

MAINTAINING DOMESTIC PRICE STABILITY

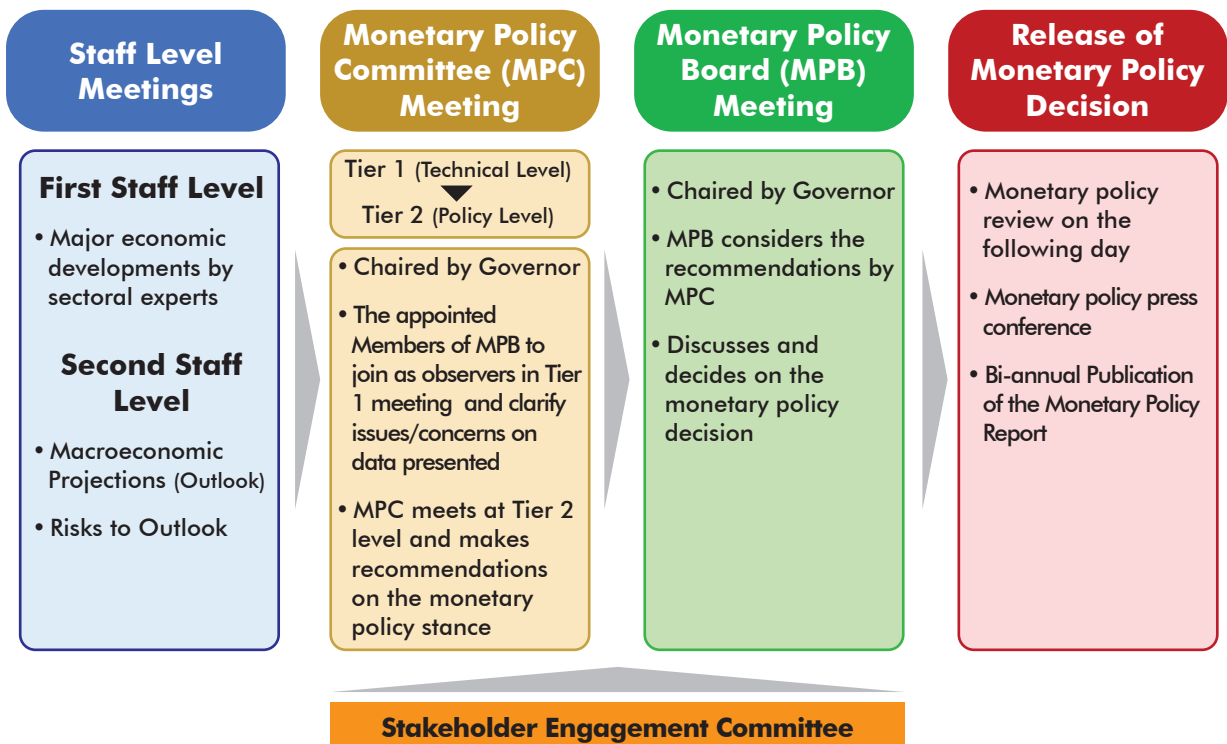
As per the Central Bank of Sri Lanka Act No. 16 of 2023 (CBA), enacted in September 2023, the primary objective of the Central Bank is to achieve and maintain domestic price stability. In this regard, the Monetary Policy Board of the Central Bank is charged with the formulation of monetary policy and implementation of a flexible exchange rate regime in line with the flexible inflation targeting framework (FIT). FIT aims at maintaining inflation at the targeted levels as determined in the Monetary Policy Framework Agreement (MPFA), while supporting economic growth to reach its potential. The current MPFA between the Government and the Central Bank of Sri Lanka, which was published in the Government Gazette on 05 October 2023, requires the Central Bank to maintain inflation at 5 per cent. In terms of operational aspects of

this framework, the Central Bank uses its policy instruments to guide short-term interest rates, particularly the Average Weighted Call Money Rate (AWCMR), to be consistent with the policy stance to achieve the inflation target.

Conduct of Monetary Policy

The Central Bank pursued a tight monetary policy stance until June 2023. However, as inflation moderated faster than expected, the Central Bank commenced easing of the monetary policy stance in June 2023, and continued to relax monetary policy during the latter half of the year as clear signs were evident of demand-driven inflationary pressures remaining subdued. A detailed description of the conduct of monetary policy and its effects is provided in the Annual Economic Review-2023 of the Central Bank.

Monetary Policy Decision Making Process



The Central Bank continued compiling, monitoring, and analysing trends and developments in the monetary, external, real, and fiscal sectors of the economy as well as global economic trends, while producing projections and forecasts to facilitate proactive monetary policy decisions. Near-term forecasts for inflation and Gross Domestic Product (GDP) with forward looking analysis using data and information collected through traditional and non-traditional methods were used to ensure data driven decision making, while model-based and indicator-based forecasts were produced using relevant inputs from various sources. These forecasts were detailed and discussed at regular monetary policy rounds, which include several rounds of staff-level discussions, followed by meetings of the Monetary Policy Committee (MPC) that would make recommendations on the appropriate monetary policy stance to the Monetary Policy Board (previously, to the Monetary Board), to facilitate monetary policy decision-making.

As per the Section 83 of the Central Bank of Sri Lanka Act, No. 16 of 2023, a Council is to be established to coordinate the fiscal policies of the Government and the monetary and financial system stability policies of the Central Bank (Coordination Council). The Governor of the Central Bank, who also acts as the Chairperson, and the Secretaries to the Treasury and the Ministry of the Minister assigned the subject of Economic Policy (in the event that such subject is assigned to a Minister other than the Minister of Finance) serve as members of the Coordination Council. The Coordination Council is required to meet quarterly to exchange views on recent macroeconomic developments, outlook, and risks. Accordingly, the inaugural meeting of the Coordination Council was held on 07 November 2023.

Meanwhile, in order to broaden the engagement with key stakeholders of the economy into the monetary policy formulation process, the Central Bank held quarterly meetings of the Stakeholder Engagement Committee, which consists of a cross section of stakeholders, including eminent professionals, academics, and private sector personnel.

Monetary Policy Communication

The monetary policy communication strategy of the Central Bank in 2023 focused on clear and concise communication to improve public and other stakeholder understanding of matters pertaining to monetary policy formulation and implementation thereby enabling them to make decisions which would have a bearing on the achievement of the Central Bank's primary objective of achieving and maintaining domestic price stability. Thus, monetary policy communication forms a critical component of the Central Bank's FIT monetary policy framework, helping anchor inflation expectations through greater transparency and credibility. Clear communication of policy objectives and decisions, expectations, forward guidance, and constant engagement with stakeholders helped shape expectations during 2023, which was a very difficult year with heightened uncertainties.

As per the statutory requirement, the Central Bank published the Annual Report of the Central Bank for 2022, in all three languages in April 2023. Further, the Central Bank continued to disseminate economic and financial information through daily, weekly, and monthly indicators and bulletins and the online data library available on the Central Bank website. The Central Bank commenced publishing the Monetary Policy Report (MPR) for the first time in July 2023,

highlighting and explaining recent movements in inflation, sources of inflation and medium-term projections for inflation as well as key risks to such projections. The publication of this bi-annual report became mandatory following the enactment of the CBA in September 2023.

Eight press releases on Monetary Policy Reviews were issued during 2023, informing the public of the monetary policy stance, while facilitating the monetary policy review press conferences and livestreaming of the same enabling a wide outreach of real time monetary policy communications. As a way of improving the clarity in communication and to provide the outlook for inflation, the Central Bank continued the publication of inflation fan charts in its monetary policy reports, monetary policy review press releases, and press releases on inflation. Publication of inflation outlook is expected to guide inflation expectations of the public, thus supporting the achievement of the inflation target over the medium-term.

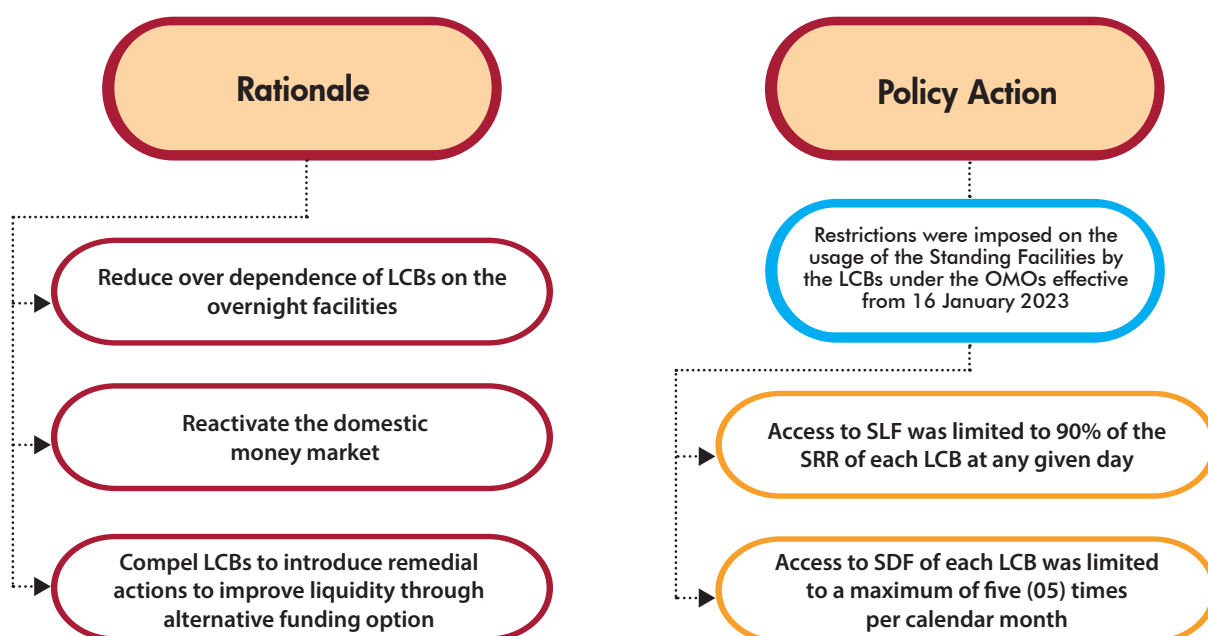
The Central Bank, with its resource personnel, facilitated webinars coordinated by the Regional Offices of the Central Bank to enhance the outreach following monetary policy announcements, and conducted awareness programmes on economic developments, monetary policy and other Central Bank functions throughout the year.

Further, providing data for the IMF's Special Data Dissemination Standard (SDDS) ensured the dissemination of data pertaining to all sectors of the economy as per the published Advance Release Calendar. In addition, the Central Bank ensured dissemination of data and information to the international agencies in a timely manner.

Monetary Operations

As stipulated in Section 31 of the CBA, the Central Bank carries out Open Market Operations (OMOs) to achieve the domestic price stability objective of the Central Bank, in line with the adopted monetary policy stance. Accordingly, in

Imposing Restrictions on Standing Facilities



implementing monetary policy, the Central Bank regularly infused liquidity through overnight and term reverse repo auctions under the OMOs since mid-April 2023, on a need basis ensuring certainty on the availability of liquidity. Further, outright purchases of Treasury bonds were carried out through auctions to inject liquidity on a permanent basis. In addition to regular OMOs, special liquidity facilities were provided to certain licensed banks to strengthen their liquidity positions. The Standing Facilities were provided to Participatory Institutions (PIs), which were unable to fulfill their short-term liquidity requirements through the money markets and the daily OMO auctions.

Restrictions on the availability of the Standing Facilities were imposed in January 2023. Accordingly, the usage of Standing Deposit Facility (SDF) was limited to a maximum of five (05) times per calendar month, while the Standing Lending Facility (SLF) was limited to 90 per cent of the Statutory Reserve Requirement (SRR) of each LCB on any given day. The Central Bank has removed the above mentioned restrictions on the usage of the SDF with effect from 01 April 2024, considering the improvements in liquidity conditions and domestic money market activities.

Further, the Central Bank continued to administer and monitor the compliance of LCBs with the SRR, which determines the reserves that each LCB should maintain, in proportion to the total average rupee deposit liabilities of the respective bank, in their settlement account with the Central Bank, in terms of Section 32 of the CBA.

Domestic Foreign Exchange Market Operations

The Central Bank is vested with powers to determine and implement the exchange rate policy of the country whilst being entrusted

with the responsibility of engaging in foreign exchange (forex) operations with LBs and various other domestic and foreign counterparts.

The Central Bank discontinued the daily guidance given to the market since 07 March 2023 and revoked the Operating Instructions (OIs) issued to Licensed Banks (LBs) on "Managing Intraday Volatility of the Exchange Rate" on 12 May 2022, considering the improvement of the forex liquidity in the market. This measure also supported the requirement under the IMF-EFF arrangement. Moreover, in March 2023, the Central Bank proceeded with the revocation of OIs issued to LBs on mandatory sale of forex to the Central Bank and discontinued the acquisition of forex, voluntarily surrendered by LBs to facilitate the import of coal and fuel. Thereafter, a significant trend of appreciation of the exchange rate with occasional volatility was observed during the first half of 2023. In this context, the Central Bank actively engaged in monitoring and guiding the domestic forex market, while curtailing the excessive volatility in exchange rate and augmenting the Gross Official Reserves (GOR).

The second half of 2023 witnessed some upward pressure on the exchange rate because of heightened demand for forex from LCBs to cover the shortfall in foreign currency due to rupee settlement of Sri Lanka Development Bonds (SLDBs) under the DDO. With effective communication by the Central Bank with LBs and other stakeholders, coupled with prompt interventions through the provision of forex to the market when required to curtail any undue pressure, a noticeable stabilisation of the exchange rate was observed. Meanwhile, to facilitate the absorption of the exchange of SLDBs into LKR denominated bonds as per DDO, measures were taken to temporarily revise the

Net Forex Open Position (NOP) limits applicable to respective LBs on a case-by-case basis in 2023.

In terms of dissemination of information on the developments of exchange rate, the Central Bank, recommenced to publish the indicative exchange rate for the US dollar along with indicative exchange rates for other selected world currencies from March 2023, instead of the previously published middle exchange rate with a prescribed variation margin. The Central Bank also published the average Telegraphic Transfer (TT) buying and selling exchange rates of selected LBs against LKR for nine major currencies on a daily basis.

The enactment of the CBA in September 2023 asserts the Central Bank's role of maintaining a flexible exchange rate regime. The flexible exchange rate regime allows the exchange rate to be determined by the market demand and supply conditions. The Central Bank intervention in the domestic forex market is limited to smoothing excessive volatility in the exchange rate and to building GOR as appropriate.

Foreign Reserves Management

The Central Bank is entrusted with the responsibility of holding as well as prudently and effectively managing official international reserves of the country, consistent with international best practices and the rules made by the Governing Board having regard to the safety, liquidity and return objectives, as empowered by the provisions of the CBA. In 2023, international reserves were managed in accordance with a model based scientific framework stemming from the asset and liability structure whilst assessing performance on a total return approach including the financial

risks covering credit and market risks, ensuring compliance with Investment Policy Statement (IPS), Strategic Asset Allocation (SAA) and Investment Guideline (IG) relating to international reserve management activities.

Owing to the steady pace of growth in international reserves during 2023, the Central Bank re-commenced the investment activities of international reserves, which had been restrained during the previous two years amidst constrained forex liquidity levels. Moreover, the Central Bank faced many challenges in dealing with the international financial markets due to the adverse sovereign rating profile of the country leading to foreign counterparts discontinuing their trading lines for Sri Lanka. Amidst these difficulties, banking on the rapid restoration of macroeconomic stability in the economy with the support of the IMF programme, the Central Bank exerted extensive efforts to reinstate the reserve management function in full force with a view to reaping possible benefits from the global high interest environment with due regard for liquidity and safety concerns. Accordingly, investment activities were expanded mainly to the fixed income securities and money market products, whilst adding a twist of sustainable financing to the investment portfolios, in line with the current momentum of international capital markets.

Compilation of Data for Monetary Policy Decision Making

The Central Bank collects forward-looking data through primary and secondary sources, which are used as inputs in compiling economic indicators to provide timely information for the data-driven decision-making process. Structured surveys are the main source of obtaining primary data, while secondary data is collected

from external institutions. In terms of primary data collection and usage, the Central Bank continued to compile a wide array of forward-looking indicators using data collected through regular business surveys including, Purchasing Managers' Index (PMI) Surveys, Business Outlook Survey (BOS), Condominium Market Survey (CMS), Credit Supply Survey (CSS), Credit Demand Survey (CDS), and other surveys including the Inflation Expectations Survey (IES) and the Annual Public Sector Employment Survey. Moreover, the Country Wide Data Collection System (CWDCS) continued its operation in 2023, with the engagement of Teacher Investigators (TIs) to collect retail prices of consumer goods, producer prices of agricultural commodities and building materials, daily wages of the informal sector workers, inflation expectations, and retail sales volumes of selected categories of goods, thereby providing timely inputs for the Central Bank's policymaking processes. Further, asking price indices for real estate properties and vehicles, and formal and informal sector wage rate indices are also compiled along with regional statistics such as Provincial Gross Domestic Product.

Moreover, the Central Bank automated the compilation of several weighted average interest rates, while the lead time for the compilation of monetary data was reduced, which improved the availability and timeliness of data for monetary policy decision making in 2023. Also, to assess and ensure the transmission of monetary policy, bank wise data on lending interest rates was tracked closely on a regular basis, and appropriate actions were taken to enhance passthrough and banks' compliance, whenever the required market adjustments fell short of the Central Bank's expectations. In addition to the above, the Central Bank continued with its in-depth analysis of credit extended to the private

sector monthly to assess the transmission of monetary policy into the financial markets and the real economy. To understand the usage of credit, sectoral analyses of credit distribution were conducted on a quarterly basis, which provided useful information for decision-making purposes. Furthermore, the Central Bank continued to compile a range of high frequency indicators covering several key segments of the economy, including energy, agriculture, manufacturing, ports, and telecommunications, among others, to gauge the pace and trajectory of economic activity in the near to medium term, which supported the monetary policy decision making process. During the year, the Central Bank accomplished significant progress in the implementation of the International Transactions Reporting System (ITRS), to collect and compile granular level information on cross border foreign currency transactions that take place through the banking sector. With the current level of completion of the ITRS, more comprehensive reports are now available for policy making. The ITRS would enrich BOP statistics by making more detailed and accurate data available on service sector inflows and outflows, which improves the availability and timeliness of data.

Way Forward

Following the commencement of monetary policy easing in June 2023, the Central Bank continued its easing cycle amidst low levels of demand-driven inflationary pressures and anchored inflation expectations. Continuation of the accommodative monetary policy stance may be warranted as the economy is operating below potential. However, monetary policy stance will continue to be data-driven and adjust appropriately as new data becomes available.

To improve the transmission of monetary policy and signaling of the monetary policy perspective, the Central Bank is considering adopting a single policy interest rate, instead of the current mechanism of two policy interest rates. The Central Bank is also expecting to enhance the effectiveness of statutory reserve requirement framework following international best practices. Further, the Central Bank is expecting to develop an advanced user-friendly infrastructure for smooth functioning of OMOs. Moreover, It will continue to improve its in-house modelling and forecasting capacity by streamlining the model-based Forecasting and Policy Analysis System (FPAS).

The continuation of the flexible exchange rate regime is anticipated to support trade competitiveness and external sector stability in the coming years, as well as medium-term economic stability. The discussions with the ACI Financial Markets Association and market participants are expected to enable the Central Bank to implement the FX Global Code (FXGC) in the domestic forex market by the end of 2024. The purpose of implementing the FXGC in the domestic foreign exchange market is to provide a common set of guidelines to promote a robust, fair, liquid, open, and appropriately transparent market, in which market participants can confidently and effectively transact at competitive prices that reflect available market information.

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

ENSURING FINANCIAL SYSTEM STABILITY

The Central Bank is tasked with the crucial objective of ensuring the stability of the financial system, as mandated by the CBA. A robust financial system is instrumental in aggregating savings and channeling them towards productive investments, effectively managing risks, and facilitating seamless payment settlements. Importantly, it should be able to withstand economic shocks and stressful circumstances without significantly impacting economic growth and the welfare of the populace. This pivotal role contributes to fostering an enabling environment for efficient financial intermediation, thereby stimulating investments, and fostering economic growth.

Preserving Financial System Stability in 2023

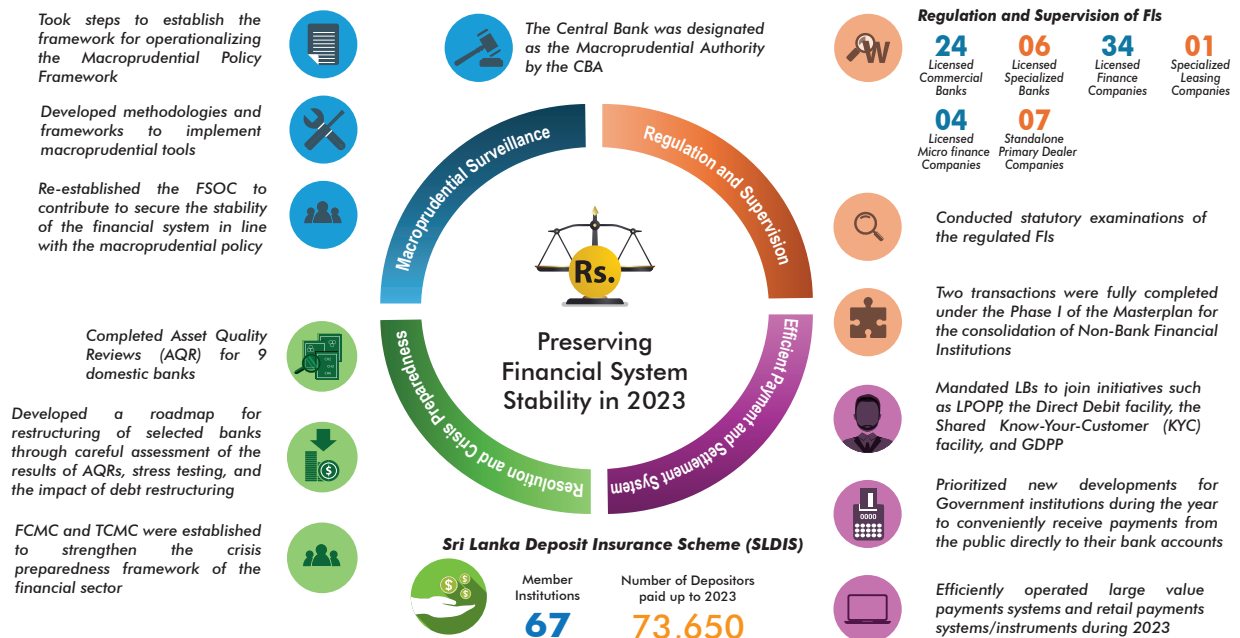
Amidst multifaceted challenging conditions such as macroeconomic adversities, external debt standstill, and domestic debt optimization (DDO) in 2023, the country's financial system faced

significant strain. However, the Central Bank prioritised preserving financial system stability through enhanced crisis preparedness and management. It effectively steered the financial system by implementing policies to bolster resilience, maintaining vigilant oversight, and regulating financial institutions. The holistic and proactive approach by the Central Bank ensured financial system stability enabling the financial system to safely navigate through numerous challenges that transpired during 2023.

Mitigating Risks Emanating from the Economic Crisis and Enhancing Crisis Preparedness

The Central Bank actively engaged with IMF and other multilateral agencies such as the World Bank and the Asian Development Bank on implementing necessary reforms to ensure stability of the financial system.

Preserving Financial System Stability in 2023



The Central Bank made a significant contribution to the DDO programme in 2023 which was announced by the Ministry of Finance to meet the debt sustainability targets agreed under the IMF-EFF. In this process, preserving financial system stability was prioritized and timely and effective communications assisted in ensuring public confidence in the financial system. Further, independent Asset Quality Reviews (AQRs) for 9 domestic banks which account for more than 90 per cent of the domestically owned bank assets, were completed during 2023. Further, the Central Bank developed a roadmap for restructuring and capital enhancement of selected banks through careful assessment of the results of AQRs, forward-looking stress testing based on macro-financial scenarios, and the impact of domestic and external debt restructuring followed by a recapitalization strategy to meet the potential capital shortfalls. The completion of the AQR and the Recapitalization Roadmap ensures a well-capitalized banking system towards ensuring financial system stability. Furthermore, the Central Bank is in the final stage of enacting the amendments to the Banking Act which was another structural benchmark under the IMF-EFF program, with the view to further strengthen and streamline the provisions of the existing Banking Act, No. 30 of 1988, and to ensure that the provisions thereof are in line with the international standards. In this regard, the approval in principle for the key amendments to the Banking Act was obtained from the Cabinet of Ministers in June 2023. Further, the consultation paper on the amendments to the Banking Act was issued in the second half of 2023 for the observations and comments of the relevant stakeholders. Amendments to the Banking Act were drafted in the later part of 2023 incorporating the stakeholder comments, as appropriate.

The Financial Sector Crisis Management Committee (FCCMC) and the Technical Committee on Financial Sector Crisis Management (TCCMC) were established with the officials of both the Central Bank and the Ministry of Finance, to strengthen the crisis preparedness framework of the financial sector. The objectives of these committees are identifying potential systemic crisis in the financial sector and its effects on the real economy, thereby addressing issues, minimising the possible damages to the financial sector while providing support through inter-agency coordination and communication.

Continuous Supervision and Regulation of Financial Institutions

The Central Bank was vigilant on resilience of the financial institutions (LBs, Licensed Finance Companies (LFCs), Specialised Leasing Companies (SLCs), Licensed Micro Finance Companies (LMFCs) and Primary Dealer Companies (PDCs)) regulated and supervised by the Central Bank to ensure financial system stability amidst prevailing macroeconomic challenges. During 2023, the Central Bank issued Directions, Determinations, and Circulars on prudential and regulatory requirements.

During 2023, the Central Bank conducted statutory examinations of LBs under risk based consolidated framework. Further, spot examinations were conducted on several LBs, inter-alia, to verify matters relating to customer complaints, corporate governance, verification of LKR liquidity positions and concerns over the FX transactions of exchange houses. Moreover, the Central Bank conducted statutory examinations of LFCs and PDCs during 2023 and recommendations on key supervisory concerns and the Time Bound Action Plans to rectify such

concerns were communicated to the respective companies for necessary corrective actions. Further, spot examinations were also conducted on LFCs to assess the process of submission of regulatory information via the FinNet system. The Central Bank intensified continuous supervision of financial institutions under its purview during 2023 through close monitoring of early warning indicators and reporting, to ensure safety and soundness.

Further, the Central Bank examined the operations of Authorised Money Brokers who perform an intermediary role in the money, domestic foreign exchange and Government securities markets to ensure their ethical conduct in the process of efficient price discovery. Moreover, the Central Bank conducted on-site supervision and off-site surveillance to ensure the smooth functioning of the services of Payment Cards and Mobile Payment Systems and continued to monitor the compliance of the Mobile Payment Application Providers with the Guidelines issued on minimum compliance standards for payment-related mobile applications that ensures mobile payment and banking apps to meet specific security requirements to minimize risks of using mobile payment applications when conducting financial transactions.

Masterplan for the Consolidation of Non-bank Financial Institutions

The Central Bank implemented a Masterplan in 2020 for the consolidation of Non-Bank Financial Institutions aimed at creating robust and resilient LFCs/SLCs over the medium term. This initiative is driven by the goal of safeguarding the interests of depositors within the sector and ensuring the overall stability of the financial system. Under

Phase I of the Masterplan, two transactions were fully completed during 2023.

Establishing the Macroprudential Authority

The Central Bank is designated as the Macroprudential Authority of Sri Lanka under the CBA by expanding the Central Bank's mandate and scope in securing financial system stability. Macroprudential policy measures enhance the resilience of the financial system by mitigating systemic risk, thereby reducing the likelihood of a financial crisis that could exacerbate an economic downturn and lead to significant welfare losses.

With the enactment of the CBA, the Central Bank took steps to operationalize its macroprudential mandate. This included establishing the framework of operationalising the macroprudential mandate in line with international best practices, tailored to the domestic context. Accordingly, a rigorous review of current macroprudential approaches was conducted and steps were taken to re-establish the Financial System Oversight Committee (FSOC) and the Macroprudential Surveillance Department (MSD) with updated mandates in line with the CBA.

The Central Bank continued updating the systemic risk monitoring processes by expanding the surveillance arena and adapting the stress testing processes to evaluate the realized or possible impact of challenging macrofinancial conditions that transpired.

The CBA has equipped the Central Bank with powers and a set of tools which could be utilised to achieve its macroprudential objectives of maintaining the resilience of the financial

system. Therefore, the Central Bank developed methodologies and frameworks to implement macroprudential tools such as the Counter Cyclical Capital Buffer (CCyB), Loan to Value (LTV) ratio on housing loans and Debt Service to Income (DSTI) ratio. The Central Bank will implement these tools when macrofinancial conditions turn favourable for the introduction of such policies, or conditions in the financial system warrant the implementation of such tools in the future.

Effective communication of financial stability policies highlighting the main objectives and elements of such policies and/or changes to policies introduced from time to time is important. Further, clear communication of financial stability aspects can facilitate market participants to assess market risks with reliable information, which improves understanding of financial sector developments resulting in behavioural changes that support financial stability. Therefore, the Central Bank formulated an effective strategy to communicate macroprudential policies and other aspects of financial stability. Accordingly, the Central Bank published the Financial Stability Review (FSR) and conducted a press conference in launching the FSR and Financial Soundness Indicators (FSI) in 2023.

Efficient and Smooth Operation of Payments and Settlement Systems

The payment and settlement systems of the country were operated smoothly and efficiently during the year 2023. The Central Bank efficiently operated large value payments systems such as Real Time Gross Settlement System (RTGS) and retail payments systems/instruments including the Common Electronic Fund Transfer Switch (CEFTS) for instant interbank transfers, Lanka Pay

Online Payment Platform (LPOPP) which enables customers to pay government institutions directly from their bank accounts, LANKAQR and JustPay for payments through linking multiple bank accounts to any JustPay enabled mobile app.

The Central Bank prioritized new developments for Government institutions and corporate entities during the year to conveniently receive payments from the public directly to their bank accounts, instantly. Since many Government institutions, especially at local government level, do not possess internal IT systems presently, LankaPay (Pvt) Ltd, under the guidance of the Central Bank has implemented the Government Digital Payment Platform (GDPP), to enable such institutions to receive payments digitally from the public. To further improve the adoption of digital transaction channels, the Central Bank mandated LBs to join initiatives such as LPOPP, the Direct Debit facility, the Shared Know-Your-Customer (KYC) facility, and GDPP.

Enhancing the Resolution Framework and Sri Lanka Deposit Insurance

A sound resolution framework coupled with a deposit insurance scheme enhances the public confidence in the financial system and are crucial in ensuring stability of the financial system. Therefore, the Banking (Special Provisions) Act, No. 17 of 2023 (BSPA) which defines the resolution authority and powers of the Central Bank was enacted in 2023. The BSPA introduced financial safety net mechanisms, new resolution measures to be implemented in consultation with the Government and included provisions for establishment of a separate department within the Central Bank to exercise its Resolution Authority. Extension of the resolution measures

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

which are applicable for LBs to LFCs, as and when appropriate, is also enabled under the BSPA.

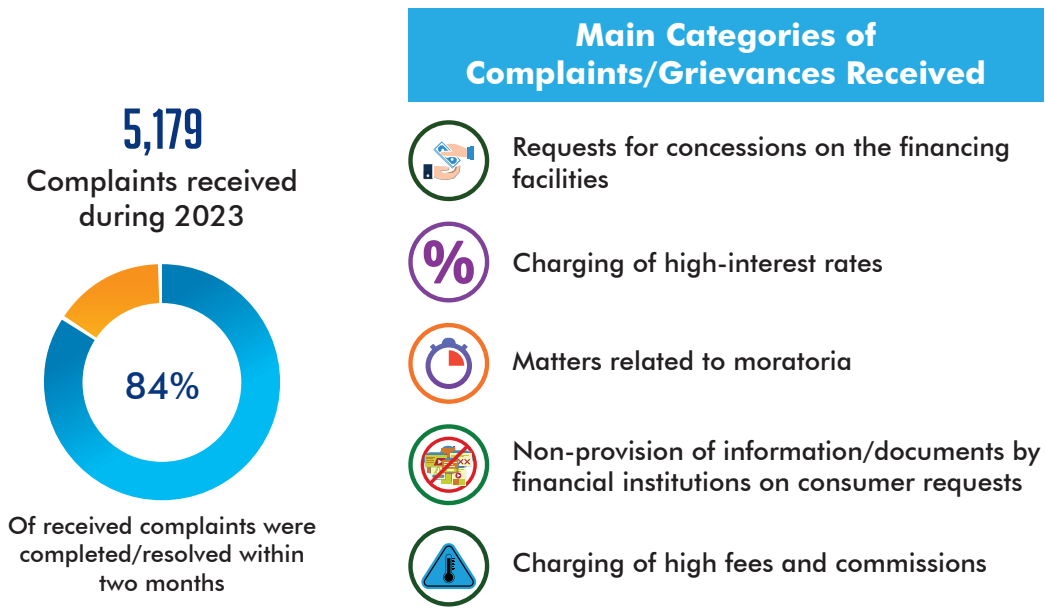
The Sri Lanka Deposit Insurance Scheme (SLDIS) was legally instituted through the BSPA, to uphold public confidence in the financial system and to promote and contribute to the stability of the financial system. As at end 2023, the SLDIS comprised 67 member institutions. The Central Bank has launched a web page named 'the Sri Lanka Deposit Insurance Scheme' including frequently asked questions (FAQs) to improve public awareness on deposit insurance. Further, measures were taken to initiate establishment of fiscal backstop funding arrangements with the Ministry of Finance, while making necessary adjustments to strengthen the organizational structure of SLDIS. Overall, up to end 2023, SLDIS has paid Rs. 31 billion to 73,650 depositors

of LFCs whose licenses have been cancelled. The quantum of compensation paid was 87.9 per cent of the total insured value of Rs. 35.3 billion.

Enhancing Financial Consumer Protection

In 2023, the Central Bank implemented measures aimed at protecting financial consumers and fostering fair and ethical practices among financial service providers. Notably, in August 2023, the Central Bank issued comprehensive regulations on the Financial Protection Framework. These regulations establish a robust framework for safeguarding the interests of financial consumers. Additionally, such regulations provided the Central Bank the requisite authority to carry out market conduct supervision an effective mechanism for protecting the interests of financial consumers.

Handling of Customer Complaints and Inquiries



The Central Bank maintains a Contact Centre with a dedicated Hotline facility and tri-linguistic capacity to answer telephone inquiries of the public



57,498 | Telephone inquiries were answered with a very high response rate

Throughout 2023, the Central Bank continued to address complaints and grievances raised by financial consumers, providing an alternative dispute resolution avenue aimed at facilitating amicable settlements between concerned financial institutions and affected parties. Over the course of the year, the Central Bank processed a total of 5,179 complaints and grievances. Furthermore, the Central Bank operates a Contact Centre equipped with a dedicated Hotline facility and trilingual capacity to address telephone inquiries from the public. In 2023, the Contact Centre fielded more than 57,000 telephone inquiries, boasting an impressively high response rate.

Investigating Unauthorised Finance Business and Prohibited Schemes

Unauthorized finance business and prohibited schemes pose significant challenges to public confidence in the financial system. Therefore, the Central Bank continued to monitor such developments and take prompt actions against such schemes. During 2023, the Central Bank handled 143 investigations on unauthorized deposit taking and financing businesses based on the complaints and information received. Further, the Central Bank obtained extensions in 2023, from the High Court of Colombo for freezing orders issued under Section 44 of Finance Business Act with respect to 4 investigations. Moreover, the Central Bank obtained orders from the relevant Magistrate Courts to suspend overseas travel of concerned parties of 8 entities subject to investigations. In addition, the Central Bank concluded 8 investigations in relation to prohibited schemes in 2023, and reports were forwarded to the Attorney General's Department for necessary legal actions. Further, to raise awareness and prevent public victimization, the

Central Bank issued press notices as and when required and conducted awareness programs for school children, law enforcement authorities and the public across the country.

Sustainable Finance Activities of the Central Bank

During the year 2023, the Central Bank engaged in a series of activities related to the implementation of the Roadmap for Sustainable Finance in Sri Lanka. Subsequent to the issuance of Sri Lanka Green Finance Taxonomy in 2022, a need for building capacities in the financial sector was raised as a timely intervention. Hence multiple programmes were conducted in 2023, with the collaboration of international agencies such as UNESCAP, IFC and SBFN. Further, as an initiative to address the need of the regulated financial institutions in clarifying the technical issues related to the Green Finance Taxonomy, the Central Bank appointed an external panel of experts with technical expertise in the sectors identified by the Taxonomy. Sri Lanka became the twentieth member on the International Platform for Sustainable Finance (IPSF) represented by the Central Bank, which is an international platform for developing capacity in the area and learn from the member country experiences at multiple discussion forums being organised by the Platform. Moreover, the Central Bank continued to work closely with international agencies, and other relevant stakeholder groups both locally and globally in promoting sustainable financing initiatives in the country.

Details of development of the financial sector is given in the section of Financial Sector Developments of the Annual Economic Review 2023.

Way Forward

The Central Bank will ensure the financial system stability while continuously contributing to the economic recovery of the country. Supervision and regulation of financial institutions will be further strengthened by the Central Bank through issuing, reviewing, and amending prudential regulations in line with the domestic and international regulatory & market developments and best practices. Further, it is expected to strengthen the risk-based supervision through improving Bank Sustainability Rating Indicator and continuous surveillance by intensifying early warning and monitoring framework of the Central Bank.

In addition, Phase II of the Masterplan of non-bank financial institutions will be implemented by the Central Bank in the medium term to ensure long term sustainability of vulnerable and small to medium scale LFCs.

The Central Bank will closely follow-up with the financial institutions to support the expansion of digital payments in an efficient, safe and stable manner and continue conducting public awareness sessions on digital payment systems/

methods during the year 2024, since lack of digital financial literacy in the country has created a major challenge to persuade customers to shift away from cash usage in payments.

Moreover, it is expected to implement the regulations and market-conduct supervision gradually, ensuring a smooth transition for all stakeholders. Further, plans are underway to extend the reach of the financial consumer awareness campaign through mass media channels in 2024, ensuring widespread dissemination of crucial information to consumers across Sri Lanka.

Appropriate macroprudential instruments will be introduced by the Central Bank when conditions warrant to mitigate any buildup of systemic risk, so that the resilience of the financial system will be enhanced. The Central Bank will continue to update the macroprudential approach to keep abreast of international best practices in macroprudential surveillance and policy formulation.

The detailed outlook of the financial sector is given in the section of Domestic Economic Outlook of the Annual Economic Review 2023.

PROMOTING A PROGRESSIVE AND INCLUSIVE FINANCIAL SYSTEM

The current policy focus of financial inclusion is broader than merely providing easy and affordable access to financial products and services. It has transitioned from the traditional perspective of increasing access to finance to a more holistic approach, which also involves enhancing the quality of financial services. This policy shift was recognized by the country's very first national level policy framework to promote financial inclusion: "National Financial Inclusion Strategy of Sri Lanka" (NFIS 2021-2024), introduced as a multi-stakeholder effort led by the Central Bank and being implemented in collaboration with the relevant national level stakeholders.

Promoting Financial Inclusion in 2023

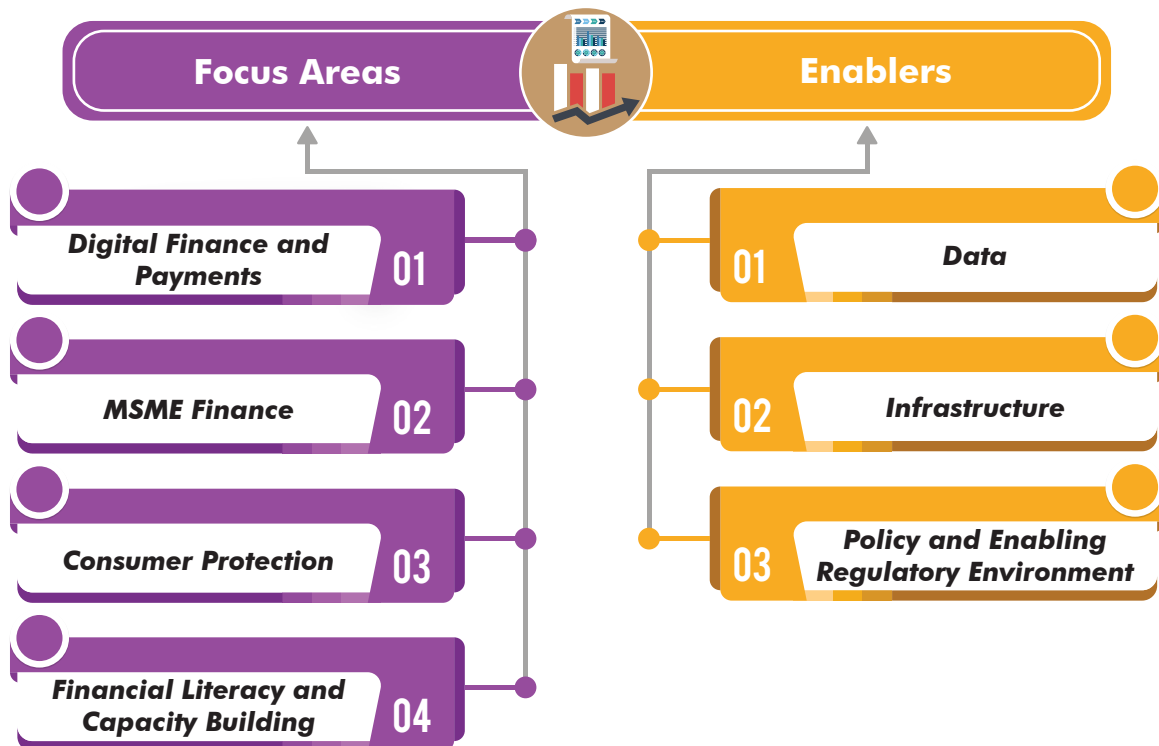
The year 2023 marked the 3rd year of implementation of the NFIS launched in

2021 with an aspiring vision of "Better Quality Inclusion for Better Lives", where all individuals and enterprises in Sri Lanka are well-informed and have fair, and equitable access to a range of high-quality, appropriate, secure, and affordable financial products and services, thereby contributing to economic growth and improving living standards.

The Central Bank collaborated with 20 national level stakeholders to implement the Action Plan of the NFIS, which is focused on four key thematic areas. The NFIS Action Plan consists of 80 actions designed to achieve 26 broad financial inclusion objectives. As of the end of 2023, the overall level of performance of the Action Plan is identified as 75.9 per cent.

In 2023, the Central Bank further enhanced the strategic orientation guided by the NFIS towards promoting the financial system to support a more

Focus Areas and Enablers of the National Financial Inclusion Strategy of Sri Lanka



digitalized, diversified, inclusive, and financially resilient economy. Reinforcing this long-term venture, "Promoting Financial Inclusion" was recognized as a statutory responsibility of the Central Bank by the CBA.

Advancing Digitalisation in Financial Services

Being entrusted with the responsibility of ensuring the safety, efficiency and reliability of the payment and settlement systems, the Central Bank undertook and implemented many initiatives in the country's digital journey to contribute towards a more inclusive and progressive financial system. These initiatives evidently increased public confidence of cashless transactions and growth in transactions of electronic retail payment systems and instruments.

In addition to the initiatives taken in line with the Government's Digital Economy Agenda, in 2023, LBs were directed to enable real-time transaction notifications, facilitate digital transactions in remote areas, promptly update credit card settlements through digital channels, and enforce mandatory reference fields for digital transactions. Moreover, LBs acting as Financial Acquirers were instructed not to pass the Merchant-Discount-Rate (MDR) to customers, as this practice tends to deter payment card usage, emphasizing consumer convenience and affordability in digital transactions.

International Collaborations of LankaPay

The Central Bank granted approval for LankaPay to join with several regional and country payment networks authorized and regulated by the respective country or authority. Facilitating this process, the Central Bank informed all

LBs to enable LANKAQR merchants to accept payments from mobile applications linked to international payment networks.

While increasing the outreach of digital payment systems, the Central Bank further focused on ensuring safety and resilience in Payment Systems. Accordingly, the Central Bank initiated proactive measures to address growing consumer concerns surrounding digital transactions. This included the introduction of a trilingual web form to collect feedback on potential risks in payment services, highlighting transparency and accountability. Additionally, to tackle fraud risks in mobile app transactions, the Central Bank mandated LBs facilitating "JustPay" transactions to enforce extra security measures, such as One-Time Passwords (OTPs) for transactions exceeding Rs. 10,000.00 aiming to bolster consumer confidence and safety in high-value mobile payments.

In 2023, the Central Bank carried out the financial inclusion product risk assessment as a part of the National Risk Assessment with the aim of assessing the risk of Money Laundering and Terrorist Financing arising from existing as well as emerging financial inclusion products.

During the year 2023, e-KYC guidelines were issued to promote financial inclusion. Further, the Central Bank is in the process of incorporating the necessary amendments to Financial Transactions Reporting Act, including provisions to conduct simplified due diligence for low-risk customers/products.

Enhancing Access to Financial Products and Services

Efficient and effective access to financial services provided by formal institutions is a pre-requisite for an inclusive financial system.

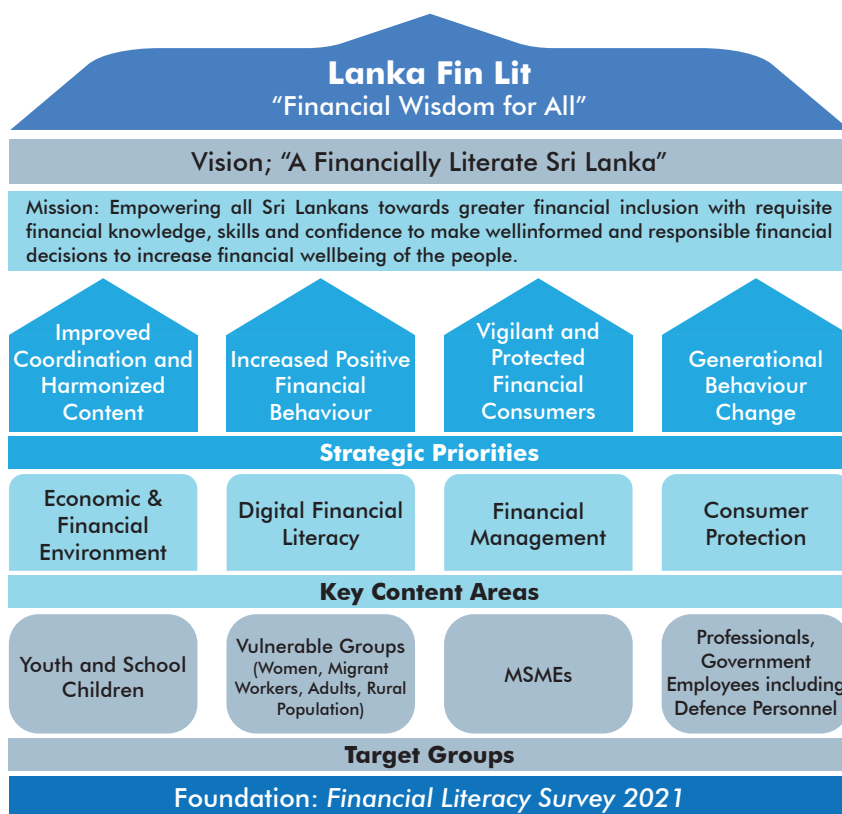
In response to the need of financially excluded and underserved segments, the Central Bank persistently promotes and facilitates the Registered Financial Institutions to open new bank branches, student savings units and self-service machines such as Automated Teller Machines, Cash Deposit Machines and Cash Recycling Machines in rural and unbanked areas.

To support the individuals and Micro, Small and Medium Entrepreneurs (MSMEs) adversely affected by the macroeconomic conditions, LFCs and SLCs were requested to grant appropriate financial concessions on a case-by-case basis considering credit worthiness of the customers. In August 2023, interest rate caps were imposed on certain Sri Lanka Rupee denominated products of LBs.

Empowering Sri Lankans through Enhanced Financial Literacy

During the year 2023, the Central Bank conducted a number of programs to uplift the financial literacy of the public. These included comprehensive media campaigns, which were tailored to educate public on budgeting, investing, credit and debt, planning for savings and retirement, digital means of payments, navigating financial institutions and products and their rights and responsibilities in the financial landscape. Furthermore, the Central Bank conducted several capacity-building programs and technical assistance programmes aimed at relevant stakeholders including the registered financial institutions.

Framework of the Financial Literacy Roadmap



Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

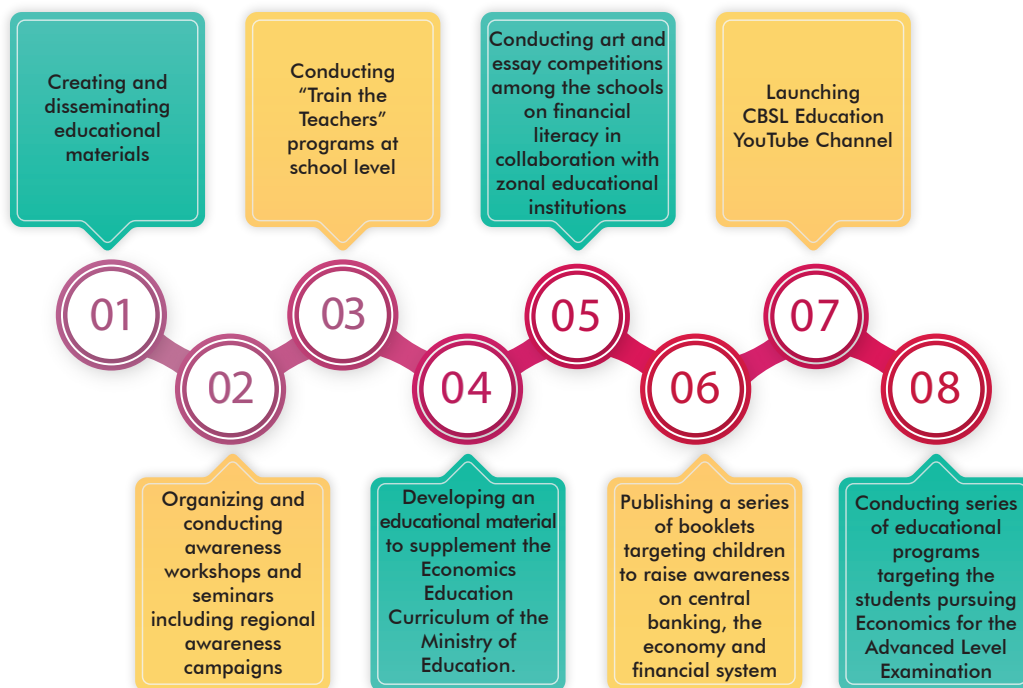
In order to streamline the existing financial literacy efforts by different stakeholders, the Financial Literacy Roadmap of Sri Lanka (the Roadmap), led by the Central Bank in collaboration with multiple stakeholders, was developed as a part of the NFIS. This groundbreaking initiative provides evidence-based guidance to all stakeholders involved in financial literacy with the primary objective of enhancing the financial behavior and capabilities of Sri Lankans, enabling them to take more informed financial decisions. The Financial Literacy Roadmap of Sri Lanka will be launched during the first half of 2024 with the inspiring vision of “Financially Literate Sri Lanka”. To operationalize the Roadmap, a comprehensive Action Plan was developed by the stakeholders for a period of 5 years starting from 2024.

The Central Bank, under its Communication Strategy, promoted financial literacy and nationwide empowerment through various electronic and digital media platforms. Having identified the importance of real time feedbacks and the profound impact, Central Bank extensively utilized the social media platforms to enhance the Central Bank's outreach and to deliver of specific messages to various segments of the public more effectively.

Way Forward

In the backdrop of Central Bank being vested with the statutory obligation to promote financial inclusion under the CBA, the path ahead is very promising for advocating more financial inclusion initiatives at national level touching across both supply and demand side of the financial sector. Continuous integration with national development policy objectives, adaptation

Communication Strategy of the Central Bank to Improve Financial Literacy Landscape of Sri Lanka



to the changing financial environment and financial needs, strengthening partnerships and implementing of robust mechanisms for monitoring and evaluation are the prospects of the Central Bank.

The implementation of the NFIS Phase I will be completed by the end of 2024. By evaluating the overall progress and the impact, the Central Bank anticipates formulating and implementing the NFIS Phase II from 2025 onwards, with special

focus on "Inclusive Green Finance" to support mitigating and building resilience against the negative impacts of climate change.

The Action Plan of the Financial Literacy Roadmap will be operationalized from mid-2024 to fulfill the persistent need of creating a financial behavior change among Sri Lankans by improving financial literacy to make informed financial decisions and to be financially resilient.

Supplementary
Information

Governance

Managing the
Bank

Role of the Bank

Financial Statements

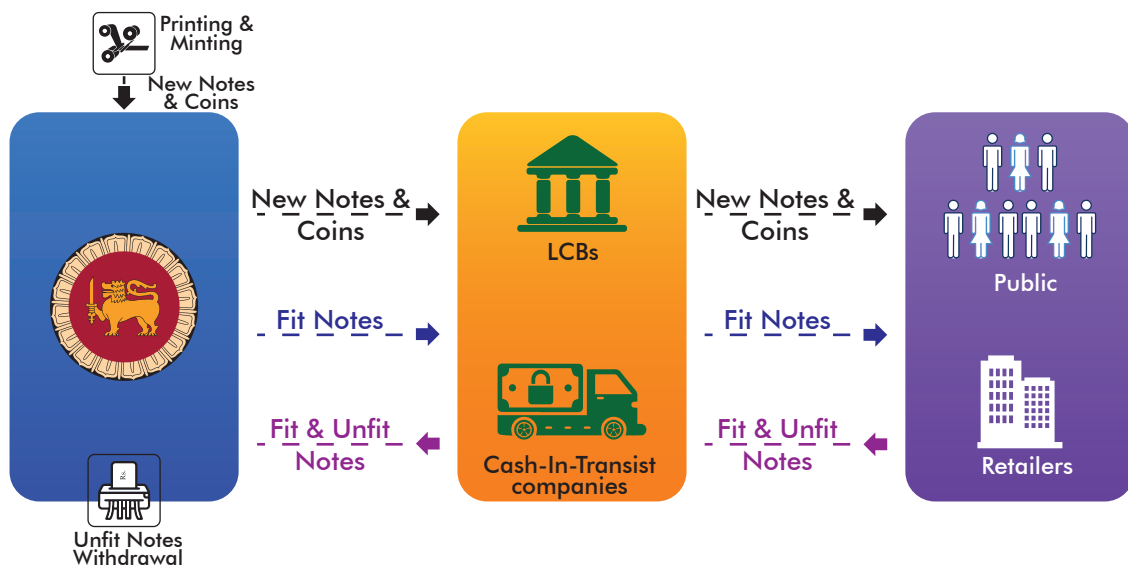
MANAGING CURRENCY OPERATIONS

The Central Bank has been given the sole authority under the CBA to issue and manage the currency of Sri Lanka. The Currency Department (CRD) of the Central Bank is entrusted with the responsibility of currency management: a process which involves managing the entire 'lifecycle' of currency from the stage of planning to issuing and handling of currency notes and coins deposited at the Central Bank by Licensed Commercial Banks. Along with this responsibility, falls the onus to maintain a suitable standard for the currency notes in circulation and thereby process and withdraw currency that does not meet the standard. The Central Bank also advocates counterfeit deterrence through law enforcement authorities and the courts. Therefore, the Central Bank works closely with LCBs and relevant authorities to maintain a smooth currency management process.

Accordingly, the Central Bank placed orders for 250 million pieces of new currency notes in 2023. The Central Bank issues stocks of currency notes and coins to the LCBs upon their request, directly or through authorized Cash-In-Transit (CIT) companies. During the year 2023, the Central Bank issued currency notes for the value of Rs. 469.28 billion and coins for the value of Rs. 571.95 million into circulation. The Central Bank continued to maintain adequate reserves at several secure vaults as a contingency measure and to ensure the availability of sufficient stocks.

In 2023, the Central Bank accepted guarantee deposits of serviceable (fit) and unserviceable (unfit) currency notes from LCBs to the value of Rs. 311.49 billion. These deposits are accompanied

Managing Currency Operations



Currency Operations

As the sole issuer of currency, the Central Bank must ensure the availability of a sufficient supply of notes and coins to meet public demand.

with a guarantee letter issued by LCBs agreeing to correct any discrepancy identified when counted in the presence of the officers of the respective bank.

ANNUAL OPERATIONAL DATA – CURRENCY NOTES

	Rs. 5,000	Rs. 1,000	Rs. 500	Rs. 100	Rs. 50	Rs. 20	Total
Issues (Rs. bn)	375.23	66.51	20.17	6.08	0.71	0.58	469.28
Deposits (Rs. bn)	229.28	60.14	15.26	5.45	0.89	0.47	311.49
Destruction (Rs. bn)	28.15	34.55	10.24	5.44	0.91	0.47	79.76

ANNUAL ISSUING DATA – COINS

Denomination	Rs. 10	Rs. 5	Rs. 2	Rs. 1	Total
Issues (Rs. mn)	425.44	104.33	22.88	19.30	571.95

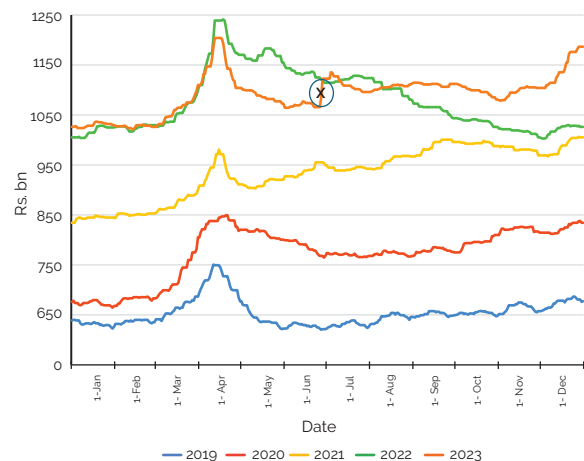
The Central Bank processes currency note deposits using several currency processing machines. During this process, currency notes are authenticated and sorted according to the fitness standards set by the Central Bank. Currency notes that do not meet the sorting standards would be deemed unfit and withdrawn from circulation. In 2023, the Central Bank destroyed unfit currency notes for the value of Rs. 79.8 billion.

Currency in Circulation

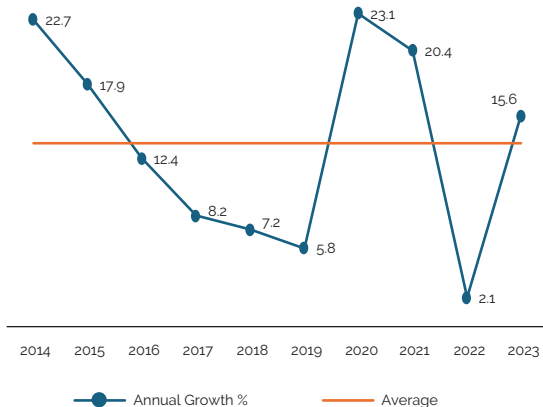
Sri Lanka's Currency in Circulation (CIC) grew by 15.6 per cent to Rs. 1,186.5 billion in 2023 compared to 2.1 per cent growth in 2022.

Apart from the usual seasonal variations in April and December, a noteworthy spike has been reported which could be attributed to the Domestic Debt Optimisation program of the Government of Sri Lanka in July 2023.

CIC Movements from 2019 to 2023



Annual Growth of CIC



Combating Counterfeiting

The Central Bank works with the relevant authorities, specifically the Counterfeit Currency Bureau of the Criminal Investigation Department (CID), to minimize the spreading of counterfeit notes in the country and preserve public confidence in the Sri Lankan Rupee.

In 2023, there were 1,769 counterfeit notes detected. The current rate of detection of counterfeit notes is 1.4 notes per million notes in circulation, indicating a significantly low level of incidence compared to the global average of 15 notes per million notes. The Central Bank has issued 97 certificates as conclusive evidence for the imitation of currency notes to facilitate court proceedings in terms of Section 57 of the CBA and attended 11 court cases relating to counterfeiting during the year.

In addition, the Central Bank also periodically conducts awareness campaigns for the public, school students and law enforcement officials, to enhance knowledge on the identification of counterfeit notes and promote good handling practices to maintain the quality of currency in circulation.

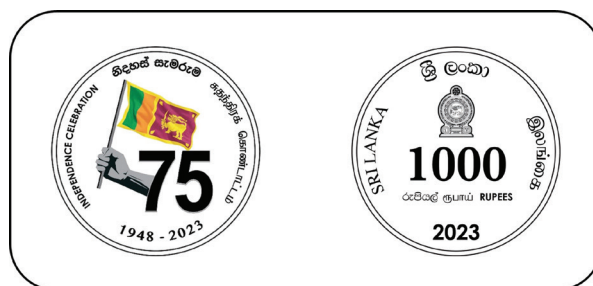
Commemorative Coin Issuance

The CBA has given the authority to the Central Bank to issue commemorative coins and notes to mark significant events and/or people who have contributed to the betterment of the country, with the approval of the Minister of Finance.

- **Celebrating the 75th Anniversary of Sri Lanka Regaining Independence**

In 2023, the Central Bank issued a commemorative coin to celebrate Sri Lanka's 75th anniversary of regaining independence. The issued coin was an

uncirculated commemorative coin with a face value of Rs. 1000 minted by the Royal Dutch Mint of the Netherlands. These coins were sold at a price of Rs.6,000 per coin from 09 March 2023 onwards through the Central Bank Cash Counters, Economic History Museum and the Central Bank Regional Offices.



Way Forward

The Central Bank plans to revamp its existing currency operations to address several operational shortcomings. This revamping project includes increasing the currency note processing capacity by means of acquiring new equipment, improving operational efficiency by streamlining processes, introducing new software systems, and enhancing the safety and security standards in operational areas. The project is expected to be completed by the year 2025.

INTERNATIONAL ENGAGEMENTS

In 2023, the Central Bank focused its foreign engagements mainly on financial sector stability and reforms, fortifying the financial sector safety net, acquiring technical assistance and exchanging knowledge.

Program for Financial Sector Stability and Reforms

Under the Financial Sector Stability and Reforms Programme, which adopts a policy-based loan modality with two subprograms of US dollars 200 million each, the Central Bank and the Asian Development Bank (ADB) collaborated to ensure the necessary flexibility and to properly sequence reforms while implementing multi-year policy reforms during a crisis. Additionally, the ADB has consented to provide technical support to the Central Bank to fortify the resolution structure.

Project to Strengthen the Safety Net for the Financial Sector

With emphasis on the Sri Lanka Deposit Insurance Scheme (SLDIS), the World Bank, the Central Bank, and the Government of Sri Lanka are working together on the Financial Sector Safety Net Strengthening Project. In January 2024, a loan agreement was signed for US dollars 150 million in finance for this project. The project's goal is to increase SLDIS's institutional and financial capacity in accordance with global best practices for effective deposit insurance systems.

Currency SWAP Agreements with Central Banks

A Special Swap Agreement was signed with the Reserve Bank of India for US dollars 2.6 billion in October 2023, in addition to the rolling over of the swap arrangement with the People's Bank of China.

Financial Stability Board (FSB) Regional Consultative Group for Asia (RCG Asia)

The Governor of the Central Bank, and the Chief Executive of the Hong Kong Monetary Authority (HKMA), co-chaired the meeting of the FSB Regional Consultative Group for RCG Asia which convened on 29 November 2023 in Hong Kong SAR. Vulnerabilities stemming from non-bank financial intermediation, the increasing nexus between sovereigns and banks in certain emerging market and developing economies, and strategies to regulate and supervise crypto-asset related risks effectively were extensively discussed at the meeting. Members exchanged insights on identifying, monitoring, and mitigating these risks, expressing appreciation for the FSB's sustained efforts to bolster financial system resilience.

Alternate Executive Director of the IMF

Central Bank officers continued to serve as the Alternate Executive Director of the IMF in recognition of their extensive expertise in macroeconomic policies, and international economic affairs. With a deep understanding of the intricacies of central banking and a proven track record of effective leadership, the officer is well-equipped to represent the interests of the constituency comprising Sri Lanka, India, Bangladesh, and Bhutan on the global stage. This appointment reflects the IMF's confidence in the Central Bank's ability to contribute valuable insights and perspectives to discussions on global economic and financial policies.

Supplementary
Information

Governance

Managing the
Bank

Role of the Bank

Financial Statements

International Cooperation on Sustainable Finance

As the Secretariat for the implementation of the Sustainable Finance Roadmap, Macroprudential Surveillance Department of the Central Bank engaged in a series of bilateral, multilateral engagements during 2023 with agencies including UNESCAP, IFC, SBFN, UNDP, EU, and the International Platform for Sustainable Finance (IPSF). These engagements were mostly aimed at developing and implementing policy frameworks for sustainable financing in the country and building technical and regulatory capacities of the financial sector for undertaking sustainable finance activities in their respective financial institutions. Moreover, Sri Lanka became the 20th member of IPSF which is a platform for sharing knowledge on sustainable finance. Sri Lanka was also featured as 'Emerging markets best practice case study' by SBFN for developing sustainable finance roadmap and an officer participated at the Sustainable Finance Week held in Mongolia in June 2023 to share the Sri Lankan experience.

Engagement with International Rating Agencies

The Central Bank engaged with international rating agencies, i.e., Moody's, S&P and Fitch, to provide them with comprehensive economic data and policy updates required for their reviews. This engagement is essential for regaining Sri Lanka's access to global capital markets by allowing such rating agencies to accurately assess Sri Lanka's creditworthiness and risk profile. These efforts play a crucial role in attracting foreign investment and maintaining investor confidence in Sri Lanka's economy.

Elevated Degree of Global Involvement by the Governor

During the IMF and the World Bank Spring and Annual meetings in April and October 2023, respectively, the Governor of the Central Bank and the delegation had productive discussions with the IMF, the World Bank, and rest of the international community on bilateral and multilateral basis.

The Governor served as the co-chair of the Regional Consultative Group (RCG) for Asia of Financial Stability Board (FSB) and attended the meeting in Hong Kong in November 2023.

The Governor shared his experience in managing the Sri Lankan economy during the crisis as well as the Bank's views on the outlook for the economy at several international fora, including the 14th South Asia Economic Summit in Bangladesh, the Marrakesh Economic Festival on Sovereign Debt Distress in the Global South in Morocco, the Kautilya Economic Conclave in India, the Economic Dialogue in Germany, and the High-Level Seminar on "Climate Issues" in Thailand. Further, the Governor delivered keynote speeches in the virtual events organized by the Federation of Indian Chambers of Commerce and Industry, HSBC and the Oxford Global Society.

The Governor consistently engaged with various diplomats to deliberate on the country's experiences with economic crises, assess the extent of recovery, and bolster international relations.

A delegation of Sri Lanka headed by the Governor, in his capacity as the Chairman of the NCC, and three senior officials of the FIU attended the 2023 APG Annual Plenary held in July 2023 in Vancouver, Canada. The Governor

held discussions with several multilateral AML/CFT technical assistance (TA) providers in relation to furthering TA in Sri Lanka.

Enhancing Technical Knowledge and Gaining Hands-on Experience

The Central Bank partnered a Knowledge Partnership Programme (KPP) with the Bank of Korea (BOK) in 2023 through a study on "Money Market Development in Sri Lanka". Gaining practical experience and improving technical knowledge of international best practices in money market operations were made possible by this research project.

The IMF South Asian Research and Technical Assistance Centre (SARTTAC) provided a Technical Assistance (TA) Mission on 'Introducing Improvements to the Liquidity Forecasting Framework of the Central Bank of Sri Lanka' in 2023, with the objective of enhancing technical knowledge on the liquidity forecasting framework, which will strengthen the monetary policy implementation process in Sri Lanka.

The Central Bank received TA from the IMF on operationalising the macroprudential mandate of the Central Bank, as per the CBA and development and calibration of macroprudential tools.

In addition to these initiatives, the Central Bank has benefited from numerous other TA programs.

International Seminars, Conferences, Workshops, and Training Sessions

The Centre for Banking Studies (CBS) conducted a SEACEN course on "New Tools in Supervisory Monitoring and Examination" in Colombo in June 2023.

For the fourth consecutive year, the Central Bank organised a joint annual international research workshop in collaboration with the Asian Development Bank Institute (ADBI) and Asia Pacific Applied Economic Association (APAEA) focusing on emerging issues for macroeconomic stability in October 2023. At this workshop, the Central Bank staff presented three research papers prepared jointly with researchers from APAEA.

The Central Bank through the CBS and in collaboration with the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) and the European Supervisor Education Initiative (ESE) organized a virtual seminar on "Pillar 2 and Stress Tests," exclusively for its officers.

A virtual training in collaboration with Deutsche Bundesbank was conducted by the CBS on "Automation, Digitalization, and Sustainability Concerning Cash Management," exclusively for the Central Bank officers.

Two special programmes on "Achieving Excellence in Branch Management" for KFA Business School in Nepal and an overview of the functioning of the Central Bank of Sri Lanka for officers of Nepal Rastra Bank were conducted.

In addition, four senior officers of the FIU participated as assessors of Mutual Evaluations (MEs) for Lao PDR, Nepal, Brunei and Timor-Leste. Another two FIU officers are currently engaged in country assessments of Nauru and the Republic of the Marshall Islands being nominated as external reviewers for the ME of these countries.

REGULATING AND SUPERVISING OF FOREIGN EXCHANGE TRANSACTIONS

The Central Bank, as the agent of the Government, is responsible for implementing the provisions of the Foreign Exchange Act, No. 12 of 2017 (FEA), which came into effect on 20 November 2017 to ensure the proper promotion and regulation of foreign exchange in Sri Lanka. Accordingly, the Central Bank facilitates the Hon. Minister in charge of the subject of the Central Bank in issuing Regulations and Orders to general public and issues Directions to Authorized Dealers (ADs) (i.e., licensed banks in Sri Lanka) to carry out foreign exchange transactions in terms of the FEA and monitors the compliance and conducts investigations on non-compliances. Further, the Central Bank appoints and monitors Restricted Dealers (RDs) (i.e., largely authorized money changers) and other persons to dealing in foreign exchange. Moreover, the Central Bank assesses requests for special approval which are not permitted under the general permissions in terms of the FEA considering the merits of such requests and related implications, and also issue clearances for outward capital transactions which satisfy the specified requirements.

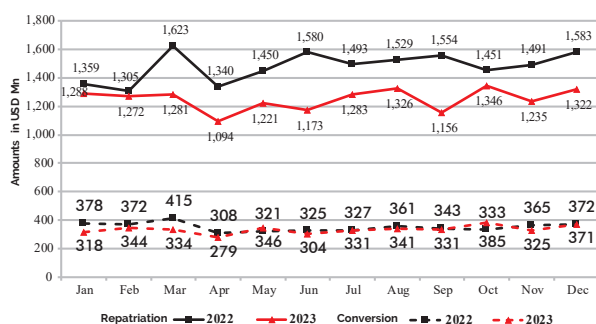
Additionally, the Central Bank monitors the export proceeds repatriation into Sri Lanka and residual conversions in compliance with the Rules issued under the repealed Monetary Law Act No. 59 of 1949 which is continued in terms of the enabling provisions of the CBA.

The Central Bank during 2023 issued two Orders under Section 22 of the FEA in order to progressively ease some of the suspensions/limitations relating to capital and current transactions, on 28 June 2023 and 20 December 2023. Further, directions were issued permitting ADs to open and maintain "Special Foreign Currency Accounts (SFCA) - Investee", out of proceeds received, being an investment into the share capital of the company from a non-resident investor. The directions were issued in relation to the Business Foreign Currency Accounts (BFCAs) and Accommodations to BFCAs facilitating certain foreign currency transactions between business entities engaged in marine fuel (bunker), transport and logistics, respectively.

Way forward

The Central Bank expects to amend the FEA to rectify several issues and concerns identified in respect of implementing the current provisions of the Act, including strengthening regulatory powers to curb unauthorized foreign exchange transactions. Accordingly, the concurrence of the Minister for the proposed amendments to FEA has already been obtained by the Central Bank.

Comparison of the Yearly Repatriation and the Conversion of Export Proceeds - 2022 to 2023 (Goods and Services)



PUBLIC DEBT MANAGEMENT

As per the Section 132 of the CBA, the Central Bank continues to act as the agent of the Government in respect of issuance of securities of the Government for the account of the Government and management of the public debt, until such date as the relevant law relating to public debt management agency or office comes into operation. Accordingly, the Central Bank continued to perform its key functions of ensuring that the Government's financing needs are met at the lowest possible cost at a prudent level of risk while adhering to best standards and practices, developing and maintaining an efficient government securities market, ensuring availability of required information for market participants and the public, maintaining the registry for securities issued by the Government, and servicing government debt on time in line with relevant policies.

Raising of Funds to Meet the Government's Gross Borrowing Requirement

a) Amidst persistently challenging macroeconomic and market conditions, the General Treasury's financing requirement was financed mainly through the domestic sources while adhering to prudent debt management measures and ensuring orderly market conditions. Access to any external

commercial funding continued to remain restrictive in 2023.

- b) In the domestic front, the funding requirement was raised through the issuance of shorter tenure Treasury bills and Treasury bonds prior to the announcement of the DDO programme reflecting the market reluctance for longer term investments that was largely due to the uncertainties in the debt restructuring perimeter. Finalisation of the DDO programme together with improved fiscal performance, steady rebound in domestic economic activities, well-anchored inflation expectations and prudent debt management measures adopted in concurrence with the Ministry of Finance including the build-up of a buffer fund, garnered positive market sentiments and gradually dissipated the substantive risk premia pertaining to the Government securities.
- c) These developments prompted a substantive downward adjustment in the yield rates of Government securities by end 2023 which continued into 2024 as well, thereby facilitating more conducive market conditions to raise Government's funding requirement.
- d) Meanwhile, necessary actions were taken to off-load Treasury bills held by CBSL to ensure

Issuance of Treasury bills and Treasury bonds - 2022 and 2023

Instrument	2022				2023			
	Issuances Rs. billion	WAYR (%)	ATM (Years)	No. of Auctions	Issuances Rs. billion	WAYR (%)	ATM (Years)	No. of Auctions
Treasury bills (a)	9,942.8	25.21	0.33	52	15,446.3	22.36	0.34	52
Treasury bonds	2,373.0	21.24	5.15	24	7,614.52	21.00 (b)	8.56	14

WAYR: Weighted Average Yield Rate/ Cost; ATM: Average Time to Maturity

(a) Gross Treasury bill issuance including Treasury bills issued to the Central Bank.

(b) Excludes Treasury bonds issued under the Domestic Debt Optimization Programme

the achievement of the relevant Net Credit to the Government (NCG) targets pertaining to the Central Bank under the IMF-EFF programme.

- e) An abridged table of activities under each of the source of funds is given above.

Domestic Debt Optimization Programme

The Ministry of Finance on 04 July 2023 announced its policy on the DDO programme, with a view of restoring Sri Lanka's public debt sustainability which was one of the key objectives under the IMF-EFF programme approved on 20 March 2023. Therein, among others, eligible Treasury bonds held by eligible holders, Treasury bills held by the Central Bank, provisional advances made by the Central Bank to the Government of Sri Lanka (GoSL), Sri Lanka Development Bonds (SLDBs) except those held by individual investors and local law foreign currency denominated bank loans of the GoSL were expected to be converted/ exchanged into longer term Treasury bonds, as applicable.

The DDO programme was executed by the Central Bank in several stages in collaboration with GoSL. Under DDO, the eligible SLDBs denominated in USD were converted into Rs. 252.2 billion worth of new LKR denominated Treasury bonds, on 15 August 2023 and accumulated interest on past due SLDBs were settled in LKR. In addition to the settlements made under the Exchange Memorandum issued for SLDBs, the Ministry of Finance in collaboration with the Central Bank executed a settlement option for the remaining holders of SLDBs. As such, by end November 2023, there were no outstanding SLDBs.

The Treasury bond exchange was executed on 14 September 2023 exchanging Rs. 3,204.5 billion worth of Treasury bonds, thereby replacing 49 eligible bonds with 12 new Treasury bonds. Individual investors were excluded from the eligible investors and the superannuation funds were incentivised to participate for the exchange via the introduction of a tax incentive by the Government. In accordance with Section 129(2) of the CBA, the outstanding credits of the Central Bank to the Government and outstanding securities purchased on the primary market as at the appointed date of 15 September 2023 amounting to Rs. 2,713.1 billion, were converted into ten step-down fixed coupon new Treasury bonds and to 12 existing Treasury bills on 21 September 2023.

The DDO programme together with the ongoing fiscal consolidation process, is expected to contribute towards restoring the debt sustainability via achieving the envisaged debt sustainability targets as identified under the IMF-EFF programme, in the medium to long term. Meanwhile, the Central Bank continued assisting the Government and its financial and legal advisors in their efforts to restore the sustainability of public debt.

Establishment of a Public Debt Management Office (PDMO)

The Government had identified establishing an independent PDMO as one of the key institutional reforms, as set out in the Interim Budget Speech for 2022. Further, as per the Memorandum of Economic and Financial Policies agreed by the Government under the IMF-EFF programme in March 2023, the Government has committed to establish a PDMO that (i) will report to and be accountable to the Ministry of Finance but have significant operational autonomy; (ii)

assume overall policy responsibility for debt management by formulating medium-term debt strategies and annual borrowing plans; and (iii) direct the implementation of annual borrowing plans including taking decisions on auction cut-offs. Once established, the PDMO is expected to oversee all domestic and international market-based financing decisions and participate in the evaluation of all debt, derivatives, and guarantees.

In this connection, a Public Debt Management Act (PDMA) that would provide for overall Government debt management functions including the legal framework for establishment of the PDMO, is expected to be enacted in due course. The Central Bank provided inputs for drafting of the PDMA and will continue to engage with the Ministry of Finance in relation to transferring knowledge, expertise and relevant infrastructure accumulated over time, to the envisaged PDMO, as applicable.

Maintenance of the Title Registry in Government Securities and Servicing of Government Debt

The Title Registry of scripless Government securities is recorded in the Central Depository System (CDS) maintained at the Central Bank. CDS together with the Scripless Security Settlement System (SSSS) constitute the LankaSecure system. SSSS provides the settlement services for the primary and secondary market transactions in government securities. The total holdings in scripless securities recorded in CDS as at end 2023 amounted to Rs. 16,136.8 billion in face value comprising Rs. 4,092.5 billion in Treasury bills and Rs. 12,044.4 billion in Treasury bonds. The

number of registered CDS accounts holders as at end 2023 was recorded at 139,180. By end 2023, the LankaSecure system consisted of 32 Dealer Direct Participants (24 Licensed Commercial Banks, one Licensed Specialised Bank, and seven Primary Dealers) and three Direct Participants. LankaSecure system facilitates several safety features of Government securities investments viz a viz (i) e-statements, (ii) Real-time notifications and (iii) online viewing facility. All such facilities have been continued successfully in 2023.

Total debt service payments amounting to Rs. 4,263.3 billion were facilitated during 2023 which included domestic and foreign debt service payments amounting to Rs. 3,792.9 billion and Rs. 470.5 billion, respectively. Therein, external debt servicing was executed in line with the Government's interim policy on servicing of external public debt dated 12 April 2022. Regarding servicing of foreign currency denominated domestic debt, an alternative settlement mechanism and the policy on DDO programme announced by the Ministry of Finance were followed, as applicable.

Debt Management Initiatives and Market Developments in 2023

(a) **Managing Offering Volumes at Primary Auctions and Facilitating to Maintain an Adequate Cash Buffer.** In the latter part of 2023, the Central Bank proactively collaborated with the Ministry of Finance on managing offering volumes at primary auctions and maintaining an adequate cash buffer. These measures, together with the improved fiscal performance and lower inflation expectations, helped reduce the substantive risk premia thereby effecting a

swift and significant downward adjustment in the yield rates of Government securities. Maintenance of the cash buffer is expected to be further streamlined to continue addressing any unwarranted interest rate fluctuations and the Central Bank is expected to facilitate the Ministry of Finance in this endeavour, as and when required.

(b) Initiation of the LankaSecure e-statement

Facility. Full conversion of the LankaSecure periodic statements into e-statement facility was initiated to provide participants an efficient, hassle-free way of receiving their statements at their convenience.

(c) Initiating One-to-One Meetings with Primary

Dealers (PDs). Recognising the importance of assessing market sentiments and perceptions in formulating debt management strategies particularly post DDO, one-to-one meetings with PDs were initiated. Specific systems/operations in place within each PD in dealing with customers and other market development initiatives, among others, were also discussed at these meetings.

(d) Execution of a Web-based Treasury bill Issuance System and web-based Direct Issuance Window (DIW) for Treasury bonds.

With the publication of applicable Directions, the Central Bank introduced a web-based Treasury bill issuance system for Treasury bills and a web-based DIW for Treasury

bonds w.e.f. 21 June 2023 and 20 September 2023, respectively.

Way forward

Early completion of external debt restructuring as envisaged will strengthen the positive fiscal outlook and investor sentiments, thereby causing spill over effects in the domestic market leading to a further downward adjustment in yield rates. Given the positive developments in the fiscal front particularly in relation to revenue collection, financing requirement is expected to be relatively subdued and, Treasury bill and Treasury bond issuance arrangements are expected to be streamlined, accordingly. Measures are in place to explore the feasibility of offering new variable and multiple step-down coupon Treasury bonds at primary issuances along with the existing bonds to develop a vibrant secondary market for Government securities. Meanwhile, early enactment of the PDMA leading to the establishment of the envisaged PDMO with significant operational autonomy and adaptation of a holistic debt management approach through such PDMO is crucial to consolidate the recent positive developments observed in the debt management front and achieve the desired sustainability in the public debt, going forward.

In terms of the provisions of the Employees' Provident Fund Act, No.15 of 1958 (EPF Act), the general administration of the Employees' Provident Fund (EPF/Fund) is vested with the Commissioner of Labour, while the authority over the management of the fund are vested with the Monetary Board of the Central Bank of Sri Lanka, now recognized as the Central Bank of Sri Lanka as per the CBA. The Central Bank having the custody of the moneys of the Fund, holds a pivotal role in ensuring its effective operation.

The Employees' Provident Fund Department (EPF Department) carries out activities relating to the powers and functions to be exercised or discharged by the Central Bank as per the EPF Act. Its primary responsibilities encompass receiving all sums paid under the EPF Act as contributions, surcharges, and fees, as well as the income from the investment of money. The department is tasked with ensuring the safety of the moneys of the Fund, maintaining separate accounts for each member, and paying the individuals certified by the Commissioner of Labour the benefits entitled to them under the Act. Additionally, it is responsible for investing moneys of the Fund not immediately required, maintaining books of accounts, preparing financial statements, transmitting a copy of the financial statements to the Minister in charge of

Labour, and submitting the same to the Auditor General.

Maintaining General Accounts of the Fund and the Member Accounts

The total value of the Fund as at end 2023 amounted to Rs. 3,857.4 billion, reflecting an 11.5 per cent increase compared to Rs. 3,459.9 billion recorded at the end 2022, mainly due to the income generated from investment activities. Total liability to the members (member balances) reached Rs. 3,817.9 billion at the end of 2023, recording a 12.9 per cent increase from the Rs.3,380.6 billion reported at the end of 2022.

Receiving Contributions and Payment of Benefits

In 2023, the total member contributions received amounted to Rs. 210.6 billion, indicating an 8.2 per cent increase from Rs. 194.6 billion recorded in 2022. Simultaneously, total refunds made to the members and their legal heirs increased to Rs. 215.9 billion, marking a substantial 32.4 per cent increase from Rs. 163 billion in 2022. Accordingly, the net contribution reported a negative value of Rs. 5.3 billion in 2023, in contrast to the positive Rs. 31.6 billion recorded in 2022.

Selected Key Information of the Fund

Item	2022	2023 (a)	Change (%)
Total value of the Fund (Rs. bn)	3,459.9	3,857.4	11.5
Total liability to members (Rs. bn)	3,380.6	3,817.9	12.9
Total contributions (Rs. bn)	194.6	210.6	8.2
Total refunds (Rs. bn)	163.0	215.9	32.4
Net contribution (Rs. bn)	31.6	(5.3)	(116.8)

(a) Provisional

Source: EPF Department,
Central Bank of Sri Lanka

Investment Activities of the Fund

Throughout 2023, the EPF Department diligently carried out its fund management activities within the established governance framework, guided by the objective of delivering long-term positive real returns to members while ensuring the safety of member contributions. As at end 2023, the investment portfolio, totalling Rs. 3,867.6 billion, comprised 96.2 per cent in Government securities, 2.7 per cent in equity, 0.4 per cent in corporate debentures, and the remaining 0.7 per cent in reverse repurchase agreements.

Payment of Interest on Member Balances

Based on the profits available for distribution, a reasonable rate of interest to its members for their balances as at end 2023 will be paid as approved by the Governing Board, with the concurrence of the ministers of Finance and Labour.

Issuing of Statements of Member Accounts

In complying with the requirements specified in the EPF Act, actions were taken to distribute the Statements of Member Accounts (SMAs) of contributing members, communicating the balances in their accounts, through the respective employers. Accordingly, the SMAs relating to the first and second halves of 2022 were distributed during 2023. The press notices were published subsequent to the distribution of SMAs for the information of the members of the Fund.

Issue of Member Account Statements		
Period	No. of Employers	No. of Statements (Contributing Members)
2022 1 st half	63,831	2,176,751
2022 2 nd half	72,000	2,579,208

Source: EPF Department, Central Bank of Sri Lanka

Publishing the Annual Financial Statements of the Fund

The Annual Financial Statements of the EPF for 2022 has been published on its official website, subsequent to the receipt of the report of the Auditor General.

Provision of Services to Members and other Stakeholders

The EPF Department continued to provide its services to meet the requirements of its members and other stakeholders in a more efficient and effective manner, in 2023.

Issuing of Certificates of Guarantee to facilitate obtaining Housing Loans

EPF Department has issued 13,784 certificates of loan guarantees on behalf of members of the Fund in 2023 enabling them to obtain housing loans from participating lending institutions amounting to Rs. 10,240 million. Further, nearly Rs. 4,236 million was deducted from the relevant member accounts and remitted to the participating lending institutions in 2023 to settle the overdue loans for the year 2022.

Pre-Retirement Refund Scheme

A total of Rs.25.8 billion has been released to 42,603 members during the year 2023 under the pre-retirement benefit scheme of 30 per cent withdrawal from the member balance, came into operation from 1 July 2015.

Record Amendments

In the year 2023, the EPF Department processed approximately 105,627 EPF record amendments pertaining to member accounts. Notably, among these amendments, 97,998 were related to Name/National Identity Card amendments and 7,629 were on account amendments. This encompassed a substantial volume of 23,571 requests for amendments received through regional offices of the Central Bank.

Handling Inquiries

The Public Relations and Inquiries Counter of EPF Department has provided a valuable service to the stakeholders of EPF fund by fulfilling the service requests of visiting members/employers and attended to all other queries submitted via telephone, post and emails.

Improving Awareness of EPF's Activities among the Stakeholders

To enhance awareness of EPF services among stakeholders, the department organized a range of programs in 2023. These initiatives included mobile services and public exhibitions held in collaboration with institutions like the Chamber of Construction Industry of Sri Lanka and the Ministry of Trade Commerce and Food Security, in conjunction with the Department of Labor. Furthermore, awareness activities were tailored for employers, members, and other stakeholders through diverse communication mediums including posters, leaflets, video clips, and presentations.

Challenges Encountered in 2023

In 2023, the EPF Department navigated through challenging market conditions by prioritizing investments in Government securities, particularly Treasury bills, in response to uncertainties surrounding the sovereign debt restructuring process. Given the heightened

Provision of Services to Members and Other Stakeholders by EPF - 2023

Housing Loan Guarantees
 Certificates Issued : 13,784
 Loan Amount : Rs. 10,240mn
 Overdue Settlement : Rs. 4,236mn

Handling Inquiries
 Service request: 184,403
 Phone inquiries: 79,183
 e-mail inquiries: 18,959
 Letters: 1,978

Pre - Retirement Refund
 Amount Released : Rs. 25.8bn
 Beneficiaries : 42,603

Collaborations
 Department of Labour
 Ministry of Trade Commerce & Food Security
 Chamber of Construction Industry

Record Amendments
 Name/National ID : 97,998
 Account Amendments : 7,629
 Regional Offices : 23,571

Communication Mediums
 Posters
 Leaflets
 Video Clips
 Presentations

Mobile Services
 Provided EPF member services at their doorsteps.

Public Exhibitions
 Marked the presence of EPF at national level public exhibitions

volatility in equity markets, a cautious approach was adopted regarding equity investments. The adverse macroeconomic conditions led to limited investment opportunities in corporate debentures.

On 04 July 2023, the Ministry of Finance announced the Government's Domestic Public Debt Optimization (DDO) strategy, offering the super-annuation funds two alternatives. Under the first option, EPF had the opportunity to exchange a minimum required amount of its existing Treasury bonds for 12 new series maturing between 2027 and 2038. This exchange would subject the EPF to an income tax rate of 14 per cent per annum on its taxable income derived from the Treasury bond portfolio. Alternatively, if the EPF opted not to exchange its existing Treasury bonds, a fixed 30 per cent tax rate would be applied to the taxable income generated from its Treasury bond portfolio. After careful consideration of these options, the Monetary Board acting as the custodian of the Fund, chose to pursue the Debt Exchange offer. This decision, made with a long-term perspective and in the best interest of the members of the Fund, involved the EPF tendering Rs. 2,667.5 billion face value of Treasury bonds for Debt Exchange.

Further, with EPF's assets approaching Rs. 3.9 trillion, diversifying the investments effectively,

especially in a relatively small and less liquid domestic financial markets was a challenge. Additionally, the EPF had to put an extra effort to maintain service efficiency amidst resource constraints to cater to the increased activity levels, particularly in refund requests and member inquiries.

Way forward

The EPF Department aims to adopt and leverage technology to address increased work volumes, member accounts, and reporting requirements. In this endeavor one such measure is to procure a comprehensive ICT solution for its core businesses including Member Liability Management, Accounting and Investment of which the initial steps have already been completed with the support of an external consultancy. Other areas of focus include implementation of digitalized/electronic methods for collecting member contributions and individual details, re-registration of EPF members to maintain a unique identification system through verification of National Identity Card. On the investment side, the gradual deepening of capital markets is expected to create diverse investment products which would enable the EPF to diversify its investment portfolio in an effective manner.

The Financial Intelligence Unit of the Central Bank of Sri Lanka (FIU-Sri Lanka) was designated as the Financial Intelligence Unit for the purpose of the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA) by the order of H.E. the President in his capacity as the Minister of Finance. Since 2007, the FIU-Sri Lanka has functioned as an independent department within the administrative structure of the Central Bank of Sri Lanka, efficiently discharging its statutory powers and duties.

Information Analysis and Intelligence Management

The FIU-Sri Lanka receives Suspicious Transaction Reports (STRs) from Reporting Institutions (RIs) and the public. STRs are referred to Law Enforcement Agencies (LEAs) and Regulatory Authorities (RAs) after analysis for further investigations, where necessary. In 2023, the FIU-Sri Lanka received 1,369 STRs and 236 STRs were referred to LEAs and RAs for further investigations.

Financial Data Management

The FIU-Sri Lanka receives threshold reports made by the RIs. The RIs reported 5.4 million (provisional) Cash Transactions (CTs), 13.4 million (provisional) Electronic Fund Transfers (EFTs), and 0.5 million (provisional) International Fund Transfers (IFTs) above the prescribed threshold through the 'goAML' reporting system in 2023.

Risk-Based Anti Money Laundering/Countering the Financing of Terrorism (AML/CFT) Supervision

The FIU-Sri Lanka carries out examinations of RIs, i.e., Financial Institutions, and Designated Non-Financial Businesses and Professions. The

FIU-Sri Lanka collaborates with RAs of RIs to take actions to enforce compliance and to facilitate any investigation anticipated by the FIU-Sri Lanka or an LEA. The FIU-Sri Lanka conducted 23 onsite examinations, 06 onsite spot examinations, one offsite spot examination and 4 thematic reviews on FIs during 2023.

The National Money Laundering/Terrorist Financing (ML/TF) Risk Assessment

The country's second National Risk Assessment (NRA) on ML/TF was successfully conducted during 2021/2022 and concluded in 2023. The sanitized report of the NRA 2021/2022, which highlights the most significant ML/TF threats, vulnerabilities, and risks faced by Sri Lanka, was published on the website of the FIU-Sri Lanka. The Cabinet of Ministers approved the country's National AML/CFT Policy prepared for 2023-2028 based on the findings of the NRA 2021/2022.

The Secretariat to the National Coordination Committee and the Cabinet Appointed Task Force on AML/CFT

The FIU-Sri Lanka functions as the Secretariat to the National Coordination Committee (NCC), which is the advisory body for the AML/CFT framework for Sri Lanka. The NCC comprises of representatives from key stakeholders. The FIU-Sri Lanka also functions as the Secretariat to the Cabinet appointed Task Force on AML/CFT since December 2023. The Task Force is expected to monitor the progress of the Cabinet approved Action Plans of 24 stakeholders in preparation for the AML/CFT Mutual Evaluation in 2025.

Conducting Awareness Programs

In 2023, the FIU-Sri Lanka continued to conduct training programmes for the relevant sectors and agencies on the outcome of the second NRA, the national AML/CFT policy, key areas such as AML/CFT compliance and legal framework, prohibited schemes and scams, cryptocurrency investigations, reporting to goAML system and also carried out awareness sessions for the general public.

Way Forward

Ensuring Sri Lanka's preparedness for the mutual evaluation in March 2025 on the AML/CFT framework, the FIU-Sri Lanka coordinates the implementation of the stakeholder-wise action plans. In this regard, the NRA will be updated to reflect the ML/TF risk profile of the country and the national AML/CFT policy will be implemented. The FIU-Sri Lanka intends to complete the

proposed amendments to the main laws involving its functions, i.e., Prevention of Money Laundering Act, No. 5 of 2006, Financial Transactions Reporting Act, No. 6 of 2006, and the Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005. The legislative amendments will strengthen the sanctions regime to be more proportionate and dissuasive. In line with the evolving international AML/CFT standards. The FIU is assisting in amending other relevant statutes and bringing in new legislations, i.e, the Companies Act, No. 07 of 2007, the Trust Ordinance, No. 09 of 1917, the Construction Industry Development Act, No. 33 of 2014, the proposed Gaming Regulatory Authority bill, and the proposed bill for the Proceeds of Crimes Act. Further, FIU-Sri Lanka will continue to conduct operational and strategic analysis to produce actionable intelligence. Furthermore, FIU-Sri Lanka will carry out risk-based supervision on RIs to ensure the AML/CFT compliance obligations of RIs are met.

RISK MANAGEMENT AND COMPLIANCE

In the dynamic landscape of central banking, effective risk management, compliance, and internal controls form the bedrock of stability and policy solvency. Accordingly, the Central Bank is committed to upholding the highest standards of risk management, compliance, and internal control practices. Through a proactive approach to identifying, assessing, and mitigating risks, coupled with compliance measures and resilient internal controls, the Central Bank seeks to safeguarding the interests of stakeholders, ensuring transparency, and maintaining the trust and confidence of the public. Moreover, initiatives are underway to introduce novel strategies and technologies aimed at strengthening capabilities in governance, risk, and compliance landscape.

Risk Governance Framework of the Central Bank

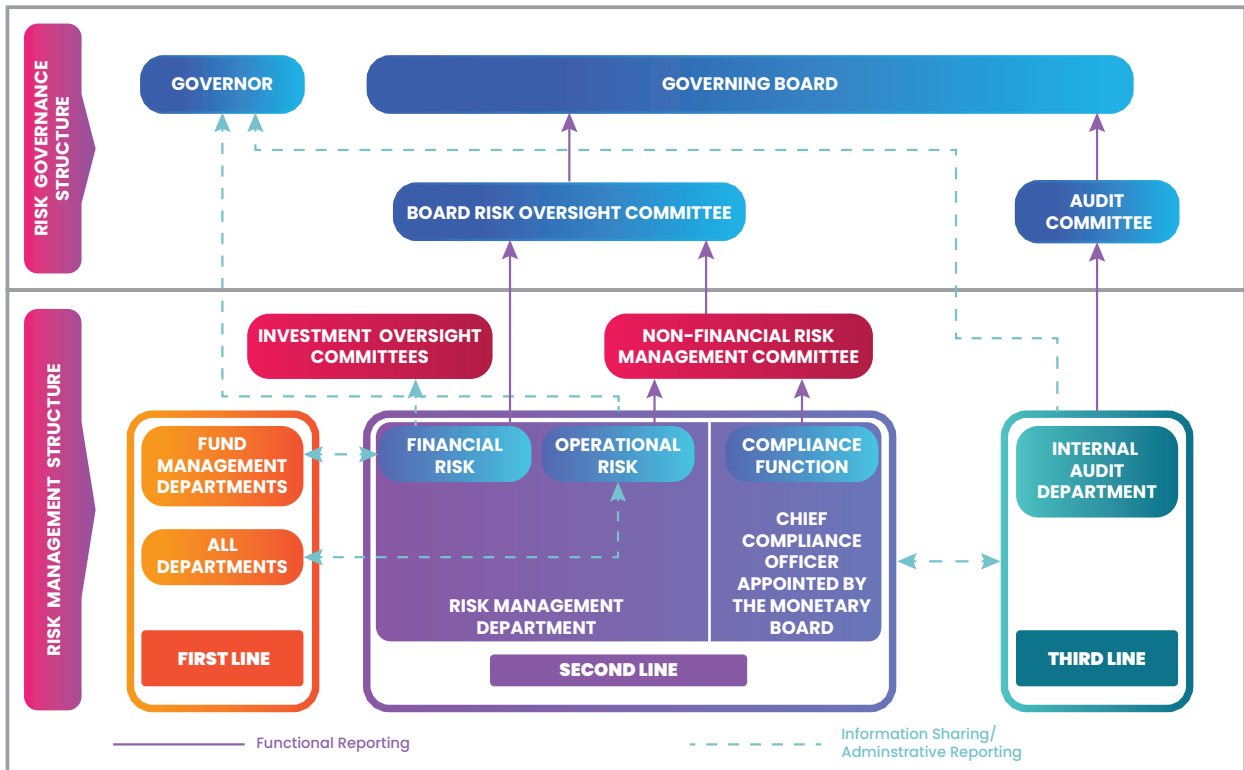
The risk governance framework comprises two main layers:

The **risk governance structure** outlines the roles and responsibilities of the Governing Board (GB), Board Risk Oversight Committee (BROC) and Audit Committee (AC). It establishes a transparent framework for accountability and decision-making.

The **risk management structure** encompasses a comprehensive suite of guidelines, procedures, and tools designed to identify, assess, mitigate, and monitor risks across all activities of the Central Bank. The risk management structure outlines the roles and responsibilities of the Non-Financial Risk Management Committee (NFRMC) and Investment Oversight Committees (IOCs).

The Central Bank adopts three lines model to reinforce its risk management structure. The first line involves departments responsible for risk-taking activities, which are accountable for identifying, assessing, and managing risks within

Risk Governance Framework of the Central Bank



their respective areas of operation. The second line comprises risk management functions, such as compliance and risk oversight, which provide independent oversight and guidance to ensure effective risk management practices are implemented across the Bank. The third line consists of Internal Audit, which conducts independent assessments of risk management processes and controls to provide assurance to the management regarding the effectiveness of the risk management framework. By adhering to the principles of the three lines model, the Central Bank aims to strengthen its risk management capabilities and enhance overall resilience in the face of various uncertainties and challenges.

Managing Risks

Within the second line, the Central Bank employs a dedicated risk management function, primarily centred on focusing the financial and operational risks associated with the activities. The Central Bank adheres to strong risk management practices to ensure the integrity of its operations, meet regulatory requirements, and uphold accountability and transparency standards. Management of various financial risks such as credit, market and liquidity risks, and operational risks are facilitated by the risk management department. Transparent communication and

reporting help make informed decisions and support effective risk governance. Looking ahead, specific initiatives are taken to enhance the risk assessment system, implement risk appetite frameworks, deploy an automated governance, risk, and compliance system, and conduct regular stress testing on the balance sheet of the Central Bank.

Compliance: Monitoring and Reporting

The compliance function of the Central Bank is expected to compile, analyze and report the legal and regulatory compliance requirements and possible non-compliances. Further, a culture of compliance is promoted in the Central Bank to implant regulatory compliance principles throughout the organization and ensure responsible market conduct at all levels. This involves proactive efforts to raise awareness about regulatory obligations, provide comprehensive compliance training for staff, and cultivate a strong commitment to integrity and accountability. By instilling a culture of compliance, the Central Bank aims to create a work environment where regulatory adherence is ingrained in the organizational culture and embraced as a core value.

The internal audit function provides risk-based and objective assurance, advice, and insight to enhance and protect the values of the Central Bank and assists the Bank to accomplish its objectives through bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. While functioning as the third line of the Risk Management Framework, the Internal Audit provides independent and objective assurance and recommendations to add value and improve the operations of the Bank. The Chief Internal Auditor (CIA), Head of Internal Audit Department (IAD) reports functionally to the Governing Board through the Audit Committee (AC) and administratively to the Governor to ensure the independence of the internal audit function of the Central Bank.

The purpose and mission, standards, scope of work, authority, responsibility, independence and objectivity of internal audit function have been defined in the board approved Internal Audit Charter. It helps to ensure the effectiveness and integrity of the internal audit process while promoting consistency in audit practices fostering trust among stakeholders reflecting the commitment to transparency and sound governance.

Structural Reforms of Internal Audit Function under the Central Bank Act No. 16 of 2023

The significance of the internal audit function has duly acknowledged in section 102 of the CBA. Accordingly it provides provision to GB to appoint CIA to exercise, perform and discharge powers, duties and functions of the internal audit in the Audit Charter of the Central Bank inline with International Professional Practices Framework (IPPF).

Conduct of Audits, Reporting of Audit Progress and Follow-up of Implementation Status of the Audit Recommendations

IAD annually prepares its Risk-Based Strategic Audit Plan for the next 04 years and Annual Audit Plan for the next year by updating the Audit Universe (all auditable activities) of the Central Bank through a comprehensive risk-based methodology. Accordingly, during 2023, IAD executed its Risk-based Annual Audit Plan ensuring the coverage of critical functions of the Central Bank and provided audit recommendations to improve the operations of the Bank to achieve its strategic objectives covering the policy, compliance, operational, legal and other related risk areas.

The Progress of the audit assignments conducted, and the implementation status of the audit recommendations were reported to the AC and Monetary Board/Governing Board.

Quality Assurance and Improvement Program (QAIP)

The internal audit function of the Central Bank adheres to globally recognized standards and frameworks to ensure its effectiveness and alignment with best practices. Adopting and following the IPPF of Institute of Internal Auditors (IIA), IAD maintains the highest standards of professionalism, integrity, and ethical conduct in executing its operations.

To ensure compliance with the IPPF, Internal Assessments were conducted with ongoing monitoring of the performance and periodic self-assessment of the internal audit activity in 2023 and the results were communicated to the Governing Board through AC.

In 2023, internal audit function of Central Bank underwent a rigorous External Quality Assessment (EQA) conducted by a team of internal audit experts from Armenia and the Netherlands. This assessment served as a comprehensive evaluation of the Central Bank's internal audit practices against the IPPF. The outcome of this assessment unequivocally endorsed the Central Bank's internal audit function, affirming its full conformance with the IPPF.

Further, in order to improve the stakeholder familiarization with the internal audit process, an awareness program for representatives from all the departments was conducted.

Audit Committee Facilitation

The CIA functions as the Assistant Secretary to the AC and provided secretarial facilitation to the AC. Accordingly, following up of the implementation of the AC recommendations was carried out periodically and reported during the year.

HUMAN CAPITAL AND GENERAL ADMINISTRATION

As a responsible employer, the Central Bank acknowledges the essential contribution of its dedicated workforce to the economy and the financial system. With 1,226 employees spread across 29 departments, the Bank's success hinges upon their unwavering professionalism, technical expertise, integrity, and enthusiasm.

In 2023, the Central Bank faced considerable challenges, including increased attrition rates and early retirements, which placed significant strain on the existing workforce and hampered operational efficiency. To address these challenges, the Central Bank implemented several measures to expedite recruitment processes while enhancing employee satisfaction.

Talent Acquisition

In order to uphold the Central Bank's pivotal role in achieving and maintaining domestic price stability and securing financial system stability, the Central Bank follows a meticulous talent acquisition strategy to attract and recruit individuals who are highly qualified and well-suited for its talent pool.

The Central Bank's talent acquisition efforts prioritize identifying candidates who possess not only exceptional academic qualifications but also a demonstrated aptitude for critical thinking,

problem-solving, and adaptability. These attributes are deemed essential for navigating the complexities of economic policy formulation and maintaining stability of the financial system.

In the backdrop of increased staff attrition since 2022, the Central Bank accelerated the process of recruiting Management Trainees and promoting internal candidates as Probationary Staff Officers in 2023.

Further, during 2023, a total of 163 staff members were granted promotions across various categories under different employee promotion schemes, ensuring their career progression.

Training and Development

The Central Bank continuously carried out capacity development activities during 2023 for the staff of Central Bank as well as the financial sector through Centre for Banking Studies (CBS), the training arm of the Central Bank. Moreover, the Human Resources Department provided opportunities to the Central Bank staff to enhance their skills, knowledge and professional competencies through facilitating scholarships to pursue postgraduate studies and acquire professional qualifications relevant to the Central Bank. Further, the Central Bank staff attended training sessions/workshops/seminars

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements



conducted by local as well as international agencies on subjects relevant to Central Bank to stay updated with the latest knowledge.

Employee Wellness Initiatives

Retaining talented staff has been a significant challenge for the Central Bank over the last few years due to competitive job markets abroad and the economic conditions prevalent in the country. To effectively address these challenges and minimize its potential impact on critical operations of the Bank, the management of the Central Bank implemented strategies focusing on improving employee satisfaction, providing opportunities for professional growth and development, and enhancing overall workplace culture to foster loyalty and commitment among the workforce. As part of the management commitment for employee satisfaction, benefits including medical and staff loan facilities continued to be offered to the employees under the Bank's staff benefit schemes. Salaries of the Central Bank employees are revised once in three years under the Collective Agreement signed between the Monetary Board (currently the Governing Board) and Trade Unions operating in the Central Bank. Accordingly, in 2023 the Central Bank initiated negotiations with trade unions, and after several rounds of negotiations collective agreement for 2024-2026 was signed in Jan 2024. This salary revision is currently under review by an independent committee appointed by His Excellency the President in his capacity as the Minister of Finance in line with the recommendations of the Parliament Committee on Public Finance.

Overall Corporate Administration

During the year 2023, overall corporate administration was performed in line with the applicable regulations, ensuring accountability and other key attributes of good governance.

Activities under corporate administration consist of procurement, comprehensive insurance coverage for all the properties of the Central Bank, postal services, event organization, conducting of Board of Survey and contract management.

Facilities Management

Facilities Management covers a broad spectrum of duties focused on creating a conducive working environment for employees and stakeholders while maintaining operational efficiency and cost-effectiveness. Accordingly, activities under facilities management in 2023 included space management, infrastructure maintenance, transportation, and energy efficiency.

Protection of People and Property

Robust security protocols are in place to ensure the safety of both personnel and assets of the Central Bank. These protocols encompass various measures such as access control, surveillance systems, security personnel deployment, and emergency response procedures. By ensuring security, the Central Bank not only safeguarded its operations but also fostered public trust and confidence.

Enhancing Information Systems and Technologies

The Central Bank's Information Systems and Technologies underwent significant enhancements in 2023 to improve operational efficiency, regulatory oversight, and support the country's financial stability goals.

These advancements include streamlined monitoring systems for export proceeds and financial schemes, automated risk-based supervision tools, and improved data collection and regulatory reporting mechanisms.

Additionally, initiatives were launched to upgrade the online recruitment process, enhance data dissemination to external entities, and to align with global standards for transmission of financial data. Further, the technological infrastructure was enhanced with the establishment of a TIA 942-B:2017 Rated 3 Data Center while strengthening cybersecurity measures.

These efforts reflect the Central Bank's commitment to leveraging technology for better governance, transparency, and resilience in the financial sector.

Litigations and Legal Reforms

In 2023, the Central Bank extensively involved in legal reforms, particularly to fulfill prior actions outlined under the IMF programme for Sri Lanka. Key legislative initiatives included the approval and enactment of the Central Bank of Sri Lanka Act, No. 16 of 2023, and the Banking (Special Provisions) Act, No. 17 of 2023, effective from 15.09.2023 and 15.11.2023, respectively.

Furthermore, the Central Bank initiated several law reforms including;

- Amendments to the Banking Act, No. 30 of 1988, passed by the Parliament in April 2024
- Amendments Finance Business Act, No. 42 of 2011
- Amendments to Finance Leasing Act, No. 56 of 2000
- Amendments to Payment and Settlement Systems Act, No. 28 of 2005
- Amendments to Foreign Exchange Act, No. 12 of 2017
- Trading Clearing and Netting Act
- Further, the Central Bank provided technical assistance to the MoF in drafting the following laws:
 - Microfinance and Credit Regulatory Authority Bill
 - Financial Asset Management Companies Act

Moreover, the Central Bank effectively represented itself in various legal matters throughout the year, with a view to safeguard the institution's interests in legal disputes. Further, the Central Bank has attended to 290 information requests, 45 appeals, and 4 inquiries under the Right to Information (RTI) Act, No. 12 of 2016, during the year.

Business Process Re-engineering

In 2023, the Central Bank embarked on a robust business process reengineering endeavor for its HR management related processes. This initiative is geared towards identifying deficiencies, evaluating potential enhancements, and streamlining HR processes to establish a more cost-effective, quantifiably superior, and operationally efficient integrated framework. The key objective is to reform the delivery of human resources management functions, ensuring optimal utilisation of resources and heightened effectiveness in meeting the objectives of the Central Bank.

Way Forward

The Central Bank has embarked on a journey, to enhance its human resources practices while addressing key imperatives critical to the human resource framework, leveraging the expertise of an international firm with exposure to central banking. The immediate expected outcomes of the project includes a strategic focus on succession planning, addressing immediate human resource challenges, and fostering employee engagement. In this regard, a comprehensive revamping of the human resource strategies of the Central Bank is underway, aiming to modernise and align Central Banks human resource practices with international standards. By addressing these vital components, the Central Bank aims to achieve a highly engaged, competent and agile talent pool in the Bank.

BOARD MEMBERS

(as at 31 March 2024)

Dr. P. Nandalal Weerasinghe

Governor / Chief Executive Officer

Current Positions at CBSL:

Chairman - Governing Board

Chairman - Monetary Policy Board

Academic Background:

PhD in Economics, Australian National University, Australia

MSc in Economics, Australian National University, Australia

B.Sc., University of Kelaniya, Sri Lanka

Career Summary:

Present Engagements

Dr. Weerasinghe currently serves as the 17th Governor of the Central Bank of Sri Lanka. He provides strategic leadership and oversees the country's monetary policy, financial stability, and economic growth initiatives.

Experience

Dr. Weerasinghe is an experienced central banker with a deep understanding of Monetary and Exchange Rate Policy. He held the positions of Senior Deputy Governor, Deputy Governor, Assistant Governor, and Chief Economist during his career at the Central Bank. He also brings international experience, having served as an Alternate Executive Director at the International Monetary Fund.

As an Economist, he has advised on economic matters in Cabinet Sub-Committees. Dr. Weerasinghe has also contributed to academia, serving as a Visiting Lecturer at the University of Colombo and as a Visiting Research Economist at the SEACEN Centre in Malaysia and the Australian National University.

With his extensive background and diverse contributions, Dr. Weerasinghe plays a pivotal role in advancing monetary and economic policies.

Mr. Nihal Fonseka**Current Positions at CBSL:**

Appointed Member - Governing Board
 Appointed Member - Monetary Policy Board
 Chairman - Board Risk Oversight Committee

Academic Background:

BSc., University of Ceylon, Colombo, Sri Lanka
 Fellow, Chartered Institute of Bankers, United Kingdom (FCIB)
 Honorary Fellow, Chartered Institute of Securities and Investments, United Kingdom (FCSI)

Career Summary:**Present Engagements**

Mr. Nihal Fonseka holds key positions in leading organizations. He serves as Senior Independent Director and Chairman of the Group Audit Committee at John Keells Holdings PLC. Additionally, he chairs Phoenix Industries Ltd. and serves as Non-Executive Director and Chairman of the Audit Committee at Brandix Lanka Ltd. Furthermore, he holds the position of Non-Executive Director and Chairman of the Investment Committee at Phoenix Ventures Ltd.

Experience

Mr. Nihal Fonseka has held significant roles in both the public and private sectors, contributing extensively to financial governance and development. His track record showcases his extensive leadership and experience in the financial sector. He has served as a Member of the Monetary Board of the Central Bank of Sri Lanka from 2016 to 2020. Additionally, he served as Director of the Employees' Trust Fund Board in 2016 and as a Member of the National Procurement Commission in the same year, demonstrating his commitment to public service. In the private sector, he was the Chief Executive Officer/Director of DFCC Bank from 2000 to 2013, overseeing its operations and strategic direction. Besides this, Mr. Fonseka held prominent positions as Chairman of the Association of Development Financing Institutions in Asia & Pacific in Manila from 2011 to 2012 and Chairman of the Colombo Stock Exchange from 2005 to 2009. He has contributed his expertise to various boards, including as a Director of the Commercial Bank of Ceylon PLC from 2000 to 2009. Additionally, he was a Member of the Presidential Commission on Taxation in 2009. Prior to that he was the Deputy Chief Executive Officer of HSBC Sri Lanka from 1990 to 1999.

Dr. Ravi Ratnayake**Current Positions at CBSL:**

Appointed Member - Governing Board
 Appointed Member - Monetary Policy Board
 Member - Audit Committee

Academic Background:

PhD in Economics, La Trobe University, Australia
 Post Graduate Diploma in Economic Development, University of Colombo, Sri Lanka
 Diploma in Computer Systems, NIBM
 B.A (Honours in Economics), University of Peradeniya, Sri Lanka

Career Summary:**Present Engagements**

Dr. Ratnayake is currently engaged as an International Consultant in Economics and National Business. Additionally, he serves as the Secretary-General of the Bridging the Gap Foundation (BGF).

Experience

Dr. Rathnayaka brings over 40 years of extensive international experience as Chief Economist and Director of Trade and Investment at UNESCAP, along with roles as a Professor, Senior Lecturer, and Senior Economic Researcher. He has advised governments of over 25 developing countries on macroeconomic policy, authored numerous publications, and coordinated regional projects on trade and investment policy. Dr. Rathnayaka has spearheaded the establishment of key initiatives at UNESCAP and provided consultancy services to prestigious international institutions. In Sri Lanka, he has held significant positions in trade policy formulation and negotiation.

Mr. Anushka Wijesinha**Current Positions at CBSL:**

Appointed Member - Governing Board
 Appointed Member - Monetary Policy Board
 Chairman - Ethics Committee

Academic Background:

Masters in Economics, University of Leeds, United Kingdom

BSc. in Economics, University College, London, United Kingdom

Alumnus of Harvard Kennedy School Executive Education.

Career Summary:**Present Engagements**

Mr. Wijesinha is currently engaged as Co-founder and Director of the Centre for a Smart Future (CSF), overseeing interdisciplinary public policy initiatives. He also serves on the Oversight Committee on Exports and Foreign Direct Investment (FDI) at the Presidential Secretariat. Additionally, Mr. Wijesinha holds positions as an Independent Non-Executive Director at Fairfirst Insurance Ltd. and Good Life X (Pvt) Ltd.

Experience

Mr. Wijesinha is an accomplished professional with extensive international and domestic experience. He has served as an International Consultant on advisory projects across Asia and the Middle East, and holds senior positions in the financial sector, including Senior Independent Non-Executive Director at Seylan Bank PLC and HNB Finance PLC. Mr. Wijesinha is actively involved in fostering innovation and economic development in Sri Lanka, serving on various boards and councils such as the Sri Lanka Export Development Board and the National Innovation Agency. With a background as Chief Economist at the Ceylon Chamber of Commerce and Research Economist at the Institute of Policy Studies of Sri Lanka, he brings valuable economic insights. Additionally, he has contributed to research as a Visiting Researcher at the Korea Development Institute in Seoul.

Mr. Vish Govindasamy**Current Positions at CBSL:**

Appointed Member - Governing Board
 Appointed Member - Monetary Policy Board

Academic Background:

MBA and BSc in Electrical Engineering, University of Hartford, USA

Fellow member, the Institute of Certified Professional Managers, Sri Lanka

Career Summary:**Present Engagements**

Deputy Chairman, Sunshine Holdings PLC

Experience

Mr. Govindasamy, the immediate past Chairman of both the Ceylon Chamber of Commerce and the Employers Federation of Ceylon, is widely recognized for his remarkable contributions to the business landscape. He is credited with the creation of popular tea brands such as Zesta, Watawala, and Rankhata, demonstrating his outstanding entrepreneurial vision and marketing prowess. Mr. Govindasamy's expertise extends to corporate governance, as he serves as an Independent Director on the boards of several listed companies.

Mr. Rajeev Amarasuriya**Current Positions at CBSL:**

Appointed Member - Governing Board
 Appointed Member - Monetary Policy Board
 Member - Audit Committee

Acedemic Background:

Honours Degree in Law, University of Colombo, Sri Lanka
 Attorney-at-Law of the Supreme Court of Sri Lanka
 Fellow Member, Chartered Institute of Management Accountants (UK)
 Fellow Member, Institute of Certified Management Accountants, Sri Lanka
 Chartered Global Management Accountant
 Alumnus of the Harvard Kennedy School (Executive Education)
 Raisina Fellow, Young AFGG

Career Summary:**Present Engagements**

Mr. Amarasuriya is an experienced Attorney-at-Law with a focus on Appellate Court practice in Public Law and various branches of Civil Litigation. He serves as a Board Member of the Sri Lanka Accounting and Auditing Standards Monitoring Board and as a Council Member of the University of Colombo. Additionally, Mr. Amarasuriya is a member of the Standing Committee of Legal Studies of the University Grants Commission and acts as the Sri Lanka Country Representative for the Legal Education Association. He also holds a position on the Executive Committee of LAWASIA.

Experience

Mr. Amarasuriya holds key positions across legal and professional bodies in Sri Lanka. He serves as Secretary of the Bar Association, Commissioner at the Securities and Exchange Commission, and is a member of the Council of Legal Education. Additionally, Mr. Amarasuriya contributes to arbitration and alumni engagement as a member of the Sri Lanka National Arbitration Centre and Immediate Past President of the University of Colombo Alumni Association.

Mr. Manil Jayesinghe**Current Positions at CBSL:**

Appointed Member - Governing Board
 Appointed Member - Monetary Policy Board
 Chairman - Audit Committee

Acedemic Background:

Fellow Member, Institute of Chartered Accountants of Sri Lanka
 Fellow Member, Chartered Institute of Management Accountants (UK)
 Fellow Member, Certified Management Accountants of Sri Lanka
 Member, Chartered Institute of Public Finance & Accountancy

Career Summary:**Present Engagements**

Mr. Jayesinghe holds key positions in various organizations. He is the Chairman of the Statutory Accounting Standards Committee and chairs the Accounting Standards Committee of SAFA. Additionally, he serves on the Securities & Exchange Commission of Sri Lanka and the Board of Investments of Sri Lanka. Furthermore, Mr. Jayesinghe acts as an Independent Director for several prominent companies, including DIMO and Ceylon Hospitals.

Experience

Mr. Jayesinghe has a distinguished 30-year tenure at Ernst & Young, where he has served as Partner and Country Managing Partner for Sri Lanka and Maldives. He has held key leadership roles, including Head of Assurance Practice and Profession Practice Director. Mr. Jayasinghe is an expert in International Financial Reporting Standards (IFRS) and Sri Lanka Accounting Standards (SLAS) and has made significant contributions to the accounting profession as President of the Institute of Chartered Accountants of Sri Lanka. He actively involved in professional associations such as the National Chamber of Commerce and the CMA Sri Lanka Council.

Dr. (Ms) Dushni Weerakoon**Current Positions at CBSL:**

Appointed Member – Monetary Policy Board

Acedemic Background:

PhD in Economics, University of Manchester, United Kingdom

MA & in Economics, University of Manchester, United Kingdom

BSc in Economics, Queen's University of Belfast, United Kingdom

Career Summary:**Present Engagements**

Dr. (Ms.) Weerakoon currently serves as the Executive Director of the Institute of Policy Studies of Sri Lanka (IPS). In addition to this role, she heads the Macroeconomic Policy research department at IPS, where she leads research initiatives focused on macroeconomic trends and policies.

Experience

Dr. (Ms.) Weerakoon is an accomplished professional with a diverse portfolio. She serves as an Appointed Member of the Monetary Board of the Central Bank of Sri Lanka and holds Independent Non-Executive Director positions at Cargills Ceylon PLC and Nations Trust Bank. Dr. Weerakoon also directs the Social Policy Analysis and Research Centre (SPARC) at the University of Colombo. Internationally, she advises the Centre for Development Economics and Sustainability (CDES) at Monash University, Australia, and consults for organizations like the Asian Development Bank (ADB), the World Bank, and the World Trade Organization (WTO).

Dr. Priyanga Dunusinghe**Current Positions at CBSL:**

Appointed Member - Monetary Policy Board

Acedemic Background:

Professor in Economics, Department of Economics, University of Colombo

Career Summary:**Present Engagements**

Dr. Dunusinghe is both the Head of the Department of Information Technology and a Professor in Economics at the University of Colombo, Sri Lanka.

Experience

Dr. Dunusinghe is a respected researcher specializing in macroeconomic policies and development across various sectors. He has provided consultancy services to prestigious organizations such as the UN, World Bank, and Asian Development Bank, as well as to various ministries of the Sri Lankan government. Additionally, Dr. Dunusinghe contributes to agricultural research and training as a member of the Research and Training Committee at the Hector Kobbekaduwa Agrarian Research Institute. He has also served as the Director of the Career Guidance Unit at the University of Colombo and is a regular contributor to media platforms.

Mrs. T. M. J. Y. P. Fernando

Senior Deputy Governor

Current Positions at CBSL:

Member - Monetary Policy Board
Member - Ethics Committee

Academic Background:

Master of Financial Economics, University of Colombo, Sri Lanka

Bachelor of Commerce (Special), University of Sri Jayewardenepura, Sri Lanka

Career Summary:

Mrs. Fernando, Senior Deputy Governor at the Central Bank of Sri Lanka, leads the financial system stability cluster and oversees various departments, including Bank Supervision, Non-bank Supervision, Payments & Settlements, Currency, Foreign Exchange, Finance, Regional Development, and Employees' Provident Fund. With over 34 years of experience at the Central Bank, she has extensive expertise in regulating and supervising banks and non-bank financial institutions, managing foreign exchange, overseeing currency operations, and payments and settlements systems.

Mrs. Fernando also represents the Central Bank at various outside entities, holding key positions such as Chairman of the Credit Information Bureau of Sri Lanka and Chairman of the Institute of Bankers of Sri Lanka. Additionally, she serves as a Member of the Insurance Regulatory Commission of Sri Lanka, Securities and Exchange Commission of Sri Lanka, and Api Wenuwen Api Fund's Board of Management.

Mrs. K. M. A. N. Daulagala

Deputy Governor

Current Positions at CBSL:

Member - Monetary Policy Board
Member - Ethics Committee
Information Officer - The Central Bank of Sri Lanka (Under Right to Information Act No. 12 of 2016)

Academic Background:

Master of Science Degree in Financial and Business Economics, University of Essex, United Kingdom

Master of Business Administration Degree, University of Sri Jayewardenepura, Sri Lanka

Fellow Member, Chartered Institute of Management Accountants, United Kingdom

Career Summary:

Mrs. Daulagala has over 31 years of service at CBSL in different capacities in the areas of supervision and regulation of non-bank financial institutions, macroprudential surveillance, finance, international operations, risk management, regional development, human resource management, training and development and corporate support services.

She has served as the Secretary to the Monetary Board, Secretary to the Board Risk Oversight Committee and Advisory Audit Committee of the Central Bank. She has also served as the Director-General of the Department of Public Enterprises of the Ministry of Finance.

At present, Mrs Daulagala chairs the Sri Lanka Accounting and Auditing Standards Monitoring Board.

Additionally, she has represented the Central Bank in key external entities such as the Credit Information Bureau of Sri Lanka, the Institute of Bankers of Sri Lanka, and the Insurance Regulatory Commission of Sri Lanka.

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

BOARD SUB-COMMITTEES

Committee	Tasks	Members
Audit Committee (AC)	<p>Advises on the integrity of CBSL's financial statements and significant financial reporting issues and engage with the external auditor to ensure transparency and accountability in the audit process.</p> <p>Reviews and advises on the adequacy and effectiveness of internal controls and risk management systems.</p> <p>Assess internal controls related to whistleblowing, compliance, and fraud reporting mechanisms.</p> <p>Monitors the effectiveness of the central Banks's internal audit function in the context of the overall risk management system.</p>	<p>Board member nominated by Governing Board (chairman)</p> <p>Nominated Board members</p> <p>Observers: Assistant Governor in-charge of the Finance Department, Chief Compliance Officer, Chief Risk Officer, Chief Accountant, Audit Superintendent of the National Audit Office as the representative of the Auditor General</p> <p>Secretary: The Secretary to the Governing Board</p> <p>Assistant Secretary: Chief Internal Auditor</p>
Board Risk Oversight Committee (BROC)	<p>Ensure availability of appropriate framework for risk management.</p> <p>Recommend Risk Appetite Statement of CBSL.</p> <p>Review and assess the risk management function to ensure that risks are effectively managed and are within the risk appetite of CBSL.</p> <p>Review and assess the nature, role, responsibilities and authority of the risk management function and committees in the Risk Governance Framework.</p> <p>Ensure Financial/ Operational/ Compliance risks of strategic importance are conveyed to GB.</p> <p>Ensure external developments and emerging risks having impacts/ prospective impacts to CBSL, are considered in the Risk Management Process.</p> <p>Ensure CBSL's risk management capabilities are sufficiently robust and effective to fully support its objectives and all its risk-taking activities.</p> <p>Provide an independent and objective oversight and view on the information submitted to the Committee.</p> <p>Ensure availability of a robust Business Continuity/Crisis Management Plan for CBSL.</p>	<p>Independent board member nominated by the Board (Chairperson),</p> <p>Two independent external experts</p> <p>Observers: Senior Deputy Governor, Deputy Governors, Chief Compliance officer, Chairperson-Business Continuity Planning Committee, Chief Internal Auditor, Chief Information Security Officer</p> <p>Secretary: Secretary to the Governing Board</p> <p>Observer/Converner/Assistant Secretary: Director Risk Management (Chief Risk Officer)</p>

Committee	Tasks	Members
Ethics Committee (EC)	<p>Deals with matters related to the Code of Conduct for Employees of Central Bank of Sri Lanka, which was effective from 30 June 2018 and the Code of Conduct for the Members of the Monetary Board & Monetary Board Appointed Advisory/ Sub-Committees, which was effective from 01 January 2019.</p> <p>(The above said Codes of Conducts were issued in terms of Section 8 (1) of the Monetary Law Act No. 58 of 1949 and currently it must be read with Section 133 of the Central Bank of Sri Lanka Act No. 16 of 2023.)</p>	<p>An Appointed Member of the Board as may be nominated by the Board(Chairman)</p> <p>An external member nominated by the Board</p> <p>Senior Deputy Governor and all Deputy Governors</p> <p>Secretary to the Governing Board (acts as the Secretary to the EC)</p>

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

Activity Report of the Monetary Board Advisory Audit Committee Relating to the Financial Year 2023

1. Introduction

The Monetary Board Advisory Audit Committee (AAC) was a sub-committee of the Monetary Board, which is governed by the AAC Framework approved by the Monetary Board. Accordingly, the content of this Activity Report is in line with the approved AAC Framework of the Central Bank. The AAC provided its recommendations to the Monetary Board on policies related to financial reporting, internal controls, internal audit, external audit, and any other matters assigned to the AAC by the Monetary Board.

2. Composition of AAC

According to the AAC Framework, AAC was chaired by an appointed member of the Monetary Board and comprises of two audit /accounting professionals.

Composition of the AAC was as follows:

- i. Dr. (Mrs.) Ranee Jayamaha - Chairperson*
- ii. Mrs. Anusha I Mohotti - Member
- iii. Mr. A Indrajith Fernando - Member

The Secretary to the Monetary Board was the Secretary to the AAC, and the Director of the Internal Audit Department (IAD) was the Assistant Secretary to the AAC. IAD provided secretarial facilitation to the AAC. The Assistant Governor in-charge of the Finance Department, Chief Compliance Officer, Chief Accountant, and Chief Risk Officer of the Central Bank and Superintendent of Audit of the National Audit Office as the representative from the Auditor General attended the AAC Meetings as Observers. As and when necessary, the AAC invited the Central Bank Heads of Department for discussions and to respond to audit queries. The engagement partner of the Audit Firm appointed by the Auditor General to carry out the external audit of the Central Bank also attended the AAC meetings by invitation when the financial statements of the Central Bank were discussed. The AAC was required to meet at least six times a year. The quorum for a meeting was two, including the Chairperson.

3. Structural Changes as per The Central Bank of Sri Lanka Act No. 16 of 2023.

In compliance with section 103 of the Central Bank of Sri Lanka Act No. 16 of 2023, Composition, Powers, Duties and the Functions of the Audit Committee have been transformed in line with the new Governance Structure of the CBSL. Accordingly, the Governing Board of the CBSL at its meeting No. 6/2024 held on 21.02.2024 appointed the New Audit Committee comprising of three appointed members from the Governing Board.

3.1. Composition of the new Audit Committee was as follows:

- i. Mr. Manil Jayesinghe - Chairman
- ii. Dr. Ravi Ratnayake - Member
- iii. Mr. Rajeev Amarasuriya - Member

* Resigned from the Monetary Board effective from 12.09.2023

4. Activities performed by the AAC during the year 2023.

The AAC held seven (07) meetings from 01.01.2023 to 15.08.2023 and the following activities were carried out at the said meetings in 2023.

4.1. The AAC reviewed Financial Reporting and External Audit as follows:

- i. Interim Management Letter and the Final Management Letter submitted by M/s. EY relating to the audit of the Financial Statements of the Central Bank for the year ended 31.12.2022 and the comments of the management.
- ii. Financial Statements of the Central Bank for the year ended 31.12.2022.
- iii. Financial Statements for the year ended 31.12.2022 and the Proposed Profit Distribution Policy of EPF.
- iv. Report of the Auditor General on the Financial Statements of the EPF for the year ended 31.12.2022.
- v. Financial Statements of six Superannuation Funds (Pension Fund, Widows' and Orphans' Pension Fund, Widowers' and Orphans' Pension Fund, New Pension Fund, New Widows' and Orphans' and Widowers' and Orphans' Pension Fund, Central Bank Provident Fund) of the Central Bank as at 31.12.2022.

4.2. Internal Controls

- i. Reviewed and advised on internal controls of the Central Bank including ongoing IT Projects and the internal controls in Currency Department.
- ii. Reviewed the implementation progress of the AAC recommendations provided to respective stakeholders.

4.3. Internal Audit

- i. Reviewed the progress of audits conducted by IAD.
- ii. Reviewed the implementation status of Internal audit recommendations provided to process owners.
- iii. Reviewed the progress of the Annual Audit Plan.
- iv. Reviewed the reports on Ongoing Monitoring of Internal Audit Activity and Periodic Self-Assessment for the year 2022.
- v. Reviewed the results of Internal Audit Client Feedback Survey.
- vi. Recommended the Internal Audit Certification Program, prepared by IAD as recommended by the IMF.
- vii. Reviewed the arrangements made to conduct External Quality Assessment.

4.4. Other Activities

- i. The AAC reviewed its activities carried out during the year 2022.
- ii. Reviewed the AAC Framework for further improvements.

5. Activities performed by the New Audit Committee relating to the financial year 2023.

The New Audit Committee held four (04) meetings during 2024 and reviewed;

- i. Financial Statements of the Employees' Provident Fund for the financial year 2023.
- ii. Financial Statements of the Central Bank for the year ended 31.12.2023.

Activity Report of the Board Risk Oversight Committee during the Financial Year 2023

1. Introduction

The Board Risk Oversight Committee (BROC) is a subcommittee appointed by the Monetary Board (MB), overseeing the overall Risk Management and Compliance functions of the CBSL through a formal delegation from the MB. The BROC is responsible for setting the broad strategy and policies for the Risk Management and Compliance functions of the CBSL, ensuring a dedicated focus on risk management and compliance.

2. Composition of the BROC

The BROC is chaired by an Appointed Member of the Governing Board (GB), formerly MB, and comprises of two other Independent External Experts with relevant expertise, who have not been involved in the Financial Services Sector for at least one year, prior to their appointments.

The composition of the BROC during the year 2023 was as follows:

- i. Mr. Sanjeeva Jayawardena*, President's Counsel - Appointed Member of the MB
- ii. Mr. Nihal Fonseka, Appointed Member of the GB (Chairman - appointed on 23/11/2023)
- iii. Mr. Trevine Jayasekara (Independent External Member - appointed on 23/07/2022)
- iv. Mr. H A Karunaratne (Independent External Member - appointed on 23/07/2022)

The Secretary to the GB is the Secretary to the BROC and Director - Risk Management Department (Chief Risk Officer of the CBSL) is the Assistant Secretary to the BROC. Risk Management Department (RMD) provides secretarial facilitation to the BROC.

All Deputy Governors, Chairman of the Business Continuity Planning Committee, Chief Compliance Officer of the CBSL and Chief Internal Auditor of the CBSL attend the BROC meetings in the capacity of Observers.

BROC is required to meet at least once every quarter or more frequently as may be decided by the Chairman or as directed by the GB. Meetings of the BROC are convened by the Secretary to the Committee. Quorum for a meeting is two (02) including the Chairman.

3. Activities carried out during the financial year 2023

The BROC held two meetings in 2023 and the major activities carried out are as follows:

- i. Reviewed the Departmental Risk Registers and made recommendations to the MB/GB in order to expedite the mitigation of operational risks highlighted.
- ii. Guided the implementation of the Risk Appetite Framework on a phased-out basis.
- iii. Reviewed Key Risk Indicators on Human Resources and Information Technology.
- iv. Reviewed incidents reported by RMD extracted through the Incident Reporting System.

* Resigned from the Monetary Board effective from 05.11.2023

- v. Reviewed the risk management and compliance updates pertaining to funds managed by the CBSL (International Reserves, Internal Investment Funds and Employees' Provident Fund), to ensure that such funds are managed within the stipulated parameters.
- vi. Reviewed the impact of credit risk arising from voluntary Domestic Debt Optimisation for Internal Investment Funds and Employees' Provident Fund, and on Central Bank Balance Sheet.

Supplementary
Information

Governance

Managing the
Bank

Role of the Bank

Financial Statements

PRINCIPAL OFFICERS

(as at 31 March 2024)

Governor/ Chief Executive Officer

Dr. P. Nandalal Weerasinghe

Deputy Governors

Mrs. T. M. J. Y. P. Fernando
(Senior Deputy Governor)

Mr. K. M. M. Siriwardana
(Released to Ministry of Finance,
Economic Stabilisation and
National Policies)

Mrs. K. M. A. N. Daulagala

Assistant Governors

Mr. J. P. R. Karunaratne

Mr. A. A. M. Thassim
Secretary to the Governing Board
and Monetary Policy Board

Mr. K. G. P. Sirikumara
Chief Compliance Officer

Mr. C. P. S. Bandara

Dr. C. Amarasekara

Mrs. W. A. Dilrukshini

Dr. P. K. G. Harischandra
(Released to International
Monetary Fund)

Mrs. D. S. W. Samaratunga
Deputy Secretary to the
Governing Board

Mrs. E. H. Mohotty

Mrs. R. D. T. Gunasekera

Heads of Departments

Bank Supervision Department

Mrs. R. R. S. De Silva Jayatillake
Director

Mrs. S. Ketawala
Additional Director

Mr. S. G. S. D. Jayasekara
Additional Director

Centre for Banking Studies

Dr. E. W. K. J. B. Ehelepola
Director

Communications Department

Mr. G. D. P. D. Jayathilake
Director

Mrs. M. K. Jayawardena
Additional Director

Currency Department

Mr. P. D. R. Dayananda
Superintendent

Mr. D. A. M. A. L. B. Deegala
Additional Superintendent

Mr. M. C. D. De Silva
Additional Superintendent

Department of Foreign Exchange		
Mrs. A. P. Liyanapatabendi Director	Mr. W. S. Prasanna Additional Director	
Department of Supervision of Non-Bank Financial Institutions		
Mrs. R. M. C. H. K. Jayasinghe Director	Mrs. V. E. I. W. Weerasinghe Additional Director	
Deposit Insurance and Resolution Department		
Mrs. D. R. Karunaratne Director		
Domestic Operations Department		
Dr. R. A. A. Perera Director	Mr. K. S. A. K. Senanayake Additional Director	Mrs. T. M. U. K. Tennakoon Additional Director
Economic Research Department		
Dr. (Mrs.) S. Jegajeevan Director	Dr. L. R. C. Pathberiya Additional Director	
Employees' Provident Fund Department		
Mr. D. L. Nihal Superintendent	Mrs. S. M. L. Siriwardane Additional Superintendent	Mrs. R. M. D. C. M. Rajapakse Additional Superintendent
Facilities Management Department		
Mr. R. M. Jayawardena Director	Mr. S. K. P. Vitharana Additional Director	
Finance Department		
Mrs. D. S. L. Sirimanne Chief Accountant	Mrs. K. P. K. Weerasekara Additional Chief Accountant	
Financial Consumer Relations Department		
Mr. J. D. S. J. Nanayakkara Director		
Financial Intelligence Unit		
Dr. (Mrs.) W. G. S. S. J. Keerthiratne Director	Dr. H. P. A. I. Ariyasinghe Additional Director	
Human Resources Department		
Mr. W. G. Prabath Director	Mrs. R. K. P. M. Warakagoda Additional Director	
Information Technology Department		
Mr. H. M. P. B. Herath Director	Mr. C. C. Gamage Additional Director	

Supplementary
Information

Governance

Managing the
Bank

Role of the Bank

Financial Statements

International Operations Department

Dr. (Ms.) D. S. T. Wanaguru Director	Mr. S. Obeysekera Additional Director
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Internal Audit Department

Mrs. D. K. Mayadunna
Chief Internal Auditor

Legal Department

Dr. (Mrs) A. A. I. N. Wickramasinghe
Director

Macroprudential Surveillance Department

Dr. B. H. P. K. Thilakaweera Director	Dr. L. Sritharan Additional Director
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Payments and Settlements Department

Mr. K. V. K. Alwis Director	Ms. S. M. Wimalasuriya Additional Director
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Policy Review and Monitoring Department

Mrs. W. L. S. W. Jayasundera
Director

Public Debt Department

Mr. N. D. Y. C. Weerasinghe
Superintendent & Registrar

Regional Development Department

Mr. G. C. A. Ariyadasa
Director

Risk Management Department

Mr. W. R. M. K. Fernando
Director

Secretariat Department

Mrs. K. N. N. M. Bandara Secretary	Mr. W. M. Priyankara Additional Secretary
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Security Services Department

Mr. A. J. Amerasinghe Director	Mr. M. D. S. N. Gunatilleka Additional Director
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Staff Services Management Department

Mr. J. M. Ameer
Director

Statistics Department

Dr. (Mrs) H. K. J. Ekanayake Director	Mrs. D. G. D. I. Ekanayake Additional Director
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OTHER COMMITTEES

Committee	Tasks	Members
Monetary Policy Committee (MPC)	<p>Evaluating macroeconomic developments and projections.</p> <p>Formulating recommendations on future monetary policy directions for the Monetary Policy Board.</p>	<p>Governor (Chairman),</p> <p>All Deputy Governors</p> <p>Assistant Governor/s in-charge of the Departments of Economic Research, Statistics, Domestic Operations, International Operations, and Bank Supervision</p> <p>Directors of the Departments of Economic Research, Statistics, Domestic Operations and International Operations.</p> <p>Additional Director of Economic Research overseeing Money and Banking</p>
Financial System Oversight Committee (FSOC)	<p>Examine the macroprudential policy to mitigate building-up of identified systemic risks affecting the financial system.</p> <p>Coordinate the implementation of macroprudential policy.</p> <p>Upon a proposal of the Central Bank under section 69 of the Central Bank of Sri Lanka Act, No. 16 of 2023, issue recommendations to relevant public authorities and financial sector authorities on corrective action in response to the risk identified and, making those recommendations public, if it deems necessary.</p> <p>Monitor compliance with its recommendations.</p>	<p>Governor of the Central Bank (Chairperson)</p> <p>Deputy Governor/s of the Central Bank in charge of Macroprudential Policy and, Regulation and Supervision</p> <p>Deputy Secretary to the Treasury nominated by the Secretary to the Treasury, Chief Executive Officer of the Insurance Regulatory Commission of Sri Lanka, Chief Executive Officer of the Securities and Exchange Commission of Sri Lanka, Another person who may be appointed by the Governing Board of the Central Bank</p>
Corporate Management Committee (CMC)	<p>Make recommendations to the Governing Board on the policy proposals that have an impact on the Bank's human capital competitiveness and sustainability.</p> <p>Solve issues relating to corporate support functions.</p>	<p>Governor (chairman),</p> <p>All Deputy Governors,</p> <p>All Assistant Governors</p>

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

Committee	Tasks	Members
Stakeholder Engagement Committee (SEC)	The Committee represents the views and sentiments of the private sector and academia on economic conditions and the outlook, considering overall economic developments, particularly in the monetary and financial sectors of the economy. Further, the Committee is expected to provide feedback from the viewpoint of the stakeholders of the economy on the policy measures adopted by the Central Bank, thus enabling the Central Bank to make informed policy decisions in a more consultative manner.	Cross section of external stakeholders, including eminent professionals, academics, and private sector personnel who are experts in monetary policy, macroeconomy, and financial system
Financial System Stability Committee (FSSC)	Safeguard the stability and resilience of the financial system. Comprehensive assessments of systemic risks. Formulate proactive measures to mitigate potential threats to financial stability. Conduct monitoring mechanisms and policy interventions related to Financial System Stability Committee. Uphold public confidence in the integrity and soundness of the financial system.	The Deputy Governor in-charge of Financial Sector Regulation and Supervision (Chairman) Deputy Governors in-charge of Economic Policy Advisory and Capacity Building & Support Assistant Governors in-charge and Heads of Macprudential Surveillance Department, Bank Supervision Department, Department of Supervision of Non-Bank Financial Institutions, Economic Research Department, Foreign Exchange Department, Payments & Settlements Department, Statistics Department, International Operations Department, Domestic Operations Department, Information Technology Department, Public Debt Department, Deposit Insurance and Resolutions Department, Legal Department and Financial Intelligence Unit
Market Operations Committee (MOC)	Managing rupee liquidity in the interbank money market by determining daily direction, type and magnitude of open market operations, in order to maintain the AWCMR at a desired level consistent with the current monetary policy stance set out by the MPB. Making recommendations regarding actions to be taken during the day on exchange rate management operations in the domestic foreign exchange market in adherence to the guidance provided by the Governor.	Deputy Governor in-charge of Economic Policy Advisory Cluster (Chairperson) Assistant Governor in-charge of Economic Research Department (ERD) (Deputy Chairman) Assistant Governors in-charge of International Operations Department (IOD) and Domestic Operations Department (DOD) Directors of ERD, IOD and DOD

Committee	Tasks	Members
National Payments Council (NPC)	<p>Support CBSL to implement, administer and enforce the provisions of the Payment and Settlement Systems Act No. 28 of 2005.</p> <p>Facilitate the stability of the financial system;</p> <p>Enhance other aspects of public interest (promotion of competition, protection of payment system users);</p> <p>Provide guidance and leadership for the establishment and development of payment, clearing and settlements system in Sri Lanka;</p> <p>Facilitate the development of new methods and technologies for payments; and</p> <p>Facilitate cooperation among all participants in the evolution of payment systems and the provision of payment services.</p>	<p>Deputy Governor in charge of Payments and Settlements Department (PSD)- Chairperson, Assistant Governors in charge of PSD and Information Technology Department and Heads of other relevant Departments,</p> <p>Licensed Commercial Banks and National Savings Bank, LankaPay (Pvt) Ltd, Sri Lanka Banks' Association, Lanka Financial Services Bureau Limited, Credit Information Bureau of Sri Lanka, Colombo Stock Exchange, Treasury Operations Department of Ministry of Finance, Payment Card Industry Association, Sri Lanka Forex Association, Securities and Exchange Commission of Sri Lanka, Dialog Axiata PLC and Mobitel (Pvt) Ltd (mobile phone-based e-money service providers), Banks' CIO Forum and Association of Primary Dealers</p>
Information Technology Oversight Committee (ITOC)	<p>Provide strategic direction and alignment of Bank's ICT framework with the organisaton goals.</p> <p>Identify, review, recommend and monitor major ICT enabled business transformation projects.</p> <p>Ensure the appropriate allocation, distribution and effective use of available resources.</p> <p>Review and recommend ICT policies and procedures.</p>	<p>Deputy Governor in Charge of ITD (Chairman),</p> <p>All Assistant Governors</p>
Investment Oversight Committees (IOCs)	<p>Ensure strict adherence to investment guidelines while making broad investment decisions.</p> <p>Provide inputs to formulate and review Investment Policies, and Guidelines.</p> <p>Translating the strategic decisions of the Governing Board into operational directives.</p> <p>Oversee investment activities carried out by fund management departments.</p> <p>Approve new issuers/counterparties and monitor investment performance, risk, and compliance.</p> <p>Recommend necessary deviations from policies and guidelines, particularly in unavoidable circumstances such as breaches in stipulated limits.</p> <p>Ensure the integrity and effectiveness of the central bank's investment practices.</p>	<p>Deputy Governor (Chairperson),</p> <p>Assistant Governors overseeing the respective departments as outlined in the investment policy statements</p> <p>Observers: Heads of relevant departments and Chief Risk Officer</p>

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

Committee	Tasks	Members
Non-Financial Risk Management Committee (NFRMC)	<p>Ensure an appropriate framework for Operational and Compliance risk management for CBSL is in place and recommend the same to BROC.</p> <p>Review and assess the quality, integrity, and effectiveness of the framework for Operational and Compliance risk management.</p> <p>Ensure that the framework approved by the Board for Operational and Compliance risk management is effectively implemented throughout CBSL and well understood by all stakeholders.</p> <p>Oversee Operational and Compliance risk reporting of CBSL.</p> <p>Review existing and potential Operational and Compliance risks/ incidents and decide on suitability of treatment measures and their alignment with CBSL's Risk Appetite Statement, once it is developed.</p> <p>Review Operational and Compliance risks with bank-wide impact, which do not fall under the purview of a single department.</p> <p>Ensure Operational and Compliance risks of strategic importance are escalated to GB through BROC.</p> <p>Ensure that Operational and Compliance risk awareness is created within CBSL.</p> <p>Ensure an adequate facilitation for development of staff skills required for Operational and Compliance risk management.</p> <p>Oversee the development of CBSL's Risk Appetite Statement and recommend the same to BROC for its review.</p>	<p>Deputy Governor appointed by the Governing Board (Chairperson),</p> <p>Deputy Governors and All Assistant Governors, Chief Risk Officer and Chief Compliance officer</p> <p>Observers: Chief Information Security Officer, Chief Internal Auditor</p>

PUBLICATIONS AND DATA DISSEMINATION 2023

Economic and Financial Publications

- Annual Report 2022: Central Bank of Sri Lanka (CBSL)
- Monetary Policy Report: July 2023
- Financial Stability Review 2023
- Financial Soundness Indicators: Q2 & Q3 2023
- Pamphlet on Monetary Policy Implementation in Sri Lanka

Statistical Publications

- Economic and Social Statistics of Sri Lanka 2023: Volume XLV
- Sri Lanka Socio-Economic Data 2023: Volume XLVI
- Payments Bulletin: Quarterly publications

Periodic Publications

- Satahana: Quarterly publications
- News Survey: Quarterly publications
- Vaippaham: Quarterly publications

Other Publications

- Annual Report 2022: Financial Intelligence Unit of Sri Lanka
- National Money Laundering and Terrorist Financing Risk Assessment of Sri Lanka 2021/2022
- Bi-annual Statistics as at 30th June 2023: Financial Intelligence Unit of Sri Lanka

Awareness Materials

- Financial Scams: The Hell Underneath the Heaven
- Green Finance for Sri Lankan Financial Institutions
- Children's Booklets on Financial Literacy

Data and Information Dissemination

- "Data Library", the online data base on Real, Monetary, External, Financial, and Fiscal sectors
- Economic Indicators on Key Macroeconomic Variables
- Press Conferences, Public Statements and Press Releases to inform the general public about the policies and regulatory measures taken by the CBSL
- Print, Electronic and Digital media campaigns conveying the key messages of the CBSL to the general public
- Livestreamed events/discussions through digital media channels enabling the general public to interact with the CBSL on real time basis.

REGIONAL OFFICES

Regional Office-Matara

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INSTITUTIONS REGULATED AND SUPERVISED BY THE CENTRAL BANK

(as at 31 March 2024)

Authorised Financial Institutions

Licensed Commercial Banks

- | | |
|----------------------------------|--|
| 1. Amana Bank PLC | 13. MCB Bank Ltd. |
| 2. Bank of Ceylon | 14. National Development Bank PLC |
| 3. Bank of China Ltd. | 15. Nations Trust Bank PLC |
| 4. Cargills Bank PLC | 16. Pan Asia Banking Corporation PLC |
| 5. Citibank, N.A. | 17. People's Bank |
| 6. Commercial Bank of Ceylon PLC | 18. Public Bank Berhad |
| 7. Deutsche Bank AG | 19. Sampath Bank PLC |
| 8. DFCC Bank PLC | 20. Seylan Bank PLC |
| 9. Habib Bank Ltd. | 21. Standard Chartered Bank |
| 10. Hatton National Bank PLC | 22. State Bank of India |
| 11. Indian Bank | 23. The Hongkong & Shanghai Banking Corporation Ltd. |
| 12. Indian Overseas Bank | 24. Union Bank of Colombo PLC |

Licensed Specialised Banks

- | | |
|--|-------------------------------------|
| 1. Housing Development Finance Corporation Bank of Sri Lanka | 4. SANASA Development Bank PLC |
| 2. National Savings Bank | 5. Sri Lanka Savings Bank Ltd. |
| 3. Pradeshiya Sanwardhana Bank | 6. State Mortgage & Investment Bank |

Representative Offices of Foreign Banks

- | | |
|----------------------------|--------------------|
| 1. JP Morgan Chase Bank NA | 3. ICICI Bank Ltd. |
| 2. MUFG Bank Ltd. | |

Supplementary Information

Governance

Managing the Bank

Role of the Bank

Financial Statements

Licensed Finance Companies

- | | |
|--|--|
| 1. Abans Finance PLC (a) | 18. Mahindra Ideal Finance Ltd. |
| 2. Alliance Finance Co. PLC | 19. Mercantile Investments & Finance PLC |
| 3. AMW Capital Leasing and Finance PLC | 20. Merchant Bank of Sri Lanka & Finance PLC |
| 4. Asia Asset Finance PLC | 21. Multi Finance PLC (c) |
| 5. Assetline Finance Ltd. | 22. Nation Lanka Finance PLC (d) |
| 6. Associated Motor Finance Co. PLC | 23. Orient Finance PLC |
| 7. CBC Finance Ltd. | 24. People's Leasing & Finance PLC |
| 8. Central Finance Co. PLC | 25. PMF Finance PLC |
| 9. Citizens Development Business Finance PLC | 26. Richard Pieris Finance Ltd. (e) |
| 10. Commercial Credit & Finance PLC | 27. Sarvodaya Development Finance PLC |
| 11. Dialog Finance PLC | 28. Senkadagala Finance PLC |
| 12. ETI Finance Ltd(b) | 29. Singer Finance (Lanka) PLC |
| 13. Fintrex Finance Ltd. | 30. Siyapatha Finance PLC |
| 14. HNB Finance PLC | 31. SMB Finance PLC |
| 15. Lanka Credit and Business Finance PLC | 32. Softlogic Finance PLC (f) |
| 16. L B Finance PLC | 33. UB Finance PLC (g) |
| 17. LOLC Finance PLC | 34. Vallibel Finance PLC |

Registered Finance Leasing Establishments

(A) Licensed Commercial Banks

- | | |
|----------------------------------|-------------------------------------|
| 1. Amana Bank PLC | 7. National Development Bank PLC |
| 2. Bank of Ceylon | 8. Nations Trust Bank PLC |
| 3. Commercial Bank of Ceylon PLC | 9. Pan Asia Banking Corporation PLC |
| 4. DFCC Bank PLC | 10. Sampath Bank PLC |
| 5. Hatton National Bank PLC | 11. Seylan Bank PLC |
| 6. MCB Bank Ltd. | 12. Union Bank of Colombo PLC |

(B) Licensed Specialised Banks

- | | |
|--|---------------------------------|
| 13. Housing Development Finance Corporation
Bank of Sri Lanka | 15. Sanasa Development Bank PLC |
| 14. Pradeshiya Sanwardana Bank | 16. Sri Lanka Savings Bank Ltd. |

(C) Licensed Finance Companies

- | | |
|---|--|
| 17. Abans Finance PLC (a) | 24. Central Finance Co. PLC |
| 18. Alliance Finance Co. PLC | 25. Citizens Development Business Finance
PLC |
| 19. AMW Capital Leasing and Finance PLC | 26. Commercial Credit & Finance PLC |
| 20. Asia Asset Finance PLC | 27. Dialog Finance PLC |
| 21. Assetline Finance Ltd. | 28. ETI Finance Ltd. (b) |
| 22. Associated Motor Finance Co. PLC | 29. Fintrex Finance Ltd. |
| 23. CBC Finance Ltd. | 30. HNB Finance PLC |

- | | |
|--|---------------------------------------|
| 31. Lanka Credit and Business Finance PLC | 41. PMF Finance PLC |
| 32. L B Finance PLC | 42. Richard Pieris Finance Ltd. (e) |
| 33. LOLC Finance PLC | 43. Sarvodaya Development Finance PLC |
| 34. Mahindra Ideal Finance Ltd. | 44. Senkadagala Finance PLC |
| 35. Mercantile Investments & Finance PLC | 45. Singer Finance (Lanka) PLC |
| 36. Merchant Bank of Sri Lanka & Finance PLC | 46. Siyapatha Finance PLC |
| 37. Multi Finance PLC (c) | 47. SMB Finance PLC |
| 38. Nation Lanka Finance PLC (d) | 48. Softlogic Finance PLC (f) |
| 39. Orient Finance PLC | 49. UB Finance PLC (g) |
| 40. People's Leasing & Finance PLC | 50. Vallibel Finance PLC |

(D) Specialised Leasing Company

51. Co-operative Leasing Co. Ltd

Licensed Microfinance Companies

- | | |
|---|------------------------------|
| 1. Berendina Micro Investments Company Ltd. | 3. Dumbara Micro Credit Ltd. |
| 2. Lak Jaya Micro Finance Ltd. | 4. Sejaya Micro Credit Ltd. |

- (a) Due to inability of the company to comply with the minimum core capital and/or adhere to the Masterplan, restrictions have been imposed on deposits w.e.f 18.10.2023. However, the company has Complied with minimum capital adequacy ratio requirements.
- (b) The Commercial High Court of Colombo ordered on 15.12.2023, that the winding up of ETI Finance Ltd. be carried out subject to the Supervision of the Court Further, the Court ordered that Mr. Gerard Jeevananthan David, C/o, S J M S Associates, 3rd Floor, No. 11, Castle Lane, Colombo 04 be appointed as the Liquidator of ETI Finance Ltd.
- (c) The company is in the process of a merger with L B Finance PLC under the Masterplan.
- (d) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, restrictions have been imposed on lending and deposits w.e.f. 30.08.2022 and ceased mobilizing public funds through promissory notes w.e.f. 20.12.2022 and accepting public funds in whatsoever manner w.e.f. 13.09.2023.
- (e) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, restrictions have been imposed on deposits w.e.f. 17.10.2023.
- (f) Due to inability of the company to comply with regulatory capital requirements and/or adhere to the Masterplan, restrictions have been imposed on lending, deposits and offering of maximum interest rate. Acceptance of new deposits has been frozen w.e.f.12.08.2022. A cap was imposed for borrowings through commercial papers and similar debt instruments w.e.f.10.04.2023.
- (g) Name of the UB Finance Company Ltd has been changed to UB Finance PLC w.e.f 11.09.2023 and a cap was imposed on accepting deposits due to inadequacy of minimum core capital w.e.f 22.12.2023. Howerer the company has complied with minimum capital adequacy ratio requirements.

Authorised Primary Dealers as at 31st March 2024

- | | |
|---|---|
| 1. Acuity Securities Ltd. | 8. Pan Asia Banking Corporation PLC (Primary Dealer Unit) (j) |
| 2. Bank of Ceylon (Primary Dealer Unit) | 9. People's Bank (Primary Dealer Unit) |
| 3. Capital Alliance PLC | 10. Perpetual Treasuries Ltd. (i) |
| 4. Commercial Bank of Ceylon PLC (Primary Dealer Unit) | 11. Sampath Bank PLC (Primary Dealer Unit) |
| 5. Entrust Securities PLC (h) | 12. Seylan Bank PLC (Primary Dealer Unit) |
| 6. First Capital Treasuries PLC | 13. Wealth Trust Securities Ltd. |
| 7. NSB Fund Management Co. Ltd. | |
- (h) Entrust Securities PLC was directed to refrain from participating in government securities primary auctions w.e.f. 24.07.2017. A creditor winding up was filed by one of the unsecured investors and on 17.06.2022 the winding up order was given by the courts. However, the winding up case (CHC 83/2021/CO) is still pending before the courts due to other legal proceedings.
- (i) Suspended from carrying on the business and activities of a Primary Dealer since 06.07.2017 and current suspension is effective until 05.07.2024.
- (j) Suspended carrying on the business and activities of a Primary Dealer for a period of 6 months with effect from 10.00 a.m. on 15.02.2024

Authorised Money Broking Companies as at 31st March 2024

- | | |
|--|--|
| 1. BMR Money Brokers (Pvt) Ltd. | 6. Pigott Chapman & Company (Pvt) Ltd. |
| 2. Central Forex and Money Brokers Ltd. | 7. SMB Money Brokers (Pvt) Ltd. |
| 3. First Alliance Money Brokers (Pvt) Ltd. | 8. Taprobane Investments (Pvt) Ltd. |
| 4. George Steuart Investments (Pvt) Ltd. | 9. Vishwin Money & Exchange Brokers Ltd. |
| 5. MVS Money Brokers Ltd. | |

INSTITUTIONS AUTHORISED BY THE CENTRAL BANK OF SRI LANKA TO DEAL IN FOREIGN EXCHANGE as at 31st March 2024

List of Authorized Dealers (ADs)

Licensed Commercial Banks

1	Amana Bank PLC	13	MCB Bank Ltd
2	Bank of Ceylon	14	National Development Bank PLC
3	Bank of China Ltd	15	Nations Trust Bank PLC
4	Cargills Bank Ltd	16	Pan Asia Banking Corporation PLC
5	Citibank, N.A.	17	People's Bank
6	Commercial Bank of Ceylon PLC	18	Public Bank Berhad
7	Deutsche Bank AG	19	Sampath Bank PLC
8	DFCC Bank PLC	20	Seylan Bank PLC
9	Habib Bank Ltd	21	Standard Chartered Bank
10	Hatton National Bank PLC	22	State Bank of India
11	Indian Bank	23	The Hongkong & Shanghai Banking Corporation Ltd
12	Indian Overseas Bank	24	Union Bank of Colombo PLC

Licensed Specialized Banks

25	National Savings Bank	26	Sanasa Development Bank PLC
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List of Restrictd Dealers (RDs)

Authorized Money Changers Permitted to Buy and Exchange Foreign Currency including Outlets

1.	Abdeen Money Changers (Pvt) Ltd	17.	Galle Money Exchange (Pvt) Ltd - Galle Fort
2.	Abilash Money Exchange (Pvt) Ltd	18.	Galle Money Exchange (Pvt) Ltd - Weligama
3.	Ariyawansa Enterprises (Pvt) Ltd	19.	George Michael Holdings (Pvt) Ltd
4.	Asian Money Exchange (Pvt) Ltd	20.	Global Village Exchange (Pvt) Ltd
5.	Bullion Money Exchange (Pvt) Ltd	21.	Golden Money Changers (Pvt) Ltd
6.	Capital Exchange (Pvt) Ltd	22.	Gold Lanka Jewellery (Pvt) Ltd
7.	Central Money Exchange (Pvt) Ltd	23.	Haifa Travels and Tours (Pvt) Ltd
8.	City Exchange (Pvt) Ltd	24.	International Exchange (Pvt) Ltd
9.	Colombo Money Exchange (Pvt) Ltd - Colombo 01	25.	Jayes Investments Limited
10.	Colombo Money Exchange (Pvt) Ltd - Colombo 06	26.	Keyser Exchange (Pvt) Ltd
11.	Crown Money Exchange (Pvt) Ltd	27.	M.P. Money Changers (Pvt) Ltd
12.	Dadigama Group (Pvt) Ltd	28.	Maruthi Money Exchange (Pvt) Ltd - Colombo 06
13.	Data Exchange International (Pvt) Ltd	29.	Maruthi Money Exchange (Pvt) Ltd - Jaffna
14.	Daya Authorized Money Changer (Pvt) Ltd	30.	Mayurie Money Changers (Pvt) Ltd
15.	Devi Forex (Pvt) Ltd		
16.	Galle Money Exchange (Pvt) Ltd - Galle		

31. Milano Money Exchange (Pvt) Ltd	42. Royal Money Mart (Pvt) Ltd – Aluthgama
32. Narmatha Gold Centre (Pvt) Ltd – Jaffna	43. Royal Money Mart (Pvt) Ltd - Colombo 01
33. Narmatha Gold Centre (Pvt) Ltd – Kilinochchi	44. Shifaz Money Exchange (Pvt) Ltd
34. New Natasha (Pvt) Ltd	45. Swiss Money Exchange (Pvt) Ltd - Colombo 01
35. New Regal's Money Changer (Pvt) Ltd	46. Swiss Money Exchange (Pvt) Ltd - Colombo 06
36. Prasanna Money Exchange (Pvt) Ltd – Colombo 01*	47. Thomas Cook Lanka (Pvt) Ltd - Colombo 02 - Colombo City Center
37. Prasanna Money Exchange (Pvt) Ltd – Colombo 06*	48. Thomas Cook Lanka (Pvt) Ltd - Colombo 02 - One Galle Face Mall
38. Pushpa Money Changers (Pvt) Ltd	49. Thomas Cook Lanka (Pvt) Ltd – Kandy
39. Rivindu Enterprises (Pvt) Ltd	50. Unic Forex (Pvt) Ltd
40. Royal Money Exchange (Pvt) Ltd - Colombo 01	51. Western Money Exchange (Pvt) Ltd
41. Royal Money Exchange (Pvt) Ltd - Colombo 06	52. Windsor Money Exchange (Pvt) Ltd

Authorised Money Changers Permitted to Buy, Sell and Exchange Foreign Currency including Outlets

1. Arrujina Jewellery (Pvt) Ltd	4. Ravi Forexae (Pvt) Ltd
2. Jewel Lanka Money Exchange (Pvt) Ltd	5. Thomas Cook Lanka (Pvt) Ltd - Bandaranaike International Airport
3. Metro Forex (Pvt) Ltd	

Licensed Finance Companies Permitted to Buy, Sell and Exchange Foreign Currency

1. Asia Asset Finance PLC	4. L B Finance PLC
2. Citizens Development Business Finance PLC	5. Senkadagala Finance PLC
3. Lanka Credit and Business Finance PLC	6. Singer Finance (Lanka) PLC

Tourist Hotels Permitted to Buy Foreign Currency

1. Pearl City Hotel	8. Trinco Blu by Cinnamon
2. Shangri-La's Hambantota Resort & Spa	9. Cinnamon Bentota Beach
3. Shangri-La Hotel Colombo	10. Hikka Tranz by Cinnamon
4. Cinnamon Red Colombo	11. Cinnamon Bey Beruwala
5. Cinnamon Citadel Kandy	12. Cinnamon Grand
6. Cinnamon Lodge Habarana	13. Cinnamon Lakeside
7. Habarana Village by Cinnamon	14. Cinnamon Wild Yala

Other Entities

1. MMBL Money Transfer (Pvt) Ltd (engaging in money transfer service)	2. Sri Lanka Export Credit Insurance Corporation (engaging in issuing credit guarantees in foreign exchange)
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*Money changing permits issued on 04.03.2024

Licensed Service Providers Licensed under the Payment Cards and Mobile Payment Systems Regulation No. 1 of 2013 as at 31st March 2024

Licensed Commercial Banks

- | | |
|--------------------------------------|--|
| 1. Amana Bank PLC | 11. People's Bank |
| 2. Bank of Ceylon | 12. Sampath Bank PLC |
| 3. Cargills Bank PLC | 13. Seylan Bank PLC |
| 4. Commercial Bank of Ceylon PLC | 14. Standard Chartered Bank |
| 5. DFCC Bank PLC | 15. State Bank of India |
| 6. Habib Bank Ltd | 16. The Hongkong & Shanghai Banking Corporation Ltd (HSBC) |
| 7. Hatton National Bank PLC | 17. Union Bank of Colombo PLC |
| 8. National Development Bank PLC | 18. MCB Bank Ltd |
| 9. Nations Trust Bank PLC | |
| 10. Pan Asia Banking Corporation PLC | |

Licensed Specialised Banks

- | | |
|---------------------------------|--|
| 19. National Savings Bank | 21. Housing Development Finance Corporation Bank of Sri Lanka (HDFC) |
| 20. Sanasa Development Bank PLC | 22. Pradeshiya Sanwardana Bank |

Licensed Finance Companies

- | | |
|---|--|
| 23. Central Finance Co PLC | 28. People's Leasing & Finance PLC |
| 24. Citizens Development Business Finance PLC | 29. Senkadagala Finance PLC |
| 25. L B Finance PLC | 30. Singer Finance (Lanka) PLC |
| 26. LOLC Finance PLC | 31. Merchant Bank of Sri Lanka & Finance PLC |
| 27. Fintrex Finance Ltd | 32. Dialog Finance PLC |

Non-Financial Institutions

- | | |
|--|-----------------------|
| 33. Global Payments Asia - Pacific Lanka (Private) Limited | 34. Dialog Axiata PLC |
| | 35. Mobitel (Pvt) Ltd |

CORPORATE INFORMATION

Name

Central Bank of Sri Lanka

Logo



Legal Form

The Central Bank of Sri Lanka established as per the Central Bank of Sri Lanka Act No. 16 of 2023, enacted in September 2023.

Contact Information

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SWIFT Code

CBCELKLX

Auditors

The Auditor General

Right to Information Act, No. 12 of 2016

Designated Officer

Name : Dr. P. Nandalal Weerasinghe
Designation : Governor

Information Officer

Name : Mrs. K. M. A. N. Daulagala
Designation : Deputy Governor
Address : Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha, Colombo 01.
Contact Number : +94 11 247 7000
Email : rti@cbsl.lk