the categories of investors specified in paragraph 3.

3. Categories of Investors

- (i) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka;
- (ii) Citizens of Sri Lanka who have made their permanent abode outside Sri Lanka;
- (iii) Citizens of Sri Lanka who have proceeded outside Sri Lanka to take up employment or to set up in business or in a profession and are residing abroad;
- (iv) Bodies corporate or unincorporate established under the laws of a country other than Sri Lanka.

4. Sri Lanka Development Bond Investment Account (SLDBIA)

The credits and debits to this account shall be confined to the following :-

(i) Credits:

- (a) Remittances received in US Dollars from investors specified in paragraph 3 above for the purchase of SLDBs from the Government.

(ii) Dedits:

- (a) To make payment to the Government for purchasing SLDBs by investors specified in paragraph 3 above. (This payment should be made in accordance with instructions given by the Superintendent of Public Debt and is payable to the "Public Debt Subscription US Dollar Account (PDSDA)" maintained by the Superintendent of Public Debt with the Central Bank of Sri Lanka).
- (b) To effect remittances by way of refund on the instructions of the Superintendent of Public Debt to investors specified in paragraph 3 above.
- (c) For any other purpose on the instructions of the Superintendent of Public Debt.

Note: The monies received into this account should be transferred to the Government strictly in accordance with instructions given by Superintendent of Public Debt.

5. Dollar Account for Bond Investment (DABI)

The credits and debits to the account should be confined to the following :-

Credits

- (a) US dollars procured or assigned for the purpose of purchasing SLDBs.
- (b) Sale proceeds received from investors specified in paragraph 3 above on the sale of SLDBs to them.
- (c) Amounts received as repayment of principal and payment of interest on SLDBs held by the account holders.

Debits

- (a) For payments to the Government for the acquisition of SLDBs. Such payments should be made payable to the aforesaid PDSDA.
- (b) For making payment to sellers of SLDBs from whom SLDBs are purchased by the account holder in the secondary market.
- (c) Any other sums payable to the Superintendent of Public Debt, such as fees payable for sub-division and consolidation of bonds etc. These too should be made payable to the aforesaid PDSDA.
- (d) For selling foreign exchange in the account in excess of the account holder's requirements to purchase SLDBs, to an Authorised Dealer.

6. Authorised Dealers with whom the above accounts are maintained should furnish statements of such accounts for each month, indicating details of debits and credits, to the *Exchange Control Department (D Branch)*, on or before the 15th day of the following month.

7. Permission is also hereby granted in terms of Section 5 of the Exchange Control Act to *Designated Agents* who are primary dealers to purchase US dollars from an Authorised Dealer, subject to the condition that such purchases are limited to the extent necessary to purchase SLDBs from the Government or from a holder of SLDBs. Where any sums procured are not necessary for the purchase of SLDBs, the primary dealer shall forthwith sell the foreign exchange to an Authorised Dealer.

8. Please note that permission referred to above will be effective from 1st November, 2001.

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

cc: Governor DER
 DG (N) DBS
 DG (W) CA
 AG (RJ) SPD
 AG (C) Consultant - Banking & Financial Services

Central Bank of Sri Lanka Notices

NOTICE UNDER EXCHANGE CONTROL ACT (CAP. 423 OF THE CLE)

Permission in terms of Sections 5, 7, 8, 11 and Sub-section (1) of Section 22 of the Exchange Control Act

Permission - Permission is hereby granted in terms of Sections 5, 7, 8, 11 and sub section (1) of section 22, as applicable, of the Exchange Control Act (Cap. 423 of the CLE) to the following categories of persons for purchasing, transferring and making payments in respect of transactions of Sri Lanka Development Bonds (SLDBs) issued by the Government of Sri Lanka to such categories of persons and for the export of bonds by or to such categories of persons.

- (i) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka;
- (ii) Citizens of Sri Lanka who have made their permanent abode outside Sri Lanka;
- (iii) Citizens of Sri Lanka who have proceeded outside Sri Lanka to take up employment or to set up in business or in a profession;
- (iv) Bodies corporate or un-incorporate established under the laws of a country other than Sri Lanka.

H. A. G. Hettiarachchi

Controller of Exchange

Department of Exchange Control
Central Bank of Sri Lanka
P.O. Box 883
Colombo 1

6th November, 2001

*Operating Instructions to All Commercial Banks as
Authorised Dealers*

Dear Sirs,

SHARE INVESTMENT EXTERNAL RUPEE ACCOUNTS

I refer to my Operating Instructions No. EC/74/92/(C&F) dated 28/07/92 on the above subject.

Authorised Dealers are hereby informed that the "Scheme of Share Investment External Accounts" (SIERA) is now made applicable for payment and receipt in respect of Securities Borrowing and Lending of Non-Residents, which has now been introduced by the Colombo Stock Exchange, and accordingly permission is hereby granted to you to make following credits and debits as well through the SIERA.

1. Credits

- I. Fees and any corporate Benefits received by a non-resident lender of shares lent to a borrower as authenticated by the borrower's participant (Bank/Stock Broker) in terms of the Stock Borrowing and Lending Agreement (SBL) entered into with the securities lender and the borrower through their participants.
- II. Cash collateral paid out of a SIERA of a non-resident borrower and refunded to the same non-resident borrower after the termination of SBL, as authenticated by the lender's participant.
- III. Cash to be credited to the lender in the event of failure to transfer shares by the borrower due to any suspension as authenticated by borrower's participant in terms of agreement entered into with the lender. In the case of a non-resident borrower, this cash payment should be out of funds debited from his SIERA.

2. Debits

- I. Fees and funds required to pay corporate benefits to a security lender on shares borrowed by a non-resident borrower as authenticated by lender's participant in terms of agreement entered into between the lender and borrower through their participants.
- II. Any cash collateral to be provided by a non-resident borrower as authenticated by the lender's participant in terms the securities borrowing and lending agreement entered into between the borrower and the lender.

Yours faithfully,

H. A. G. Hettiarachchi
Controller of Exchange

cc: Governor	AG (RJ)
DG (N)	DER
DG (W)	DBS
AG (C)	CA
	Consultant - Banking & Finance

FINANCE COMPANIES ACT, No. 78 OF 1988
AS AMENDED BY ACT, No. 23 OF 1991

Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991 and published for general information.

Sgd. A. S. Jayawardena

Chairman

Monetary Board of the Central Bank of Sri Lanka

Colombo 01.

On this 7th day of March, 2001.

DIRECTION

1. This Direction may be cited as the Finance Companies (Deposits) (Amendment) Direction No.1 of 2001 and shall apply to every finance company as defined in the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991 and shall come into operation with immediate effect.
2. Paragraph 2 of the Finance Companies (Deposit) Direction No.6 of 1991 is hereby repealed and following paragraph is substituted therefor :-

“ 2. A finance company shall not accept any deposit repayable on demand or repayable after a period of less than three months from the date of receipt of such deposit and more than sixty months (60) from the date of receipt of such deposit or shall not renew any deposit received by it, unless such deposit so renewed is repayable not earlier than three months and not later than 60 months from the date of such renewal.”

FINANCE COMPANIES ACT, No. 78 OF 1988
AS AMENDED BY ACT, No. 23 OF 1991

Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991 and published for general information.

Sgd. A. S. Jayawardena

Chairman

Monetary Board of the Central Bank of Sri Lanka

Colombo 01.

On this 7th day of March, 2001.

DIRECTION

1. This Direction may be cited as the Finance Companies (Lending) (Amendment) Direction No.2 of 2001 and shall apply to every finance company registered in terms of Section 2 of the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991 and shall come into operation with immediate effect.
2. Sub-paragraph 3(1) of the Finance Companies (Lending) Direction No.8 of 1991 is hereby repealed and following sub-paragraph is substituted therefor :

“3(1) A finance company shall not grant any loan, advance or other financial accommodation of whatever nature including hire purchase financing, leasing or as inter-company credit to any of its directors or to its holding company but may grant such accommodation not exceeding individually or in the aggregate 15 *per centum* of its capital funds as shown at its last audited balance sheet to one or more of its subsidiary companies or associate companies on such terms as may be applicable to any other borrower of the finance company, particulars of which including the name of the borrower, the date of the grant of the accommodation, amount granted, repayment programme, security and rate of interest shall be reported to the Director within 7 days of such grant.”

FINANCE COMPANIES ACT, No. 78 OF 1988
AS AMENDED BY ACT, No. 23 OF 1991

Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991 and published for general information.

Sgd. A. S. Jayawardena

Chairman

Monetary Board of the Central Bank of Sri Lanka

Colombo 01.

On this 7th day of March, 2001.

DIRECTION

1. This Direction may be cited as the Finance Companies (Investments) (Amendment) Direction No.3 of 2001 and shall apply to every finance company registered in terms of Section 2 of the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991 and shall come into operation with immediate effect.
2. Paragraph 2 of the Finance Companies (Investments) Direction No. 12 of 1991 is hereby repealed and the following paragraph is substituted therefor :-

“ 2. A finance company shall not invest in the shares of any company in excess of 5 *per centum* of its capital funds as shown at its last annual audited balance sheet provided that such investment shall not exceed 40 *per centum* of the issued and paid up capital of such investee company and the aggregate amount so invested in the shares of companies shall not exceed 25 *per centum* of the capital funds of the finance company as shown at its last audited balance sheet. Where such requirement necessitates a finance company to reduce its investments in shares acquired prior to the commencement of this paragraph, the Monetary Board may give the finance company a period of four years from the commencement of this paragraph to comply with such requirement.”

FINANCE COMPANIES ACT, No. 78 OF 1988
AS AMENDED BY ACT, No. 23 OF 1991

Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991 and published for general information.

Sgd. A. S. Jayawardena

Chairman

Monetary Board of the Central Bank of Sri Lanka

Colombo 01.

On this 7th day of March, 2001.

DIRECTION

1. This Direction may be cited as the Finance Companies (Liquid Assets) (Amendment) Direction No.4 of 2001 and shall apply to every finance company registered in terms of the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991 and shall come into operation with immediate effect.
2. The Finance Companies (Liquid Assets) Direction No.7 of 1991 is hereby amended as follows :
 - (a) By the repeal of sub-paragraph 2(v) and the substitution therefor of the following sub-paragraph :

“ 2(v) Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and Central Bank of Sri Lanka Securities acquired by a finance company in compliance with the provisions of sub-paragraph (iii) or such Bills or Securities acquired on the sale or redemption of such Bills or Securities so as to ensure compliance with sub-paragraph (iii) shall be kept in the custody of one or more licensed commercial banks and the finance company shall submit to the Director a weekly statement obtained from such bank or banks giving particulars of such bills on a format to be provided by the Director so as to ensure its compliance with sub-paragraph (iii)”.
 - (b) By the addition at the end of paragraph 3 of the following words – “and licensed commercial banks” shall have the same meaning as in the Banking Act, No.30 of 1988.

FINANCE COMPANIES ACT, No. 78 OF 1988
AS AMENDED BY ACT, No. 23 OF 1991

Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991.

Sgd. A. S. Jayawardena

Chairman

Monetary Board of the Central Bank of Sri Lanka

Colombo 01.

On this 25th day of May, 2001.

DIRECTION

1. This Direction may be cited as the Finance Companies (Deposits - Incentive Schemes) Direction No.5 of 2001 and shall apply to every finance company registered in terms of Section 2 of the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991 and shall come into operation on the date of its publication in the *Gazette*;
2. A finance company shall not introduce any incentive scheme for soliciting deposits without obtaining the prior approval of the Director in writing;
3. Any incentive scheme for soliciting deposits from public shall—
 - (i) be within the accepted practices of financial institutions;
 - (ii) bestow on the depositors a real benefit and not something illusory;
 - (iii) not lead to unfair and unethical competition among other financial institutions;
 - (iv) not weaken prudential requirements;
 - (v) be operated directly by the company or where it is undertaken in association with another company, the company providing the benefits shall not be an affiliate or subsidiary company of the finance company concerned or a party of a group to which the finance company belongs; and
 - (vi) not have an adverse impact on the profitability of the company through excessive increase in costs of mobilising deposits.
4. In this Direction –
 - (a) “Incentive Scheme” means an arrangement to confer a monetary or material benefit on the depositors other than by way of interest;
 - (b) “Director” shall have the same meaning as in Section 46 of the Finance Companies Act, No.78 of 1988 as amended.

FINANCE COMPANIES ACT, No. 78 OF 1988
AS AMENDED BY ACT, No. 23 OF 1991

Rule made by the Monetary Board of the Central Bank of Sri Lanka under Section 33(2)(c) of the Finance Companies Act, No.78 of 1988 as amended by Act, No.23 of 1991.

Sgd. A. S. Jayawardena

Chairman

Monetary Board of the Central Bank of Sri Lanka

Colombo 01.

On this 25th day of May, 2001.

FINANCE COMPANIES (ADVERTISING) RULE, No. 1 OF 2001

1. (a) This Rule may be cited as the Finance Companies (Advertising) Rule, No. 1 of 2001 and shall apply to any finance company registered in terms of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991.
(b) This Rule shall come into operation on the date of its publication in the *Gazette*.
2. Every advertisement issued by a finance company, through mass media, directly or indirectly soliciting deposits from the public shall in addition to such solicitation contain the following information:-
 - (a) the name of the finance company and the address of its principal place of business ;
 - (b) the date of its incorporation ;
 - (c) the names of its directors ;
 - (d) the principal lines of business carried on by such company ;
 - (e) particulars relating to the company as appearing in the last three audited balance sheets (if any) showing yearly the amount of capital, deposits and borrowings or, where the company has not been in existence for three years, for immediately preceding period of existence ;
 - (f) particulars of the profits of the company before and after payment of tax for the immediately preceding three financial years or where the company has not been in existence for three years for immediately preceding period of existence ;
 - (g) particulars relating to the dividends if any declared by the company for the immediately preceding three financial years or where the company has not been in existence for three years for immediately preceding period of existence ;
 - (h) conditions subject to which deposits shall be accepted by such company ; and
 - (i) annual effective rate of interest ;
3. (a) Every advertisement issued under paragraph 2 and transmitted via the television or motion pictures shall have a clear audio visual expression to enable the viewers to fully comprehend the particulars of such advertisement.
(b) Every advertisement issued under paragraph 2 and broadcast on radio shall have a clear audio

expression to enable the listeners to fully comprehend the particulars of such advertisement.

4. (a) Every finance company shall prior to the issue of an advertisement under paragraph 2 submit a copy of such advertisement to the Director.

(b) Where the Director is of the opinion that any advertisement issued under paragraph 2 does not comply with that paragraph or contains information which is likely to mislead the public, the Director may direct the finance company to publish a revised version of such advertisement in the manner specified by the Director and the finance company shall comply with such direction.

5. In this Rule –

(a) “Advertisement” means any matter published by or on behalf of a finance company through mass media ;

(b) “annual effective rate” means the amount of interest expressed as a percentage rate, a deposit account would earn in a year at a stated interest rate.

(c) “capital” and “Director” shall have the same meaning as in Section 46 of the Finance Companies Act, No. 78 of 1988 as amended ;

(d) “mass media” includes all visual and/or auditory means of communication by which an advertisement is transmitted to the public such as television, radio, motion picture, newspaper, magazine, book, billboard, poster or any other written or printed matter.

6. The Finance Companies (Advertising) Rule, No. 1 of 1991 is hereby revoked.

EXTRAORDINARY

No. 1196/27 – Friday, August 10, 2001

FINANCE LEASING ACT, No. 56 OF 2000

Regulations made by the President and Minister-in-Charge of the subject of Finance and Planning, under Section 35 read with Sections 3(c), 4(1)(e), 5(4) and 6 of the Finance Leasing Act, No. 56 of 2000.

Sgd. Chandrika Bandaranaike Kumaratunga
President and Minister of Finance and Planning

Colombo
01st August, 2001.

REGULATIONS

1. These Regulations may be cited as the Finance Leasing (Fees) Regulation, No. 1 of 2001, and shall come into operation on August 01, 2001.
2. For the purpose of section 3(c) of the Act, the minimum issued and paid up capital of a public company shall be Rs. 75 million.
3. For the purpose of section 4(1)(e) of the Act, the application fee for registration in respect of—
 - (a) a licensed commercial bank or licensed specialised bank or a finance company be Rs. 1,000/- ; and
 - (b) any other public company be Rs. 5,000/-.
4. The annual registration fee payable by a registered establishment under section 6 of the Act, shall in the case of—
 - (a) a licensed commercial bank or licensed specialised bank or a finance company be Rs. 5,000/- ; and
 - (b) any other public company be Rs. 25,000/-.
5. The register of a registered establishments kept and maintained under section 5(4) of the Act, shall be in the form set out in the Schedule hereto.

SCHEDULE

**Register of Finance Leasing Establishments registered under the Finance Leasing Act,
No. 56 of 2000**

Serial No.	Name of Institution	Registered Address	Date of Registration	Registration No.	Initials of Officer making the entry	Remarks

FINANCE LEASING ACT, No. 56 OF 2000

Order under Section 1

By virtue of the powers vested in me by Section 1 of the Finance Leasing Act, No. 56 of 2000 I, Chandrika Bandaranaike Kumaratunga, the President and Minister-in-Charge of the subject of Finance and Planning do by this Order appoint August 01, 2001 as the date on which the said Act, shall come into operation.

Sgd. Chandrika Bandaranaike Kumaratunga
President and Minister of Finance and Planning

Colombo, on this 01st day of August, 2001.

FINANCE COMPANIES ACT, No. 78 OF 1988
AS AMENDED BY ACT, No. 23 OF 1991

Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991 and published for general information.

Sgd. A. S. Jayawardena

Chairman

Monetary Board of the Central Bank of Sri Lanka

Colombo, on this 30th day of August, 2001.

DIRECTION

1. This Direction may be cited as the Finance Companies (Interest) Direction No.6 of 2001 and shall apply to every finance company registered in terms of Section 2 of the Finance Companies Act, No.78 of 1988 as amended by the Act, No.23 of 1991 and shall come into operation with immediate effect.
2. (a) The maximum rate of interest which may be paid by any finance company on a deposit accepted or renewed during any quarter shall not exceed –
 - (i) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 3 percentage points if such deposit carries a maturity period of 12 months or less than 12 months ;
 - (ii) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 6 percentage points if such deposit carries a maturity period of more than 12 months.
- (b) The maximum rate of discount which may be allowed by a finance company on the sale, during any quarter, of a bond or other instrument of which the price is less than the redeemable value at maturity shall be such that, the maximum yield on the instrument shall not exceed –
 - (i) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 3 percentage points if such bond or instrument carries a period of maturity of 12 months or less than 12 months ;
 - (ii) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 6 percentage points if such bond or instrument carries a maturity period of more than 12 months.
3. This Direction shall apply only to deposits accepted or renewed or bonds and other instruments sold on or after the date of this Direction.
4. The Finance Companies (Interest) Direction No.13 of 1991 is hereby revoked.