



Frequently Asked Questions (FAQs)

Resolution and Enforcement

Prohibited schemes

Are Pyramid schemes illegal in Sri Lanka?

Yes. Pyramid type schemes are prohibited in terms of the provisions of Section 83 (C) of the Banking Act, No.30 of 1988.

Are only the founders of the pyramid scheme considered as offenders?

No. Any person that directly or indirectly initiate, offer, promote, advertise, conduct, finance, manage, or direct prohibited schemes is considered as an offender.

What is a pyramid type prohibited scheme?

Pyramid type prohibited scheme is a scheme where;

1. participants must pay money or monetary value to register in the scheme; and
2. offers continuous commissions/income to its participants based on their referrals to recruit new members into the system or paying more money to newcomers.

What are the punishments given to persons/ companies who committed pyramid schemes unknowingly?

Any person found guilty of participation in pyramid type of a prohibited scheme will be subject to:

- imprisonment for a term not exceeding 03 years, or
- a fine not exceeding Rs.1,000,000.00, or
- both, imprisonment and a fine

Punishments are stipulated in the provisions of Section 83(C) of the Banking Act.

What are the punishments given to persons/ companies who committed pyramid schemes knowingly?

In a case of the offences that have been committed willfully or knowingly they would cause damage or harm to any other person; the punishment will be:

- rigorous imprisonment for a term not less than three years and not more than five years
- fine of Rs.2,000,000.00 or twice of the aggregate amount in Sri Lanka currency that has been received from the participants in the scheme, whichever is higher.

Punishments are stipulated in the provisions of Section 83(C) of the Banking Act.

How can be identified a pyramid scheme?

If the participants are asked to pay money or a monetary value to join into the scheme, and income can be earned by;

- a. introducing new members into the scheme or
- b. increasing the contribution/investments of newcomers.

Other than the above there are several more features to be considered.

What are the other distinguishing features of a prohibited pyramid schemes?

1. false/unrealistic promises of earnings and hasty promotion to join
2. such goods and services may not retain a market demand
3. the purchased item may not be resold or returned
4. entry fee into the scheme may be abnormally high
5. commission/payments are not depending on sales but new recruitments
6. mainly focusing on recruitments rather than selling goods or services
7. business location and relevant contact details are hardly traceable
8. no proper training opportunities on sales or recruitments may be given
9. no specific operational areas are specified
10. no proper customer care service

What are the types of pyramid schemes?

1. Naked Pyramid Schemes- Recruiting only with an entry fee.
2. Product based Pyramid Schemes-Recruiting people by selling products or services

Why are pyramid schemes prohibited?

Since there will be no more new enrolments available at a certain stage of a pyramid scheme, large number of participants and their referrals at levels will be deprived by losing their invested money. Further, it would create huge unrest among people and making enormous social and economic the country.

Is it safe to spend on in a pyramid scheme which is a registered business?

No. Even though pyramid type scheme registered by some legal entities for some specific purposes, it is unsafe and riskier spending money on pyramid as such payments will never be returned and no legal recovery for such payments.

Why people should be cautious of pyramid schemes?

- Engaging in pyramid schemes are a punishable offence in Sri Lanka
- Hard-earned money of the participants will be lost.
- Social relationships among the people may interrupt due to the referrals for prohibited schemes.
- It may be adversely affected to the economy of the country

What shall people consider before registering to a scheme?

- Studying the features and benefits of the scheme thoroughly
- Checking whether it entails any pyramid type features
- Distinguishing the differences between pyramid schemes and other type of businesses, since most of the fraudulent activities are disguised as a legal business
- Better understanding on the marketing strategies which used by the scammers
- Identifying the methods which are used by the schemes to earn money, and check the realities of the earning sources
- Checking the realities of the benefits promised to give for the participants

What are the responsibilities of the public in combatting prohibited schemes?

- Do not directly or indirectly initiate, offer, promote, advertise, conduct, finance, manage, or direct prohibited schemes
- Not getting caught to fraudulent activities
- Immediately report to law and enforcement authorities
- Be aware and aware other people too

To where do public can report on pyramid type schemes?

The public can complaint to the

- nearest police station, or
- Resolution and Enforcement Department of the Central Bank of Sri Lanka through;

Address:

The Director, Resolution and Enforcement Department, Central Bank of Sri Lanka, No 30, Janadhipathi Mawatha, Colombo-01.

Telephone Nos: 0112477262/0112477276/0112477058

dred@cbsl.lk Email:

FB page of the Central Bank of Sri Lanka

Deposit Insurance - General

What are the legal provisions applicable for Sri Lanka Deposit Insurance and Liquidity Support Scheme?

Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS) Regulations No.02 of 2021

(For Original Regulation - Gazette No.1673/11 dated 28.09.2010)

Who are the Member Institutions of the SLDILSS?

- All Licensed Banks
- All Licensed Finance Companies

What are the Deposits insured/covered by the SLDILSS?

- Savings Deposits
- Value of the shares of shareholders who were initially deposit holders, whose deposits were converted into equity under the directions of the Board in 2010 and 2011 as part of the Business restructuring plans implemented prior to 01.01.2012.

What is the current deposit insurance coverage under SLDILSS and how the depositor is to be treated to the payments?

Current coverage Rs.1,100,000/- per depositor per institution basis.

In the case of joint deposits, each joint depositor is considered as a separate depositor, and he/she will be compensated up to a maximum of Rs.1,100,000/- considering all insured deposits he/she possesses in the company.

If there are several beneficiaries for a claim of a deceased depositor, the individual payments up to Rs. 1,100,000/- is proportionately divided according to respective share for the total deposits.

Compensation payments through CBSL

What are the companies which the compensation payments are handled directly by CBSL?

Compensation payments to the depositors of following three Licensed Financial Companies (LFCs) of which the licenses were cancelled, are directly CBSL;

1. Central Investments and Finance PLC (CIFL)
2. The Standard Credit and Finance Ltd (TSCFL)
3. TKS Finance Ltd (TKSFL)

How does a depositor apply for a compensation payment?

A claim form can be downloaded from the following website

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/about/form_20191223_claim_form_cifl_TSCFL_e.pdf

A hard copy of the claim form and other formats can be obtained from the front desk of Head office and regional offices of CBSL.

Only hard forms are acceptable for compensation payments

What are the necessary documents?

Duly certified Claim Form, original deposit certificates, duly certified identification documents as per the original certificates, bank account details. T shall be submitted for name changes etc.

How shall the depositor send the duly filled applications and other necessary documents?

1. By registered post:
Address- The Director, Resolution and Enforcement Department, Central Bank of Sri Lanka, No 30, Janadhipathi Mawatha, Colombo-01.
2. By hand: to the mail room located at the ground floor of CBSL Head Office during 8.00 am to 4.00 pm on weekdays.

How long will it take to refund the compensation payments?

It depends on the completeness of the applications and the provisions of the other required documents. If all required documents are in order, the claim will be processed and paid in the immediate next batch.

If the depositor doesn't have original certificates what is the procedure to be followed?

An affidavit should be submitted by the depositor as per the format provided by the RED and the letter of indemnity shall be obtained from the relevant authority.

What is the procedure to be followed when the documents are not in order?

The depositors are informed by RED through telephone/e-mail or by post.

How can the depositor who has been already refunded Rs.600,000.00 claim for remaining Rs.500,000.00?

Submit the consent form as per the format prescribed by RED. The consent form to be filled by a customer may vary and therefore, depositors are advised to follow the instructions provided with the consent form. The consent forms can be downloaded through the following link:

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/about/form_compensation_payment_for_cifl_scfl_tks_through_sldilss_e.pdf

Compensation payments through Agent Bank

What are the licence cancelled LFCs whose depositors are paid compensation through the Agent Bank?

People's Bank (PB) has been appointed as the Agent Bank for the compensation payments for the depositors of following LFCs;

1. The Finance Company PLC (TFC)
2. ETI Finance Ltd (ETIFL)
3. Swarnamahal Financial Services PLC (SFSP)

Is it possible to obtain compensation payments in relation to TFC, ETI and SFS? When did the payment process start?

Yes.

Compensation payment process was commenced for TFC, ETI and SFS from 07.06.2020 and 25.07.2020 through the people's Bank respectively. Compensation payments to the depositors of SFS has been temporarily suspended w.e.f. 13.10.2021.

What should be done to obtain compensation through Agent Bank?

Depositors have to visit nearest PB branch with the original documents with a valid identification document (NIC/Passport/ Driving Licence) and follow the instructions given by PB in order to receive the payment.

Which documents to be submitted to People's Bank?

- Originals of Identification Document of the depositor (NIC, Passport, Driving Licence)
- Original Certificates, Pass Books, Share Certificates
- Any other documents as requested by PB such as power of attorney, letters issued from Department of Registration of Persons, indemnities issued by relevant LFC, etc.)

Is it possible to get refunds from PB over the counter?

Yes. Alternatively, depositors of TFC, ETI and SFS are allowed to be credited the compensation payments to the existing account or new account at their discretion.

In case of Joint deposits, can only one depositor receive compensation payment?

If one depositor of TFC, ETI and SFS could not appear at PB due to a valid reason (eg: residing abroad, disability), payment will be made only to the who personally appears at PB branch.

How to get compensation for depositors living abroad?

It is required to provide 'General Power of Attorney' with the power to open an account on behalf of the depositor who does not have an account with PB. This Power of Attorney should be attested through the embassy of the country the depositor lives.

Compensation payment is credited only to the depositor's account or joint account maintained or newly opened at PB based on the provided Power of Attorney.

Compensation Payments – General

What is the procedure to be followed in the case of illegible/handwritten/marked/stamped certificates?

Indemnities will be obtained from relevant LFC by RED/PB.

How to claim compensation for deceased depositors?

Following procedure to be followed with submission Death Certificate and all relevant documents.

Joint depositors where one account holder is deceased.

Pay the compensation payment to the remaining joint holder on behalf of deceased depositor and each depositor is eligible for a maximum of Rs.1,100,000/-. Joint depositor is eligible for both the payments for her/himself and on behalf of deceased depositor.

Deceased depositors where one nominee had been appointed for all accounts maintained at TFC, ETI or SFS.

Pay the compensation payment to the nominee.

Deceased depositors where no nominees have been appointed according to the list of depositors

PB/RED to obtain an Indemnity from relevant LFC to verify the nominees as per the mandate.

Deceased depositors where nominee had not been appointed but acceptable Last Will is available

Pay compensation to the legal beneficiaries, after obtaining legal clearance from legal officers of PB/RED.

Deceased depositors, where there is no nominee and no Last Will is available.

Pay the compensation according to general law and banking practices after obtaining necessary Indemnities from the legal beneficiary and require legal advice from legal departments of PB/RED

Different nominees and/or joint holders in different deposits of deceased depositor.

PB/RED to obtain Indemnities from relevant LFC and obtain legal advice if required.

How shall the nominee details be obtained?

Nominee confirmation shall be obtained from the relevant LFC.

How the remaining balance of the deposit can be obtained after making the compensation payment?

At the liquidation of the company.

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[Department of Foreign Exchange](#)
(<http://www.dfe.lk>)

[Center for Banking Studies](#)

[Financial Intelligence Unit](#)

[Regional Offices of CBSL](#)

[LankaPay](#)

Useful Sites

[Ministry of Finance](#)
(<http://www.treasury.gov.lk/>)

[Department of Census and Statistics](#)
(<http://www.statistics.gov.lk/>)

[Institute of Bankers of Sri Lanka](#)
(<http://www.ibsl.lk>)

[International Monetary Fund](#)
(<http://www.imf.org>)

[Colombo Stock Exchange](#)
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