

## Box 13

Major Economic Policy Changes and Measures: 2008<sup>1/</sup>**Real Sector**

- 01 February 2008 - Passenger bus fares were increased by an average rate of 4.6 per cent.
- 30 March 2008 - Electricity tariffs were increased by an average rate of 35 per cent.
- 21 April 2008 - The subsidized loan scheme titled, "Agricultural Livestock Development Loan", targeted to empower the small scale farmers engaged in dairy development projects as well as milk and agricultural crop processing industries, was introduced.
- 25 May 2008 - Private sector and Sri Lanka Transport Board (SLTB) passenger bus fares were increased by an average rate of 27 per cent and 17 per cent, respectively in line with the petroleum price revision.
- 01 June 2008 - Rail fares were increased by different rates within the four zones demarcated by Sri Lanka Railways (SLR).
- 01 July 2008 - On-lending rates of the New Comprehensive Rural Credit Scheme and the Krushi Navodaya Scheme were increased from 8 per cent to 12 per cent.
- 20 September 2008 - A separate Special Credit Guarantee Scheme for Gem and Jewellery industry was introduced.
- 12 November 2008 - Passenger bus fares were reduced by 17.2 per cent in line with the petroleum price reduction.
- 01 December 2008 - A monthly discount of Rs.30 was granted for consumers using electricity less than 90 units per month.
- Railway fares more than Rs.20 were reduced by a range of 10 per cent to 17 per cent.
- 06 January 2009 - Passenger bus fares were reduced by 4 per cent.
- 09 January 2009 - Fuel Adjustment Levy, charged by Ceylon Electricity Board (CEB) for tourist hotels and industries, was removed for the period from January to November 2009.

**Forthcoming**

- Implementing the Poverty Alleviation Micro Finance Project Phase II (PAMP II) scheme aimed at poverty alleviation in conflict affected areas.
- Introducing a comprehensive credit guarantee scheme for the micro, small and medium enterprise (MSME) sector.

**External Sector****Trade and Tariff**

- 01 January 2008 - Surcharge on customs duty was increased to 15 per cent from 10 per cent.
- 09 January 2008 - Instead of customs duty, Value Added Tax (VAT), Ports and Airport Development Levy (PAL), Social Responsibility Levy (SRL) and other charges applicable at the Customs on importation of ten essential food items, a single levy viz., Special Commodity Levy (SCL), was introduced.
- 03 April 2008 - A duty waiver of 23 per cent was granted on the importation of Palm oil and Coconut oil.
- 01 May 2008 - SCL was introduced on the importation of milk powder in addition to the ten food items that announced earlier.
- Ships which are registered under Sri Lankan flag and Commercial Aero Planes were exempted from PAL.
- 25 May 2008 - The duty waiver of Rs. 20 per litre granted on the importation of petrol was removed.
- 25 July 2008 - The duty waiver granted on the importation of Palm oil and Coconut oil was reduced from 23 per cent to 13 per cent.
- 25 August 2008 - Customs duty on the importation of rice was suspended.

<sup>1/</sup> This includes major economic policy changes and measures implemented during 2008 and the first three months in 2009. Policy changes and measures that have been announced and to be implemented in 2009 are also included.

- 16 September 2008
- The SCL on the importation of Potatoes was increased from Rs. 15 per kg to Rs. 20 per kg.
  - Cess of Rs. 15 per litre and Rs. 10 per litre was imposed on the importation of Petrol and Diesel, respectively.
- 07 November 2008
- Import duty on Wheat Grain was increased to 10 per cent from 6 per cent.
  - SCL on the importation of Sugar was increased from Rs.14 per kg. to Rs.16 per kg.
  - SCL on imported milk powder was increased from Rs.5 per kg to Rs.15 per kg.
  - A 5 per cent Cess was imposed on the importation of Wheat Flour and selected categories of Pepper, Vanilla, Cloves and Cardamom.
  - A 15 per cent Cess was imposed on the importation of black gram, kurakkan, sesame seed, household and office furniture and dish washing machines.
  - A Cess of Rs.35 per kg. was imposed on imported rubber latex.
  - A Cess of Rs.4 per kg. was imposed on imported tea.
  - Cess on imported maize was increased from 20 per cent to 25 per cent.
  - A Cess of 20 per cent or Rs.25 per kg. was imposed on selected categories of vegetable.
  - Cess on polythene and plastic was increased from 1 per cent to 5 per cent.
  - Cess on selected categories of fruit was increased from Rs. 40 per kg. to Rs.60 per kg.
  - Cess on imported refrigerators was increased from 15 per cent to 20 per cent.
  - Cess on chocolates and biscuits was increased from 30 per cent or Rs. 40 per kg. to 35 per cent or Rs. 60 per kg, whichever is higher.
  - Cess on sarees was increased from 30 per cent or Rs. 60 per kg. to 30 per cent or Rs. 75 per kg, whichever is higher.
  - Cess on Ayurvedic / herbal products was revised from 30 per cent to 35 per cent or Rs.200 per kg, whichever is higher.
  - Cess on selected categories of paints was increased from Rs. 75 per kg. to Rs. 85 per kg.
  - A Cess of Rs.10 per kg. was imposed on imported salt.
  - Cess on the importation of footwear was increased from 25 per cent or Rs.300 per pair to 30 per cent or Rs.400 per pair.
  - A 10 per cent Cess was imposed on imported cement.
  - Cess on articles of jewellery and parts thereof was reduced from 15 per cent to 5 per cent.
  - Tea packets and tea bags were exempted from export Cess.
  - Raw materials such as copper, silver and raw materials required for manufacturing of leather products were exempted from import duty and VAT.
  - Selected categories of intermediate goods, packaging materials, raw materials and materials used for donor funded projects implemented by Ceylon Electricity Board were exempted from Customs Duty.
  - Customs duty was exempted in respect of items in the residual list under India-Sri Lanka Free Trade Agreement (ISFTA).
  - In respect of the items in the Phasing out List, the preferential column of 20 per cent was waived off under Pakistan-Sri Lanka Free Trade Agreement (PSFTA).
  - Customs duty was exempted on paper and paperboard, machinery for grinding, seed and grain, unbleached woven fabrics of cotton and energy efficient AC compact fluorescent lamps.
  - Customs duty on polyesters was increased from 2.5 per cent to 6 per cent.
  - Customs duty on tyres (used on lorries, motor cars etc.) was increased to 28 per cent or Rs.90 per kg.
  - Customs duty on raw sugar was increased from Rs.10 per kg. to Rs.12 per kg.

	- Customs duty on cement was reduced from 15 per cent to 6 per cent.
	- Customs duty on Air Conditioners was increased from 15 per cent to 28 per cent.
	- Excise duty was imposed on the importation of hearses and gas operated auto trishaws based on the cylinder capacity and year of manufactured.
	- Customs duty waivers of Rs.10 per litre for petrol, Rs.5 per litre for diesel and 5 per cent on wheat grain were granted.
19 November 2008	- Customs duty waiver, granted on the importation of petrol, was suspended.
02 December 2008	- Customs duty waiver, granted on importation of diesel and wheat grain, was suspended.
03 December 2008	- Customs duty on edible oils (Soya-been oil, Olive oil, Palm oil etc.) was increased.
01 January 2009	- PAL rate was increased from 3 per cent to 5 per cent.
	- A concessionary PAL rate of 2 per cent was imposed on some categories of petroleum oils and oils obtained from bituminous minerals, crude oil, organic chemicals, medicaments and selected categories of machines such as extruding, drawing, fibres weaving, knitting, sewing, ironing etc.
	- Selected categories of antineoplastics and immunosuppressive, diamonds, precious stones, silver, gold, platinum etc. were exempted from PAL.
21 January 2009	- SCL on the importation of milk powder was increased from 15 per cent to 35 per cent.

#### Foreign Exchange Management

29 May 2008	- Gem and Jewellery exporters were permitted to freely deal in foreign exchange for their business purposes, through a special foreign currency account maintained in the Domestic Banking Unit of a Commercial Bank.
02 June 2008	- A scheme namely, Special Foreign Investment Deposit Account (SFIDA), both in foreign currency as well as rupee, was introduced to mobilise the funds from citizens of foreign states, Sri Lankan citizens resident outside Sri Lanka, foreign institutional investors and corporate bodies incorporated outside Sri Lanka.
02 July 2008	- All outstanding total balances lying to the credit of existing non-resident blocked accounts as at 1 July 2008 were permitted to be released for outward remittance to the account holder or his legitimate beneficiaries.
	- Outward remittances equivalent to a maximum of US dollars 20,000 per annum, deposited after 1 July 2008 to existing blocked accounts or new blocked accounts opened were permitted to be released.
	- Foreign exchange issued to emigrants from Sri Lanka at the time of their departure from Sri Lanka was raised from Rs.1 million to approximately Rs.15 million (US dollars 150,000) per family/per individual not accompanying a family at the time of departure.
10 July 2008	- A foreign currency deposit scheme titled, Senior Foreign Nationals Fixed Deposit Account (SFNFDA), was introduced to facilitate the decision of the Government of Sri Lanka to grant resident visa to senior foreign nationals (over 55 years) who wish to prolong their stay in the country under the a “Sri Lanka – My Dream Home” Programme.
11 July 2008	- The issuance of foreign currency notes as a part of the travel allowance for Sri Lankans travelling abroad was increased from US dollars 1,000 to US dollars 2,000 or its equivalent in other designated foreign currency.
26 August 2008	- Permission was granted to authorised dealers in terms of provisions of section 7 (a) of Exchange Control Act (ECA) No. 24 of 1953, to make payments to persons resident outside Sri Lanka in respect of purchase of International Sovereign Bonds (ISB) and in terms of provisions of section 11 (2) and 17 (2) of ECA to transfer ISB to persons resident outside Sri Lanka and to trade such ISB among authorised dealers.

- 04 November 2008 - Reporting requirement was introduced to authorised dealers in respect of release of foreign exchange by them for the purpose of travel abroad exceeds US dollars 5,000 or its equivalent in other designated foreign currency per person by the Controller of Exchange.
- 03 December 2008 - The minimum requirement for the opening of Resident Foreign Currency (RFC) account was reduced from the present level of US dollars 500 or its equivalent in other designated foreign currencies to US dollars 100 or its equivalent in other designated foreign currencies.
- The limitation of US dollars 1,000 imposed with regards to acceptance of foreign currency to the credit of NRFC accounts from the immediate family members of NRFC account holders was removed and permission was granted to accept any amount of designated foreign currencies to the credit of NRFC accounts from immediate family members.
- 08 December 2008 - A 100 per cent margin requirement was imposed on the total invoiced value of the goods which will be imported against advance payment terms, by the importer at the time of effecting the remittance.
- 01 February 2009 - The payment of 20 per cent bonus interest in Sri Lanka rupees on the interest paid by the authorised dealers on RFC and NRFC accounts was commenced by the Government of Sri Lanka, with effect from February 01, 2009 in order to promote inward remittance.

### Fiscal Sector

#### Government Revenue

- 01 January 2008 - VAT on following items was reduced from 15 per cent to 5 per cent:
- Import or supply of petrol.
  - Import of electric filament or discharge lamp units, ultra violet or infra-red lamp carbon for the production of films.
- Followings were exempted from VAT :
- Financial services by Co-operative Rural Banks.
  - Supply of goods and services by Co-operative Societies registered under Co-operative Societies Law No. 05 of 1972.
  - Supply of goods or services and import of goods for any project identified as a strategic development project and to specified projects identified by the Minister of Finance and Planning taking into consideration the benefit to the country.
  - Any plant or machinery imported for business purposes by enterprises qualified for tax holidays under *Neganahira Navodaya* program.
  - Supply of locally manufactured sugar, dairy products made out of milk produced in Sri Lanka and products made out of rice produced in Sri Lanka.
  - Import or supply of yarn for textile industry.
- SRL was increased from 1 per cent to 1.5 per cent.
- The 10 per cent subscriber's levy applicable on mobile phones was extended to wireless phones as well.
- Regional Infrastructure Development Levy (RIDL) was increased from 2.5 per cent to 5 per cent and from 7.5 per cent to 10 per cent on motor vehicles depending on the engine capacity and cargo capacity.
- Donations to the *Api Wenuwen Api Fund*, made after 01 January 2008, were allowed in full as a deduction under qualifying payments.
- The current accounts or savings accounts maintained by a Co-operative Society or a Co-operative Rural Bank registered under Co-operative Societies Law No. 05 of 1972 was exempted from debits tax.
- The current or savings accounts maintained by *Api Venuwen Api Fund* were exempted from debits tax.

14 March 2008  
01 April 2008

- Rates applicable under the Stamp Duty (Special Provisions) Act No. 12 of 2006 on any receipt or discharge for any money/property and licensed fees on trade or business for sale of liquor were revised.
- Excise tax on cigarettes was increased.
- Any profits and income including the interest accruing on bank deposits of *Api Wenuven Api Fund* were exempted from income tax.
- The profits and income of Co-operative Societies registered under the Co-operative Societies Law No. 5 of 1972 and Co-operative Rural Banks were exempted from income tax for a period of 5 years.
- The interest on the deposits made by Co-operative Societies including Co-operative Rural Banks with banks or financial institutions was exempted from withholding tax.
- Following changes were made on tax holidays granted:
  - The profits and income from any new investment under Naganahira Navodaya was exempted for a period of 5 years subject to, among other things, the investment is over Rs. 30 million before April 2010.
  - The profits and income of any new undertaking located in any lagging region (any economically backward division determined by the Minister of Finance and Planning) were exempted from income tax for a period of 3 years.
  - Tax holidays that have already been granted under the Board of Investment (BOI) Law or Inland Revenue Act will not be extended further after the expiry.
  - Tax holidays which commence after 01 April 2008 under the Inland Revenue Act or BOI Law were limited for three years maximum and the income tax on profits and income derived after the expiry of such tax holidays on the succeeding years are: first year at 5 per cent, second year at 10 per cent and third year at 15 per cent.
- The income tax exemption applicable to export of gems was extended to profits and income from the export of gems, which were imported in raw form, and cut and polished later.
- A 2.5 per cent income tax was levied on the value of gems sold at auctions conducted under the supervision of the State Gem Corporation.
- Foreign earnings of any profession or vocation or services rendered in or outside Sri Lanka by a company, a partnership or an individual to a person outside Sri Lanka and remit such foreign currency through a bank was exempted from income tax.
- Any dividend paid on or after 01 April 2008, by a non resident company to any resident shareholder, was exempted from income tax if such dividend is remitted to Sri Lanka through a bank.
- Dividend paid on the shares issued to employees of any company as an employment benefit was exempted from income tax provided the Commissioner General of Inland Revenue is satisfied that the scheme for the issue of share is a reasonable one.
- Interest accruing to any resident person on or after 01 April 2008 from any investment made outside Sri Lanka was exempted from income tax if such interest is remitted to Sri Lanka through a bank.
- Interest income earned from providing loans by any bank was exempted from income tax if the full amount of such loan is invested in any new undertaking under the *Naganahira Navodaya*.
- Profits and income of any undertaking for the construction and sale of houses for low income families under a scheme approved by the Urban Development Authority or National Housing Development Authority were exempted from income tax if the floor area does not exceed 500 sq. feet and if sale takes place before 01 April 2013.
- Any profits and income arising or accruing to any company outside Sri Lanka from supply of any plant machinery/equipment to government of Sri Lanka, any public

	<p>corporation, any government institution or to any undertaking for the use of any project approved by the Minister of Finance and Planning, was exempted from income tax.</p> <ul style="list-style-type: none"> <li>- The profits and income arising or derived from outside Sri Lanka to any non citizen individual who is employed in Sri Lanka was exempted from income tax.</li> <li>- Provisions were made to treat non-citizen employees as equal to citizens in Sri Lanka when considering the income tax liability.</li> <li>- Provisions were made not to exceed the income tax rate of 20 per cent on the profits from employment of any Sri Lankan Pilot of any airline licensed under Air Navigation Act.</li> <li>- Capital allowances in respect of ships at 33 1/3 per cent were granted only to the owner of ships.</li> <li>- Any loss incurred of leasing was allowed to be set off only against the profits from leasing business.</li> <li>- The interest income up to Rs. 200,000 from the deposits of senior citizens made in the Co-operative Societies was exempted from income tax.</li> <li>- Any person/partnership who has registered for Economic Service Charge (ESC) was exempted from withholding tax for specified fees, rent, lease or such other payments and royalty, annuity, management fees or other similar payments.</li> <li>- Qualifying payment was given for construction of any high tech cinema hall or modernisation of existing halls as high tech halls subject to a maximum of Rs. 25 million and 10 million, respectively. Further, qualifying payment relief with respect to the production of a film was increased from Rs. 25 million to Rs. 35 million.</li> <li>- SRL charged on personal income tax was terminated.</li> <li>- Following changes were made on ESC: <ul style="list-style-type: none"> <li>- ESC was limited to 0.25 per cent if the turnover of any business comprises of export or earnings in foreign exchange.</li> <li>- ESC rate of export of apparels through buying offices was set as 0.1 per cent.</li> <li>- ESC charged on the sale of liquor and motor vehicles was increased from 0.5 per cent to 1 per cent.</li> <li>- In the case of gems imported in raw form on No Foreign Exchange involued (NFE) basis and cut, polished and exported, the applicable ESC is either be at the rate of 0.25 per cent on the values of goods or 0.1 per cent on the value addition.</li> </ul> </li> <li>- Land transfer tax exemptions were provided for foreigners who invest not less than US dollars 2 million on IT related training institutions, educational institutions and Business Processing Outsourcing (BPO) industry.</li> </ul>
22 April 2008	- Stamp duty on any deed of mortgage of aircraft and ships was exempted.
15 September 2008	- Excise duty on cigarettes was increased.
01 October 2008	- Locally manufactured tea machinery was exempted from VAT.
08 October 2008	- Excise duty on hard liquor was increased by Rs. 57 per proof litre and malt liquor by Rs. 10 per litre.
21 October 2008	- Trade profit and income arising from the sale of any foreign currency denominated sovereign bond issued by the Government of Sri Lanka were exempted from income tax.
30 December 2008	- Excise duty of 5 per cent or Rs. 8 per kg was imposed on Liquefied Petroleum Gas (LP Gas).
31 December 2008	- Excise duty on cigarettes was increased.
01 January 2009	- Nation Building Levy of 1 per cent was imposed on the turnover on imports, manufacturing or services other than on banking and financial sector.
	- Standard VAT rate was reduced from 15 per cent to 12 per cent.
	- VAT threshold was increased to Rs. 650, 000 per taxable period or Rs. 2.5 million per annum.
	- VAT threshold in relation to the registration for Optional VAT was increased to Rs.3 million.

- Locally manufactured surgical gauze used for surgeries was exempt from VAT.
- Ability to claim input tax of VAT paid at luxury rate of 20 per cent was reduced from 15 per cent to 10 per cent.
- Construction work related to Gama Naguma, Maga Naguma, and community irrigation projects carried out through the participation of the community was exempted from VAT.
- Telephone levy of 10 per cent applicable to mobile and codeless telephones was expanded to be applicable to fixed line telephones.
- Importation of buses on or after 09 July 2008 to replace the buses destroyed due to terrorist activities was exempted from VAT.
- Importation of brass sheet, brass ingots, thread, dyes, paraffin wax and shellac by the National Craft Council was exempted from VAT.
- Importation of selected categories of Solar panel modules and accessories for the generation of Solar power energy were exempted from VAT.
- Importation of chemical naphtha by the Ceylon Petroleum Corporation (CPC) to be supplied to CEB for the generation of electricity was exempted from VAT.
- The period given for producing VAT claims for input tax credits on customs declarations related to importation of goods was extended up to 2 years.

### Forthcoming

01 April 2009

- Revising personal income tax rates as follows.
 

(1) up to Rs. 300,000	- Nil	(2) next Rs. 400,000	- 5 per cent
(3) next Rs. 400,000	- 10 per cent	(4) next Rs. 400,000	- 15 per cent
(5) next Rs. 500,000	- 20 per cent	(6) next Rs. 500,000	- 25 per cent
(7) next Rs. 500,000	- 30 per cent	(8) balance	- 35 per cent
- Revising Withholding tax rates on interest on deposit as follows.
 

(1) up to Rs. 300,000	Nil
(2) Rs. 300,001- Rs. 1,000,000	2.5 per cent
(3) Rs. 1,000,001 and above	10 per cent
- Exempting interest income on loans granted by Lady Lahore Loan Fund to employees of the government institutions from income tax.
- Exempting 50 per cent from the profit arising to a writer from sale of a book and to a producer from staging of a drama from income tax for a period of one year from publishing of that book or staging of that drama.
- Exempting royalty received by a singer on the broadcasting or telecasting of a song from income tax.
- Extending income tax incentives of five years given for upgrading of a cinema to a period of 7 years.
- Charging a tax at the rate of 20 per cent on profit from employment of a professional employee working for a company or partnership based in Sri Lanka, provided such employee is remunerated in foreign currency.
- Applying SRL in relation to income tax payable by companies under the respective provisions of the Inland Revenue Act.
- Making provisions to collect Construction Industry Guarantee Fund Levy as a withholding tax, at the time of withholding income tax under section 153 of the Inland Revenue Act, from the persons engaged in the construction industry.
- Increasing the annual maximum ESC liability of Rs.60 million for large businesses to Rs.120 million.
- Reducing the income tax on profit from export of tea packets containing not more than 1 kg. in a packet to a concessionary rate of not exceeding 15 per cent.

**Government Expenditure**

- 01 July 2008 - Government employees, whose monthly salary is less than Rs. 22,000, received Rs. 625 as Cost of Living Allowance (COLA) in addition to the already agreed amount of Rs. 375.
- 18 July 2008 - The payment of COLA was extended to cover the employees of State Corporations, Statutory Boards and fully owned Government Institutions who have not been included for the payment of such or similar allowance previously.
- 11 November 2008 - Following measures were taken with effect 11 November 2008 from to curtail public expenditure during the balance period of 2008.
- Freeze all the supplies and services, which are not committed up to November, with immediate effect.
  - Stop all the constructions, which are not started up to November, and purchase of capital goods including machinery, equipment and vehicles.
  - Not to create any additional commitment on recurrent expenditure.
  - Defer incurring of all other recurrent and capital expenditures.
- 30 December 2008 - An Economic Stimulus Package with an estimated cost of Rs.16 billion was introduced by the government with a view of easing the impact on the economy from the global financial crisis.
- 01 January 2009 - COLA of public sector employees was increased by Rs.1,000 per month.  
- COLA of pensioners was increased by Rs. 2,000 with a monthly increase of Rs.560.

**Debt Management**

- 06 May 2008 - Foreign investment in Treasury bills was permitted to Non-Resident Sri Lankans, citizens of foreign states, corporate bodies incorporated outside Sri Lanka and foreign institutional investors not exceeding 10 per cent of the outstanding Treasury bill stock.
- 23 May 2008 - Eligibility criteria on foreign investment in rupee denominated Treasury bonds were amended by including foreign country funds, mutual funds and regional funds.
- 08 December 2008 - The statutory limit applicable for Treasury bills was increased by the Parliament from Rs.375 billion to Rs.500 billion.
- 01 January 2009 - The Master Repo Agreement which can be commonly used by Primary Dealers and Licensed Commercial Banks (LCBs) was implemented.
- 09 January 2009 - Rupee denominated Treasury bill and Treasury bond market was opened up for Sri Lankan Diaspora and Migrant Workforce.

**Forthcoming**

- 2009 - Implementing the first stage of Primary Dealer diversification programme.

**Financial Sector**

- 01 January 2008 - Commercial Banks were required to apply the Standardised Approach for credit risk, Standardised Measurement Method for market risk and the Basic Indicator Approach for operational risk under Basel II.
- 22 February 2008 - The Central Bank restricted the availability of Reverse Repurchase Facility (RRF) to a particular bank only up to three (3) times per calendar month at the prevailing Central Bank Reverse Repo Rate (Policy Rate) and made available at a penal rate of 19 per cent in addition to the above facility when there is a liquidity shortage or liquidity is broadly in balance.
- 10 March 2008 - Sri Lanka Savings Bank Ltd. commenced its operations.
- 31 March 2008 - A direction was issued to Registered Finance Companies (RFCs) lowering premium that can be offered by the RFCs on deposits to narrow down the interest rate margin to reduce the cost of funds and in turn lending rates of RFCs.



23 April 2008	-	An amendment was made to the Direction on Corporate Governance for licensed banks that were issued in December 2007 for expanding the transitional provisions with a view to further facilitating a smooth transition by banks to the new Directions.
08 May 2008	-	A revised Direction on Classification of Loans and Advances, Income Recognition and Provisioning was issued by incorporating several new provisions with the objective of further strengthening the banks' credit risk management.
26 May 2008	-	New policies relating to establishment of branches by LCBs were introduced. Accordingly, banks are required to establish at least two branches outside the Western Province for each new branch established in the Western Province.
29 May 2008	-	The Road Map for the full implementation of International Accounting Standing (IAS) by 01 January 2011 was issued, requiring banks to comply fully with the IAS from 2011, with a parallel run commencing from June 2008.
15 August 2008	-	An amendment to the Direction on Corporate Governance for banks was introduced by replacing the direction issued on 23 April 2008 incorporating the provisions of the Order of 08 July 2008 of the Supreme Court.
18 August 2008	-	System Rules of the LankaSettle were amended to introduce a Personal Computer Based Payment and Securities Settlement System (PC Based System) as an alternative settlement system to be used in the event of a prolonged, unrecoverable LankaSettle application event.
20 August 2008	-	The Central Bank authorized LCBs to invest in the international sovereign bond, issued by the Government of Sri Lanka in 2007, in the secondary market.
05 September 2008	-	Annual license fee for LCBs and Licensed Specilised Banks (LSBs) was increased to Rs. 500,000 and Rs. 200,000, respectively for the year 2009.
25 September 2008	-	The Monetary Board named three companies and individuals who were carrying on finance business in contravention of the Finance Companies Act No. 78 of 1998.
02 October 2008	-	Central Bank extended the availability of RRF to a particular bank from three (03) times to six (06) times per calendar month at the prevailing Central Bank Reverse Repo Rate (Policy Rate).
03 October 2008	-	Draft guidelines on integrated risk management were issued to the banking industry for their comments and suggestions.
08 October 2008	-	Banks were requested to pay special attention to strengthen Customer Due Diligence and Know Your Customer Procedures to mitigate the risk arising through the use of banking system by institutions and persons not authorised to accept deposits.
10 October 2008	-	Draft guidelines on outsourcing activities of banks were issued in consultation with the banking industry to improve the risk management processes of banks.
15 October 2008	-	Central Bank extended the availability of RRF to a particular bank from six (06) times to ten (10) times per calendar month at the prevailing Central Bank Reverse Repo Rate (Policy Rate).
	-	A circular was issued to all Participatory Institutions of the Cheque Imaging and Truncation (CIT) system, stipulating deadlines (31 March 2009 for Western Province and 30 June 2009 for all other Provinces) to migrate to the system where the cheque images captured at the collecting bank to be submitted on a compact disk, as an interim arrangement before moving towards direct connectivity where the cheque images and the information could be transmitted on line to LankaClear.
17 October 2008	-	Central Bank reduced the Statutory Reserve Ratio (SRR) by 75 basis points from 10.00 per cent to 9.25 per cent.
29 October 2008	-	The shut down time of the Real Time Gross Settlement System (RTGS) was advanced by 15 minutes due to system upgrades and improvements. Accordingly, effective from 03 November 2008, the shut down time of the RTGS System is 5: 00 p.m.
31 October 2008	-	A margin deposit requirement was imposed on selected commodities imported under documents on acceptance (DA) terms. Banks were also requested to obtain a deposit of not less than 100% of the value of forward contracts for the sale of foreign exchange.

06 November 2008	- Banks were requested to refrain from publishing misleading and unethical advertisements in order to enable the general public to understand clearly the nature of the products and the effective interest rates applicable.
28 November 2008	- Central Bank reduced the SRR by 150 basis points from 9.25 per cent to 7.75 per cent.
05 December 2008	- Asian Clearing Union (ACU) Agreement and Procedure Rules were amended permitting member countries to process the transactions either in US dollars or in Euro within the ACU mechanism with effect from 01 January 2009. Accordingly, new operating instructions were issued to all LCBs.
29 December 2008	- The margin deposit requirement against the opening of Letters of Credit (LCs) on importation of Motor vehicles was increased to 200 per cent from 100 per cent.
31 December 2008	- Bank of Ceylon was appointed by the Central Bank to carry on the business of Seylan Bank under a new Board of Directors appointed by Bank of Ceylon.
30 January 2009	- Finance Companies (Corporate Governance –Amendment) Direction No 4 of 2008 was issued.
11 February 2009	- In view of the setback in global economic activities and their impact on the tourism industry, banks were requested to grant concessions to those institutions in the tourism industry.
27 February 2009	- Central Bank's Repurchase and Reverse Repurchase rates were reduced by 25 basis points to 10.25 per cent and 11.75 per cent, respectively.
18 March 2009	- The penal rate of interest charged on Reverse Repurchase transactions was reduced by 50 basis points to 16.50 per cent.
	- Central Bank reduced the SRR by 75 basis points from 7.75 per cent to 7.00 per cent.
	- The penal rate of interest charged on Reverse Repurchase transactions was reduced by 175 basis points to 14.75 per cent.
	- The margin deposit requirement against the opening of LCs on the importation of Motor vehicles was reverted from 200 per cent to 100 per cent.
	- The 100 per cent margin requirement imposed on selected commodities imported under DA terms was removed.
<b>Forthcoming</b>	- Implementation of an integrated risk management framework for banks.
	- Issuing guidelines on compilation of maturity gap analysis and introducing regulatory limits on negative mismatches in gaps in the assets and liability maturity profiles.
	- Initiating draft guidelines on Pillar II of Basel II.
	- Fully implementing part IX (Sections 72 to 76) of the Banking Act on Abandoned Property.
	- Formulating a framework for consolidated supervision.
	- Introducing a model to rate banks to identify risks and provide early warning signals.
	- Continuing the work on preparing the banking industry to adopt the new accounting standards on financial instruments (SLAS 44 and 45).