

PARLIAMENT OF CEYLON

3rd Session 1949

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B57n25/1



Monetary Law Act.

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notwithstanding anything in the Widows' and Orphans' Pension Fund Ordinance, be deemed, so long as he remains in such employ, to be a public Officer within the meaning and for the purposes of the application, of that Ordinance.

Contributions by Central Bank in respect of pensionable public officers appointed to posts in the Bank.

133. (1) In respect of every such officer in the employ of the Central Bank as is eligible, under sub-section (2) or sub-section (3) of section 132, for the grant of a pension in accordance with the Minutes on Pensions and is deemed, under sub-section (4) of that section, to be a public officer within the meaning, and for the purposes of the application, of the Widows and Orphans' Pension Fund Ordinance, the Bank shall contribute out of the funds of the Bank to the Consolidated Fund, in respect of every complete month during which that officer is in the employ of the Bank :—

(a) such sum not exceeding twenty-two per centum of the highest monthly salary received by that officer in his substantive post in the service of the Government or the Bank as the Minister of Finance may from time to time determine, and
(b) a sum equivalent to three per centum of the salary of that officer for that month.

(2) In sub-section (1) "salary" means the emoluments of the pensionable appointment held by the officer exclusive of allowances other than personal allowances.

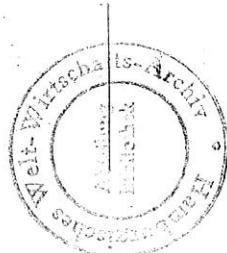
(3) The Central Bank shall pay the contributions under sub-section (1) annually to the Treasury on or before such date as may be fixed by the Deputy Secretary to the Treasury.

Monetary Law Act, No. 58 of 1949

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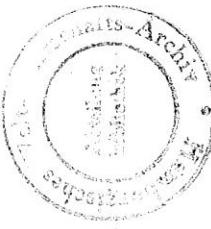
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AN ACT TO ESTABLISH THE MONETARY SYSTEM OF CEYLON AND THE CENTRAL BANK TO ADMINISTER AND REGULATE THE SYSTEM AND TO CONFER AND IMPOSE UPON THE MONETARY BOARD OF THE CENTRAL BANK POWERS, FUNCTIONS AND RESPONSIBILITIES NECESSARY FOR THE PURPOSES OF SUCH ADMINISTRATION AND REGULATION, AND TO PROVIDE FOR CONNECTED MATTERS.

[Date of Assent : December 16, 1949.]

BE it enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Representatives of Ceylon in this present Parliament assembled, and by the authority of the same, as follows :—

Short title
and date of
operation.

1. (1) This Act may be cited as the Monetary Law Act, No. 58 of 1949.

(2) The provisions of this Act, other than the provisions of Chapter II thereof, shall not come into operation until such date as may be appointed by the Governor-General by order published in the *Gazette*.

The unit of
monetary
value.

Establishment
and objects of
Central Bank.

5. An institution which shall be called and known as the Central Bank of Ceylon (hereinafter referred to as "the Central Bank"), is hereby established as the authority responsible for the administration and regulation of the monetary and banking system of Ceylon ; and, without prejudice to the other provisions of this Act, the Central Bank is hereby charged with the duty of so regulating the supply, availability, cost, and international exchange of money as to secure, so far as possible by action authorised by this Act, the following objects, that is to say :—

(a) the stabilization of domestic monetary values ;
(b) the preservation of the par value of the Ceylon rupee and the free use of the rupee for current international transactions ;
(c) the promotion and maintenance of a high level of production, employment, and real income in Ceylon ; and
(d) the encouragement and promotion of the full development of the productive resources of Ceylon.

(a) the stabilization of domestic monetary values ;

(b) the preservation of the par value of the Ceylon rupee and the free use of the rupee for current international transactions ;

4. (1) Every obligation of the following description, that is to say, every contract, sale, payment, bill, note, instrument, and security for money, and every transaction, dealing, matter, and thing whatsoever relating to money, or involving the payment of money or the liability to pay any money, shall, in the absence of an express agreement to the contrary

CHAPTER II.—ESTABLISHMENT OF THE CENTRAL BANK TO ADMINISTER & REGULATE THE MONETARY SYSTEM.

PART I.—THE CENTRAL BANK, ITS POWERS AND PURPOSES

which is not rendered invalid or unlawful by any other written law, be held to be made, executed, entered into, done, and had in Ceylon according to the Ceylon rupee.

(2) In any case where any such obligation which is by agreement expressed in any monetary unit other than the Ceylon rupee has, by reason that such agreement is rendered invalid or unlawful by any other written law, to be executed or liquidated in Ceylon rupees, the necessary conversions shall be effected on the basis of the legal parities ruling at the time when such obligation falls to be executed or liquidated, or at such other time as may be specified in that behalf in the agreement.

2. (1) The standard unit of monetary value in Ceylon shall be the Ceylon rupee, which shall be represented by the signs "Re." and "Rs."
(2) The Ceylon rupee shall be divided into one hundred units each of which shall be called a "cent."

3. The par value of the Ceylon rupee shall be two grains and eighty-eight hundredths (2.88) of a grain of fine gold.

The par value
of the rupee.

(c) the promotion and maintenance of a high level of production, employment, and real income in Ceylon ; and
(d) the encouragement and promotion of the full development of the productive resources of Ceylon.

Capital of
Central Bank.

6. The capital of the Central Bank shall be fifteen million rupees, which sum is hereby appropriated to the Bank from the surplus assets of the Board of Commissioners of Currency as provided in section 128.

Place of
business.

7. The Central Bank shall have its principal place of business in Colombo, and may have such branches, agencies, and correspondents in other places, in Ceylon or abroad, as may be necessary for the proper conduct of the business of the Bank.

Constitution
of Monetary
Board.

PART 2.—THE MONETARY BOARD

8. (1) The Monetary Board of the Central Bank shall, in addition to determining the policies or measures authorised to be adopted or taken under this Act, be vested with the powers, duties, and functions of the Central Bank under this Act, and be generally responsible for the management, operations, and administration of the Bank.

(2) The Monetary Board shall consist of—

- (a) the Governor of the Central Bank who shall be the Chairman of the Board ;
- (b) the person holding office for the time being as Permanent Secretary to the Ministry of Finance ; and
- (c) a third member appointed by the Governor-General on the recommendation of the Prime Minister.

(3) In the absence of the Governor from any meeting of the Monetary Board, the Deputy Governor designated as Senior by the Board shall act as his alternate and shall preside at the meeting and have the right to vote thereat.

(4) In the absence of the member of the Monetary Board mentioned in paragraph (b) of sub-section (2) from any meeting of the Board, the person holding office for the time being as Deputy Secretary to the Treasury shall act as that member's alternate at that meeting and have the right to vote thereat.

9. (1) The Monetary Board of the Central Bank shall in that name be a body corporate with perpetual succession and a common seal and may sue or be sued in its corporate name.

(2) The Monetary Board shall have the power, in the name of the Central Bank, to hold property both movable and immovable, and to sell and dispose of the same, to enter into contracts and otherwise to do and perform all such acts or things as may be necessary for the purpose of carrying out the principles and provisions of this Act.

(3) The Monetary Board may, in the name of the Central Bank, acquire and hold such assets and incur such liabilities as result directly from operations authorised by this Act or as are essential for the proper conduct of such operations.

10. For the purposes of the exercise of its powers, duties, functions, and responsibilities under this Act, the Monetary Board—

- (a) may, subject to the provisions of section 22 and section 23, appoint such officers and servants as the Board may consider necessary and remove them from office or dismiss them, and may fix the salaries or wages, or other remuneration, of such officers and servants, and may prescribe their conditions of service ;
- (b) may establish and regulate pensions or provident funds or schemes for the benefit of officers and servants and their dependants and nominees, and may make contributions to any such fund or scheme ;
- (c) may make such rules and regulations as the Board may consider necessary in relation to any matter affecting or connected with or incidental to the exercise, discharge, or performance of the powers, functions, and duties of the Central Bank ; and
- (d) may utilise the funds of the Central Bank for the purpose of meeting all expenditure incurred by the Board in the management, administration, and operation of the Bank and in the exercise, performance, and

General
powers of
Monetary
Board.

discharge of powers, functions, and responsibilities of the Bank under this Act.

Disqualification for appointment as Governor, or as Member of Monetary Board.

11. A person shall be disqualified for appointment as the Governor of the Central Bank, or as a member of the Monetary Board under paragraph (c) of section 8 (2), if—

- (a) he is a Senator or a Member of Parliament or a member of any local authority ; or
- (b) he is a public officer or a judicial officer within the meaning of the Ceylon (Constitution) Order in Council, 1946, or holds any office or position (other than an academic position), either by election or appointment, for which salary or other remuneration is payable out of public funds or the funds of any local authority ; or
- (c) he is a director, officer, employee, or shareholder of any banking institution (other than the Central Bank).

Appointment,
remuneration,
&c., of
Governor of
Central Bank.

12. (1) The Governor of the Central Bank shall be a person appointed for the purpose by the Governor-General on the recommendation of the Prime Minister.

(2) The Governor shall devote his full professional time to the business of the Bank ; and accordingly the Governor shall not accept or hold any other office or employment whatsoever, whether public or private, and whether remunerated or not :

Provided, however, that nothing in the preceding provisions of this sub-section shall be deemed to prevent the Governor from accepting or holding any academic office or position, or from being appointed to be or acting as a member of any commission constituted under the Commissions of Inquiry Act, No. 17 of 1948, for the purposes of any inquiry relating to monetary, banking, financial, or general economic matters of questions affecting the national welfare of Ceylon, or of any council, committee, or other body investigating or examining, or advising upon, any such matters or questions.

13. (1) The term of office of the Governor, and of the person appointed under paragraph (c) of section 8 (2) (hereinafter referred to as the " appointed member "), shall, subject to the provisions of subsection (2) of this section, be the period of six years commencing on the date of his appointment :

Provided, however, that the term of office of the first appointed member holding office under this Act shall be the period of three years from the date of his appointment.

(2) In the event of the vacation of office by the Governor or by the appointed member before the expiration of his term of office, another person shall be appointed in his place to hold office during the unexpired part of the term of office of the Governor or member so vacating office.

(3) Any person vacating office as Governor or as appointed member by effluxion of time shall be eligible for re-appointment.

14. (1) The appointed member shall receive an allowance for each day on which he attends a meeting of the Monetary Board.

(2) The amount of such allowance shall be fixed by the Governor-General on the recommendation of the Prime Minister.

15. (1) Where the appointed member is, through illness, absence from Ceylon, or for any other reason, temporarily unable to perform the functions of his office, the Governor-General may, on the recommendation of the Prime Minister, appoint some other person to act in his place for such period as may be specified by the Governor-General.

(2) The provisions of section 11 shall apply in relation to any such appointment.

(3) The person appointed to act as a member of the Board under this section shall during the period of his appointment be deemed for the purposes of this Act to be the appointed member.

16. The Governor-General may, on the recommendation of the Prime Minister, remove the Governor or the appointed member from office—

Removal from
office of
Governor or
Appointed
Member.

Term of office
of Governor
and appointed
Member.

- (a) If he becomes subject to any disqualification mentioned in section 11 ; or
- (b) if he becomes permanently incapable of performing his duties ; or
- (c) if he has done any act or thing which, in the opinion of the Prime Minister, is of a fraudulent or illegal character or is manifestly opposed to the objects and interests of the Central Bank ; or
- (d) in the case of the Governor, if he acts in contravention of sub-section (2) of section 12.

Meeting of Monetary Board.

- 17.** (1) Meetings of the Monetary Board shall be held at least once in every two weeks and, in addition, as frequently as is necessary for the purpose of the discharge of its responsibilities under this Act.
- (2) Meetings of the Board shall be convened by the Governor.

- (3) At any meeting of the Board two members shall constitute a quorum.
- (4) No decision taken at any meeting of the Board shall be deemed to be a decision of the Board unless it has the concurrence of at least two members, or, in any case where any other provision of this Act requires a unanimous decision, the concurrence of all three members.

Attendance of certain officers at meetings of Monetary Board.

- 18.** The Deputy Governor designated as Senior by the Monetary Board and the Director of Economic Research may attend meetings of the Monetary Board but shall not have the right to vote on any question.

PART 3.—THE GOVERNOR AND DEPUTY GOVERNORS

- as may be applicable, the direction, supervision, and control of the operations of the Central Bank and its internal management and administration ;
- (b) the preparation of the agenda for meetings of the Monetary Board and the submission for the consideration of the Board of policies and measures considered by him to be necessary for the purpose of carrying out the principles and provisions of this Act ; and
- (c) the exercise or performance of such other powers or duties as may be conferred or imposed upon him by the Monetary Board.

- (2) Every instrument of the following description, that is to say, every contract, promissory note, security, report, balance sheet, statement, or other document, and every rule, regulation, order, direction, notice, or requirement which bears the signature of the Governor or such other officer as may be authorised in that behalf by the Monetary Board, shall be deemed for all purposes to be an instrument executed, made, or issued by the Central Bank or by the Monetary Board, as the case may be.

- 20.** The Governor of the Central Bank shall be the principal representative of the Bank and of the Monetary Board and shall in that capacity, but in accordance with policies or rules approved or made by the Board, have authority—

- (a) to represent the Central Bank and the Board in all relations with other persons, including the Government and any body of persons, corporate or unincorporate, whether public or private, domestic, foreign, or international ; and

- (b) to represent the Central Bank and the Board in any legal proceedings either personally or through proctor or counsel.

- 19.** (1) The Governor shall be the chief executive officer of the Central Bank and shall accordingly be charged with the following powers, duties, and functions—
- (a) the execution of policies and measures approved by the Monetary Board and, subject to any such policies and measures

- if any, as may be made by the Monetary Board in that behalf, the Governor may delegate to any other officer of the Bank his authority to represent the Bank for any purpose mentioned in section 20, so however that the Governor shall remain and continue

Delegation of powers of Governor.

to be responsible to the Board for and in respect of any act or thing done or omitted to be done by any such delegate.

Appointment
of Deputy
Governors.

22. The Monetary Board shall, with the concurrence of the Minister of Finance, appoint one or more Deputy Governors who shall perform such duties and exercise such powers as may be assigned to them by the Board.

Disqualification
and removal of
Deputy
Governors.

23. (1) A person shall be disqualified for appointment as a Deputy Governor if—

- (a) he is a Senator or a Member of Parliament or a member of any local authority.
- (b) he is a public officer or a judicial officer within the meaning of the Ceylon (Constitution) Order in Council, 1946, or holds any office or position (other than an academic position), either by election or appointment, for which salary or other remuneration is payable out of public funds or the funds of any local authority ; or

(c) he is a director, officer, employee, or shareholder of any banking institution (other than the Central Bank).

24. (1) The Monetary Board may, with the concurrence of the Minister of Finance, remove any Deputy Governor from office—

- (a) if he becomes subject to any disqualification mentioned in sub-section (1) ; or
- (b) if he becomes permanently incapable of performing his duties ; or
- (c) if he has done any act or thing which, in the opinion of the Board, is of a fraudulent or illegal character or is manifestly opposed to the objects and interests of the Central Bank ; or
- (d) if, in the opinion of the Board, he has failed to carry out his duties.

Board shall act as the chief executive officer of the Central Bank and shall have authority to exercise the powers and perform the functions and duties of the Governor under this Act.

PART 4.—DEPARTMENTS OF THE CENTRAL BANK

A.—*The Department of Economic Research.*

25. (1) The Central Bank shall establish and maintain a Department of Economic Research which shall prepare data and conduct economic research, for the guidance of the Monetary Board, and the Governor in formulating, implementing, and executing policies and measures and for the information of the public, in the subjects of money and banking and other economic subjects of general interest.

(2) The head of the department established under sub-section (1) shall be called the Director of Economic Research.

26. (1) The Director of Economic Research or any officer of the Department of Economic Research authorised for the purpose by the Director may in such manner as may be prescribed by rules made under section 10—

- (a) require any person to furnish to him such information as he may consider it necessary to obtain for the purposes of the proper discharge of the functions and responsibilities of the Central Bank ; or
- (b) require any person to produce for inspection any books or records in his possession containing or likely to contain any such information.

(2) Any person who without reasonable cause fails or refuses to comply with any requirement made under sub-section (1) shall be guilty of an offence.

(3) In this section “ person ” includes any officer of any Department of Government, and any body of persons, corporate or unincorporate, whether established or constituted under any written law or otherwise.

27. The Central Bank shall promote and sponsor the training of technical personnel in the subjects of money, banking, statistics, finance, and other economic

subjects, and for this purpose, the Central Bank is hereby authorised to defray the costs of study, in Ceylon or abroad, of employees of the Bank who are of proved merit, or of any other qualified persons selected by the Monetary Board.

B.—*The Department of Bank Supervision*

Establishment and functions of Department of Bank supervision.

28. (1) For the purposes of the continuous supervision and periodical examination of all banking institutions in Ceylon, the Central Bank shall establish and maintain a Department of Bank Supervision.

(2) The head of the department established under sub-section (1) shall be called the Director of Bank Supervision.

Examination of banking institutions.

29. (1) The Director of Bank Supervision shall examine, or cause an Examiner of his Department to examine, the books and accounts of every commercial bank in Ceylon at least once in each examination period, and shall make such further examinations in respect of any specified bank whenever required so to do by the Governor.

(2) Examination of the books and accounts of banking institutions other than commercial banks, or of any specified banking institution, shall be made if directions in that behalf are given by the Monetary Board.

(3) A report on the results of each examination under this section shall be furnished by the Director of Bank Supervision to the Governor.

(4) It shall be lawful for the Director of Bank Supervision or for any Examiner of his Department—

- (a) to administer oaths or affirmations, in accordance with the Oaths Ordinance, to any director, officer, or employee of any banking institution;
- (b) to require any such director, officer, or employee to furnish such information as the Director or Examiner may consider it necessary to obtain for the purpose of enabling the true condition of the affairs of the institution to be ascertained; or

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(c) to require any such director, officer, or employee to produce for inspection any books, records, or other documents in his possession containing or likely to contain any such information.

(5) It shall be the duty of every director, officer, or employee of any banking institution to afford to the Director of Bank Supervision or to any Examiner of his Department full opportunity to examine books and records and its cash, available assets, full liabilities and general condition, whenever so requested by the Director.

(6) In this section "examination period," means each period of such duration as may be fixed for the purpose by the Monetary Board.

30. (1) In any case where the Director of Bank Supervision is satisfied, after examination by himself or any examiner of the affairs of any banking institution, or upon information received from the institution, that the institution is insolvent or is likely to become unable to meet the demands of its depositors, or that its continuance in business is likely to involve loss to its depositors or creditors, the Director shall make a report accordingly to the Governor for submission to the Monetary Board; and if the Board, upon review of the facts and circumstances, is of opinion that action should be taken as hereinafter provided, the Board may make order directing the institution forthwith to suspend business in Ceylon and directing the Director to take charge of all books, records and assets of the institution and to take such measures as may be necessary to prevent the continuance of business by the institution.

(2) Notwithstanding anything in any written or other law, no action or proceeding may be instituted in any court for the purpose of securing the review or revocation of any order made under sub-section (1) or in respect of any loss or damage incurred, or likely to be or alleged to be incurred, by reason of such order.

(3) An order made by the Monetary Board under sub-section (1) in respect of any banking institution shall cease to have effect upon the expiration of a period of thirty days from the date on which it is

made : and it shall be the duty of the Board, as soon as practicable and in any event before the expiration of the said period—

- (a) to make order permitting the institution to resume business, either unconditionally or subject to such conditions as the Board may consider necessary in the public interest or in the interests of the depositors and other creditors of the institution ; or
- (b) to cause the Director of Bank Supervision to make application to the competent court under such written law as may be applicable in that behalf for the winding-up of the institution.

- (4) Where an order has been made by the Monetary Board under sub-section (3) permitting the resumption of business by any banking institution subject to such conditions as may be specified in the order, the competent court may, on application made to it in that behalf by the banking institution at any time while the order is in force, make a declaration permitting the institution to resume business unconditionally, or varying or altering, in such manner as the court may determine, any or all of the conditions specified by the Board ; and any such declaration shall have effect notwithstanding anything in the order made by the Board under sub-section (3).

The Director of Bank Supervision shall be named respondent to any such application and shall be entitled on behalf of the Board to be heard and to adduce evidence at the hearing thereof.

- (5) In any case where application is made by the Director as provided in sub-section (3) for the winding-up of any banking institution—

(a) the institution shall not carry on business during the pendency of the application unless it is authorised so to do by the court and except in accordance with such conditions, if any, as may be specified by the court ; and

- (b) the court, if it is of opinion after such inquiry as it may consider necessary, that the institution is not insolvent, may make a declaration permitting the institution to

resume business either unconditionally or subject to such conditions as the court may consider necessary in the public interest or in the interests of the depositors and other creditors of the institution.

- (6) Every order made by a competent court under this section shall be subject to an appeal to the Supreme Court and the provisions of the Civil Procedure Code relating to appeals in civil actions shall apply *mutatis mutandis* in the case of any such appeal :

Provided that an order under paragraph (a) of sub-section (5) shall be final and shall not be subject to appeal.

- (7) Every application to a competent court under this section shall be deemed to be an action of the value of five thousand rupees.

(8) In this section, “competent court,” in relation to any banking institution, means the District Court of Colombo or of the district in which the principal office in Ceylon of the institution is maintained.

(9) Nothing in this section shall apply to or in relation to any banking institutions unless it is an institution that is subject to or governed by any other written law which confers power to order winding-up or liquidation.

- (31) In any case where an order is made, whether in pursuance of an application under section 30 or otherwise, for the winding-up of any banking institution, then, notwithstanding anything in any other written law, the Director of Bank Supervision shall be appointed to be the liquidator for the purposes of such winding-up.

- (32). (1) Any owner, agent, director, officer, or employee of any banking institution, who fails to furnish any information or to produce any book, record, or other document when required so to do by the Director of Bank Supervision or any Examiner under the preceding provisions of this Part or who obstructs or fails to permit the Director or any Examiner to make any examination authorised to be made under any such provision, shall be guilty of an offence,

(2) Any person who in any report or information furnished to the Director of Bank Supervision, or to any Examiner, makes any statement which he knows to be false shall be guilty of an offence.

C.—*Other Departments.*

Other depart-
ments.
Monthly
statement.

33. The Monetary Board may establish and maintain such other departments as it may consider necessary for the proper and efficient conduct of the business of the Central Bank.

PART 5.—REPORTS AND PUBLICATIONS.

34. The Central Bank shall, before the eighth day of each month, publish a general balance sheet showing the volume and composition of its assets and liabilities as on the last working day of the preceding month.

Annual Report.

35. (1) Within three months after the end of each financial year, the Monetary Board shall submit to the Minister of Finance and shall publish an Annual Report on the condition of the Central Bank and a review of the policies and measures adopted by the Monetary Board during the financial year and an analysis of the economic and financial circumstances which prompted those policies and measures.

(2) The Annual Report shall include a statement of the financial condition of the Central Bank, and shall present as a minimum the following data:—

- (a) the monthly movements of the money supply, currency and demand deposits ;
- (b) the monthly movements of purchases and sales of exchange and of the International Reserve of the Bank ;
- (c) the annual balance of payments of Ceylon ;
- (d) the monthly indices of wages, of the cost of living, and of import and export prices ;
- (e) the monthly movement, in summary form, of exports and imports, by volume and value ;
- (f) the monthly movement of the accounts of the Central Bank and, in consolidated form, of the commercial banks ;

(g) the principal data on Government receipts and expenditures and on the state of the public debt, both domestic and foreign ; and

(h) the texts of the major legal enactments and administrative measures adopted by the Government and the Monetary Board during the year, which relate to the functions or operations of the Central Bank or of banking institutions operating in Ceylon.

(3) The Annual Report shall be laid before Parliament within fourteen days after the receipt thereof by the Minister of Finance, if Parliament is then in session, or, if Parliament is not in session, within fourteen days after the commencement of the next ensuing session.

36. The balance sheets and other financial statements of the Central Bank (including the statement of financial condition referred to in section 35 (2) shall be signed by the Governor and the Chief Accountant of the Bank, and shall be certified by the Auditor-General.

PART 6.—PROFITS, LOSSES AND SPECIAL ACCOUNTS.

37. The financial year of the Central Bank shall be the calendar year.

38. Before the expiration of thirty days after the end of each financial year, the Central Bank shall determine its net profits or losses, and in the calculation of net profits the Bank shall make adequate allowance or establish adequate reserves for such purposes as the Monetary Board may deem fit.

39. Before the expiration of sixty days after the end of each financial year, the Monetary Board shall carry out the distribution of the net profits in accordance with the following provisions:—

- (a) *Firstly*, all the net profits of the Central Bank shall be used to reduce the Monetary Adjustment Account, defined in the following section, whenever such Account exists, until the Account has been completely liquidated.

Signatures on
balance sheets
and financial
statements.

Computation of
profits and
losses.

Distribution of
profits.

- (b) *Secondly*, any net profits remaining after liquidation of the Monetary Adjustment Account, if any, shall be carried to surplus until such time as the total capital accounts of the Bank reach a sum equal to at least fifteen per centum of the difference between the total assets of the Bank and its assets in gold and in foreign currencies.
- (c) *Thirdly*, any net profits remaining after compliance with the preceding provisions shall, after consultation with the Minister of Finance, either be applied in liquidation of any outstanding Government obligations to the Central Bank or be paid and credited to the Consolidated Fund.

40. The Monetary Board may, whenever it deems it advisable, exclude from the computation of the annual profits and losses of any particular financial year all or any part of any extraordinary expenses of the following description which may have been incurred during that year:—

(v) The costs of any extraordinary coin or note issue.

Extraordinary expenses of currency issue and monetary stabilization.

- (b) Expenditures incurred in the issue and placing of, and the payment of interest on, the securities to which reference is made in section 90.
- (c) Interest paid on bank reserves in accordance with section 94.

The amounts so excluded from the computation of profits and losses shall be entered in a suspense account which shall be called the "Monetary Adjustment Account". The expenses charged to such Account shall in every case be amortized not later than five years after they are so charged.

Revaluation profits and losses.

the computation of the annual profits and losses of the Central Bank.

(2) All such profits or losses shall be carried in a special account, which shall be named "International Reserve Revaluation Account", and the net balance of which shall appear either among the liabilities or among the assets of the Central Bank, according as the revaluations have produced net profits or net losses.

(3) The International Reserve Revaluation Account shall be neither credited nor debited for any purposes other than those specifically mentioned in this section.

PART 7.—AUDIT.

- 42.** (1) The accounts of the Central Bank shall be audited by the Auditor-General and the cost of audit shall be paid by the Bank.
- (2) The Auditor-General shall submit an annual report on the accounts of the Central Bank to the Minister of Finance who shall lay such report before Parliament.

- 43.** (1) The Auditor-General and any officer of his Department authorised by him in that behalf shall at all times have the right of access to, and examination of, the accounts of the Central Bank and of all books and documents containing information with respect to matters connected with such accounts.
- (2) The Auditor-General shall at such intervals as may be fixed by the Minister of Finance furnish to him reports setting out the results of the examination of the accounts of the Central Bank.

PART 8.—RESTRICTIONS RELATING TO CENTRAL BANK OFFICERS AND SERVANTS.

- 44.** No person shall be eligible for employment as an officer or servant of the Central Bank, if he is a director, officer, or employee, or a shareholder, of any banking institution, or a person interested in banking institutions not eligible for employment by Central Bank.

Duty to
maintain
secrecy.

45. (1) Except in the performance of his duties under this Act, every officer or servant of the Central Bank shall preserve and aid in preserving secrecy with regard to all matters relating to the affairs of any banking institution, or of any client of any such institution, that may come to his knowledge in the performance of his duties; and any such officer or servant who communicates any such matter to any person other than the Monetary Board or an officer of the Central Bank authorised in that behalf by the Governor, or suffers or permits any unauthorised person to have access to any books, papers, or other records relating to any banking institution, shall be guilty of an offence.

(2) No officer or servant of the Central Bank shall be required to produce in any court any book or document or to divulge or communicate to any court any matter or thing coming under this notice in the performance of his duties under this Act, except as may be necessary for the purpose of carrying into effect the provisions of this Act.

Liability for
false statements
in Central
Bank accounts,
&c.

46. Any member of the Monetary Board or any officer or auditor of the Central Bank who certifies or verifies any statement, account, or list required to be furnished to the Minister of Finance in pursuance of this Act, knowing the same to be false in any material particular, shall be guilty of an offence.

Protection for
acts done in
good faith, &c.

47. (1) No member of the Monetary Board or officer or servant of the Central Bank shall be liable for any damage or loss suffered by the Bank unless such damage or loss was caused by his misconduct or wilful default.

(2) Every member of the Monetary Board and every officer or servant of the Central Bank shall be indemnified by the Bank from all losses and expenses incurred by him in or about the discharge of his duties, other than such losses and expenses as the Board may deem to have been occasioned by his misconduct or willful default.

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(2) Every member of the Monetary Board and every officer or servant of the Central Bank shall be indemnified by the Bank from all losses and expenses incurred by him in or about the discharge of his duties, other than such losses and expenses as the Board may deem to have been occasioned by his misconduct or willful default.

CHAPTER III.—THE CENTRAL BANK AND THE MEANS OF PAYMENT

PART I.—ISSUE OF MEANS OF PAYMENT

A.—Currency.

48. In this Act, "currency" means all currency notes and coins issued or circulating in accordance with the provisions of this Act.

49. The Central Bank shall have the sole right and authority to issue currency in Ceylon.

50. (1) No person other than the Central Bank shall draw, accept, make, or issue any bill of exchange, promissory note, or engagement for the payment of money payable to bearer on demand, or borrow, owe, or take up any sum or sums of money on the bills or notes payable to bearer on demand of any such person:

Provided that cheques or drafts payable to bearer on demand may be drawn on commercial banks or agents by their customers or constituents in respect of moneys in the hands of such banks or agents held by them at the disposal of the person drawing such cheques or drafts.

(2) Every person who contravenes any provision of this section shall be guilty of an offence.

51. Currency notes and coins issued by the Central Bank shall be liabilities of the Bank. The Bank's holdings of its own notes and coins shall not be considered as part of its currency issue and, accordingly, shall not be taken into account in determining the assets or liabilities of the Bank.

52. All currency notes and coins issued by the Central Bank shall be legal tender in Ceylon for the payment of any amount.

53. (1) The Monetary Board shall, with the approval of the Minister of Finance, prescribe the denominations, dimensions, designs, inscriptions, and other characteristics of currency notes issued by the Central Bank.

(2) Every currency note shall bear the signatures in facsimile of the Minister of Finance and of the Governor of the Central Bank and shall be stated on the face thereof to be issued on behalf of the Government of Ceylon.

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Provided that cheques or drafts payable to bearer on demand may be drawn on commercial banks or agents by their customers or constituents in respect of moneys in the hands of such banks or agents held by them at the disposal of the person drawing such cheques or drafts.

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Provided that cheques or drafts payable to bearer on demand may be drawn on commercial banks or agents by their customers or constituents in respect of moneys in the hands of such banks or agents held by them at the disposal of the person drawing such cheques or drafts.

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(2) Every currency note shall bear the signatures in facsimile of the Minister of Finance and of the Governor of the Central Bank and shall be stated on the face thereof to be issued on behalf of the Government of Ceylon.

(3) The Monetary Board shall, with the approval of the Minister of Finance, prescribe the metals, fineness, weight, size, designs, denominations, and other characteristics of the coins issued by the Central Bank.

54. The Central Bank shall have the authority to enter into contracts with other persons in Ceylon or abroad for the printing of currency notes and the minting of coins.

Contracts for printing of notes and minting of coins.

Replacement of currency unfit for circulation.

55. Upon surrender by any person to the Central Bank of any Ceylon currency, the Bank shall deliver to that person in exchange, on demand and without charge, Ceylon coins and currency notes of equivalent value in such denominations as may be required by that person :
Provided that if the Bank is temporarily unable to deliver currency notes or coins of any required denomination, the Bank shall be deemed to comply with its obligation if it delivers notes or coins of the next higher or next lower available denomination.

Retirement of old notes and coins.

(4) All currency notes and coins called in for replacement and not surrendered as provided in sub-section (3) shall cease to be a liability of the Central Bank and the bearer of any such notes or coins shall not be entitled to any compensation.

58. Any person who without the authority of the Monetary Board—

- (a) cuts, perforates, or in any other way whatso-ever mutilates any currency note,
 - (b) prints, stamps, or draws anything upon any currency note, or affixes any seal or stamp to or upon any currency note, or
 - (c) attaches or affixes to or upon any currency note anything in the nature or form of an advertisement.
- shall be guilty of an offence.

B.—Demand Deposits.

59. For the purposes of this Act, "demand deposits," means all those liabilities of the Central Bank and of commercial banks which are denominated in Ceylon currency and are subject to payment in legal tender upon demand by cheque, draft, or order.

57. (1) The Monetary Board may in its discretion, by notice published in the *Gazette*, call in for replacement currency notes or coins of any issue or denomination.

(2) Notes and coins called in for replacement in accordance with this section shall remain legal tender for such period not exceeding one year from the date of call, as may be prescribed by the Monetary Board and shall thereafter cease to be legal tender.

(3) During the period of five years succeeding the date of call, or such longer period as the Monetary Board may determine, the Central Bank, or any agent authorised by the Board for the purpose, shall, upon surrender of any currency notes or coins so called in for replacement, replace such notes or coins at par and without charge, by the delivery in exchange of fit notes or coins.

60. The acceptance or creation of demand deposits shall be subject to the control of the Monetary Board in accordance with the powers granted to the Board under this Act.

61. For the purposes of this Act, "the money supply," means all currency and demand deposits owned by persons other than commercial banks or the Government.

PART 2.—THE MONEY SUPPLY.

61. For the purposes of this Act, "the money supply," means all currency and demand deposits owned by persons other than commercial banks or the Government.

Definition of "the money supply".

CHAPTER IV.—THE CENTRAL BANK AND
NATIONAL MONETARY POLICY.

PART 1.—DOMESTIC MONETARY STABILIZATION

Principles governing determination of domestic monetary policy.

62. (1) The Monetary Board shall endeavour so to regulate the supply, availability, and cost of money as to secure, so far as possible by action authorised by this Act, the objects mentioned in section 5 ; and shall for such purpose have regard to the monetary needs of particular sectors of the economy as well as of the economy as a whole.

(2) In determining its domestic monetary policies the Monetary Board shall especially consider their effects on Ceylon's international financial position as evidenced by the relation of domestic to world prices and costs, by the level and composition of exports and imports, by the international balance of payments, and, ultimately, by the ability of the Central Bank to maintain the international stability of the Ceylon rupee and its free convertibility for current international transactions.

Action to preserve domestic monetary stability.

63. (1) Whenever the Monetary Board anticipates economic disturbances that are likely to threaten domestic monetary stability in Ceylon or whenever abnormal movements in the money supply or in the price level are actually endangering such stability, it shall be the duty of the Board—

- (a) to adopt such policies, and to cause such remedial measures to be taken, as are appropriate in the circumstances and authorised by this Act ; and
- (b) to submit to the Minister of Finance, and, if not prejudicial to the public interest, make public, a detailed report which shall include, as a minimum, an analysis of—

- (i) the causes of the anticipated economic disturbances, or of the actual abnormal movements of the money supply or the price level ;
- (ii) the probable effects of such disturbances or movements on the level of production, employment, and real income in Ceylon ; and

(iii) the measures which the Monetary Board has already taken, and the further monetary, fiscal, or administrative measures which it proposes to take or recommends for adoption by the Government.

(2) Without prejudice to the generality of the provisions of sub-section (1), it shall be the duty of the Monetary Board to submit a report in terms of paragraph (b) of that sub-section if at the end of any month the Board finds that the amount of the money supply has increased or decreased by more than fifteen per centum, or the cost of living index has increased by more than ten per centum, of its level at the end of the corresponding month in the preceding year.

(3) The Monetary Board shall continue to submit further reports periodically so long as the circumstances which occasioned the submission of the first report constitute a threat to domestic monetary stability.

PART 2.—INTERNATIONAL MONETARY STABILIZATION.

64. In determining its international monetary policies the Monetary Board shall endeavour to maintain the par value of the Ceylon rupee and so to regulate its exchange with other currencies as to assure its free use for current international transactions.

65. (1) In order to maintain the international stability of the Ceylon rupee and to assure the greatest possible freedom of its use for current international transactions, the Monetary Board shall endeavour to maintain among the assets of the Central Bank an International Reserve adequate to meet any foreseeable deficits in the international balance of payments.

(2) In judging the adequacy of the International Reserve, the Monetary Board shall be guided by estimates of the prospective receipts and payments of foreign exchange by Ceylon ; by the volume and maturity of the Central Bank's own liabilities in foreign currencies ; and, in so far as they are known or can be estimated, by the volume and maturity of the foreign exchange assets and liabilities of the Government and of banking institutions and other persons in Ceylon. So long as any part of the foreign

Principles governing determination of international monetary policy.

International Reserve.

currency assets of Ceylon are held in currencies which are not freely convertible by the Central Bank, whether directly or indirectly, into gold, or are frozen the Monetary Board shall also take this factor into account in judging the adequacy of the Central Bank's International Reserve.

Composition
International
Reserve.

66. (1) The International Reserve of the Central Bank may include the following assets :—

- (i) gold ; and
- (ii) assets in foreign currencies in the form of :—
 - (a) documents and instruments of types customarily employed for the international transfer of funds ; or
 - (b) demand and time deposits in Central Banks, Treasuries, and commercial banks abroad ; or
 - (c) securities of foreign governments ; or
 - (d) foreign notes and coins.

(2) The Monetary Board shall endeavour to hold at least a nuclear reserve in gold, or currencies freely convertible by the Central Bank, whether directly or indirectly into gold. The Board shall particularly consider the prospects of stability and convertibility of all of the currencies in the International Reserve as well as the anticipated demand for such currencies.

Action to
preserve the
international
stability of the
rupee.

67. (1) Whenever the Monetary Board anticipates that there may develop a deficit in the International balance of payments of such magnitude as to cause a serious decline in the International Reserve, or whenever there is an imminent threat of a serious decline in the International Reserve, or whenever the International Reserve actually falls to a level which the Board considers to be a threat to the international stability of the Ceylon rupee, or whenever international payments or remittances are being made which in the opinion of the Board constitute an actual or a potential threat to such stability or are prejudicial to the national welfare, it shall be the duty of the Board—

- (a) to adopt such policies, and to cause such remedial measures to be taken, as are appropriate to the circumstances and authorised by this Act, and

(b) to submit to the Minister of Finance a detailed report which shall include, as a minimum, an analysis of—

- (i) the nature, causes, and magnitude of the actual or potential threat to the international stability of the Ceylon rupee ; and

(ii) the measures which the Board has already taken, and the further monetary, fiscal, or administrative measures which it proposes to take or recommends for adoption by the Government.

(2) The Monetary Board shall submit further periodical reports to the Minister of Finance until the threat to the international stability of the rupee has disappeared.

Alteration of
par value of
rupee.

68. (1) The Monetary Board may by unanimous decision recommend to the Minister of Finance the alteration of the par value of the Ceylon rupee, if the Board is of opinion that such alteration is rendered necessary in any of the following circumstances, that is to say :—

- (a) if the continuance of the existing par value hinders, or is likely to hinder, unduly the achievement and maintenance of a high level of production, employment, and real income and the full development of the productive resources of Ceylon, or results, or is likely to result, in a serious decline in the International Reserve of the Central Bank or in other utilizable external assets of Ceylon, or if such a decline cannot be prevented except by—
 - (i) a large-scale increase in the external liabilities of Ceylon ; or
 - (ii) the persistent use of restrictions on the convertibility of the rupee into foreign currencies in settlement of current transactions ; or

(iii) undue or sustained Government assistance to one or more of the major export industries ; or

- (iv) prolonged use of measures designed to restrict the volume of imports of essential commodities ; or

- (b) if the maintenance of the existing par value is producing, or is likely to produce, a persisting surplus in the balance of payments on current account and a monetary disequilibrium which cannot be adequately corrected by other Government action or by any Central Bank action authorised by this Act ; or
- (c) if uniform proportionate changes in the par values of the currencies of its members are made by the International Monetary Fund.

(2) Subject as hereinafter provided, no alteration of the par value of the Ceylon rupee shall be made except by Act of Parliament :

Provided, however, that, in the event of an emergency so grave or of circumstances so urgent as to require immediate action, the Governor-General may, if the Minister of Finance so advises after consultation with the Monetary Board, by order published in the *Gazette* modify the par value of the rupee.

(3) An order made by the Governor-General under sub-section (2) shall have effect for a period of ten days from the date of the publication thereof in the *Gazette* and shall then expire :

Provided, however, that if Parliament has been dissolved prior to the date of the publication of the order, the order shall have effect until the expiration of a period of ten days after the first meeting of the new Parliament and shall then expire.

(4) Fortwith upon the expiration of an order made under sub-section (2), the par value of the Ceylon rupee shall revert to the value obtaining immediately prior to the date of the publication of the order in the *Gazette*, unless provision to the contrary is made by Act of Parliament.

other method of communication, and may buy and sell foreign notes and coins and any documents or instruments of types customarily employed for the international transfer of funds.

(2) Foreign exchange operations may be transacted by the Central Bank only with—

- (a) commercial banks operating in Ceylon ;
- (b) the Government and agencies or institutions acting on behalf of the Government (whether established by any written law or otherwise) ;
- (c) foreign commercial or central banks ;
- (d) international financial institutions ; and
- (e) foreign governments and agencies or institutions acting on behalf of foreign governments.

71. (1) In order to ensure the free use of the Ceylon rupee for current international transactions, the Central Bank shall buy any quantity of foreign exchange offered, or sell any quantity of foreign exchange demanded, by any commercial bank in Ceylon :

Provided that nothing in the preceding provisions of this sub-section shall require the Central Bank to purchase foreign exchange in any currency which is not freely convertible by the Bank, whether directly or indirectly, into gold, unless, in the opinion of the Monetary Board, there is an adequate demand, actual or anticipated, for such currency for the purpose of making payments for current international transactions, or unless the Monetary Board, with the concurrence of the Minister of Finance, makes a determination that the acquisition of such currency is in the national interest.

(2) Notwithstanding anything in sub-section (1), the Monetary Board may by unanimous decision and with the approval of the Minister of Finance temporarily suspend or restrict sales of foreign exchange by the Central Bank in any case where such action is considered necessary in order to conserve the International Reserve of the Central Bank during any period of crisis affecting exchange.

69. The Central Bank may import, export, buy, sell, hold, or otherwise deal in gold in any form.

70. (1) The Central Bank may engage in spot or other foreign exchange operations, that is to say, it may effect transfers of funds by telegram, letter, or

Parities of foreign currencies with respect to the Ceylon rupee of foreign currencies ordinarily required for the international transactions of Ceylon. Parities so determined and

Foreign exchange operations of Central Bank.

CHAPTER V.—INSTRUMENTS OF CENTRAL BANK ACTION.

PART 1.—OPERATIONS IN GOLD AND FOREIGN EXCHANGE.

Dealing in gold.

Foreign exchange operations of Central Bank.

certified shall be published in the *Gazette*, and shall be recognised as the legal parities for all purposes. The Governor may in addition certify the parity of any foreign currency not included in the published list of parities.

(2) The Governor may at any time desist from certifying or publishing the parity of any foreign currency if the exchange rates for that currency in international markets are unstable or widely divergent.

(3) The legal parities of foreign currencies with respect to the Ceylon rupee shall be determined by the Governor, in accordance with the following provisions :—

(a) The currency of a country which is a member of the International Monetary Fund shall have its parity with respect to the rupee established on the basis of its par value as agreed with the Fund in every case where the country is permitting exchange transactions between its currency and the currencies of other members only within the maximum and the minimum rates prescribed in the International Monetary Fund Agreement for such transactions.

In any other case, or if the par value of the currency of a member country has not been agreed with the Fund, the parity of such currency with respect to the rupee may be calculated on the basis of the exchange rates for that currency in the international markets ; and if there is divergence among the rates quoted in the international markets, the Governor may determine which rates to use for the determination of parity.

(b) The currency of a country which is not a member of the International Monetary Fund shall have its parity with the rupee established on the basis of its gold equivalent, if the currency is freely convertible, whether directly or indirectly, into gold. If the currency is not so convertible, its parity shall be calculated on the basis of international markets ; and if there is divergence among the rates quoted in the international markets, the Governor may determine which rates shall be used for the determination of parity.

73. (1) The Monetary Board shall from time to time determine the rates at which the Central Bank will buy and sell foreign exchange.

(2) The rates determined under sub-section (1) for spot transactions shall not differ by more than one half of one per centum from the legal parities determined under section 72, except, in the case of the rates for purchases and sales of foreign notes and coins, in which case the Board may have regard to the additional costs of, or incidental to, such transactions.

(3) The rates determined under sub-section (1) for transactions other than spot transactions shall not differ from the corresponding rates for spot transactions, except in so far as is necessary to reimburse the Bank for the additional costs, expenses, or risks of each type of transaction.

(4) The Central Bank shall not accept any commission or impose any charge of any description in respect of the purchase or sale of foreign exchange, except telegraphic or other costs actually incurred in connection with such purchase or sale.

(5) The provisions of sub-sections (2) and (3) shall not apply at any time during which the sales of foreign exchange by the Central Bank are restricted under section 71.

74. (1) The Central Bank may grant loans to, or take loans from, any institution of any description referred to in paragraphs (c), (d) and (e) of subsection (2) of section 70 and may engage in such other transactions with such institutions as are expedient or desirable in the public interest and are appropriate having regard to the character of the Bank as a Central Bank.

The Central Bank may act as agent or correspondent of any such institution other than a foreign commercial bank.

(2) Any loan taken as provided in sub-section (1) may be secured by gold or other assets held by the Central Bank.

PART 2.—REGULATION OF FOREIGN EXCHANGE OPERATIONS OF COMMERCIAL BANKS.

75. (1) The Monetary Board shall determine the minimum rate at which commercial banks may buy spot exchange and the maximum rate at which they may sell spot exchange. Where the Monetary Board

Exchange rates for Central Bank transactions.

Loans to and from foreign institutions, &c.

Rates applicable to purchases and sales of exchange by commercial banks.

has certified the legal parity of a currency in accordance with section 72, the maximum and minimum exchange rates established for such currency shall not differ from such parity by more than one per centum.

(2) No commercial bank shall buy spot exchange at any rate below the minimum rate determined under sub-section (1) or sell spot exchange at any rate exceeding the maximum rate so determined ; and no commercial bank shall in respect of any purchase or sale of such exchange accept any commission or impose any charge of any description except telegraphic or other costs actually incurred in connection with such purchase or sale.

(3) No commercial bank shall carry out any transaction in exchange, not being a spot transaction, at any rate which differs from the rate determined under sub-section (1) for a spot transaction—

- (a) by a margin greater than is reasonable having regard to the additional costs, expenses or risks of the transaction ; or
- (b) by such margin, if any, as may be prescribed in that behalf by the Monetary Board.

(4) The preceding provisions of this section shall not apply at any time during which the sales of foreign exchange by the Central Bank are suspended or restricted under section 71.

Control of foreign exchange holdings of commercial banks.

76. (1) In order more effectively to control the use and disposition of the foreign exchange resources of Ceylon or in order to promote the domestic investment of the resources of commercial banks, the Monetary Board may from time to time fix, or prescribe the manner of determination, of the maximum amount of the working balances which commercial banks may hold in foreign currencies generally or in any specified foreign currency or currencies, and may from time to time require such banks to sell to the Central Bank all or any specified part of the surpluses in excess of such maximum amount.

(2) The Monetary Board may, having regard to the special needs of any particular commercial bank, permit that bank to hold working balances in any specified foreign currency in excess of the maximum amount fixed or determined for such currency under sub-section (1).

(3) In ascertaining whether the working balances of any commercial bank in any foreign currency are in excess of the maximum amount fixed or determined as hereinbefore provided, there may be deducted from such balances the net liabilities of that bank in currencies into which the first-mentioned currency is freely convertible.

Requirements regarding currency positions of commercial banks.

77. (1) The Monetary Board may direct that the proportion which the assets in Ceylon rupees of commercial banks in Ceylon bear to the liabilities in Ceylon rupees of such banks shall not be less than such proportion as the Monetary Board may prescribe, or may direct such banks to maintain a balanced position between their assets and liabilities in any currency or currencies in which they operate. The Board shall allow to such banks a reasonable period of time in which to comply with any such direction

(2) Any direction under sub-section (1) shall be made applicable to all commercial banks without discrimination :

Provided, however, that the Monetary Board may give such a direction to any particular commercial bank in any case where, in the opinion of the Board, such action is necessary in order to protect against possible loss depositors and other creditors of the bank who are citizens of Ceylon or companies or associations controlled by citizens of Ceylon.

Revaluation profits and losses on holdings of gold and foreign exchange by banking institutions,

78. (1) Any revaluation profits realised or any revaluation losses incurred by banking institutions on their net assets or liabilities in gold or in foreign currencies freely convertible by the Central Bank, whether directly or indirectly, into gold, and arising from changes in the par value of the Ceylon rupee or in the legal parities, or in the Central Bank's exchange rates, of such currencies with respect to the Ceylon rupee, shall be assumed in their entirety by the Central Bank and shall be debited or credited accordingly.

(2) (a) If the Monetary Board so declares, the provisions of sub-section (1) shall apply in relation to revaluation profits realised or revaluation losses incurred by banking institutions on their net assets or liabilities in any specified foreign currency which is not freely convertible by the Central Bank, whether directly or indirectly, into gold.

(b) Any such declaration shall have effect until it is revoked by the Board. Notice of the date on which any such declaration will be revoked shall be given to banking institutions not less than eight days before the proposed date of revocation.

(c) During the period commencing on the date of the notice referred to in paragraph (b) and ending on the date of revocation of the declaration to which it relates, every banking institution shall comply with such directions, if any, as may be given by the Monetary Board for the purpose of preventing banking institutions from increasing their holdings of the currency to which the declaration relates.

Information on exchange operations.

79. (1) Every commercial bank shall, as soon as may be after the close of business at the end of such period as may be prescribed by the Monetary Board, make a report to the Central Bank setting out the volume and composition of its purchases and sales of foreign exchange during that period, and shall furnish such additional information as the Central Bank may require with reference to such purchases and sales and to the movements of its accounts in foreign currencies.

(2) The Monetary Board may also require any other person to make reports to the Central Bank at specified times or intervals as to all transactions or operations in gold, in any shape or form, and in foreign exchange.

(3) Every report under this section shall be in such of the appropriate forms as the Monetary Board may prescribe for the purpose.

(4) The Director of Bank Supervision may make such inspection or examination of the books and accounts kept by any commercial bank or other person as he may deem necessary for the purpose of verifying the accuracy of any statement set out in any report made by such commercial bank or person.

Capital movements.

80. Whenever there is in progress an inward or outward movement of capital which in the opinion of the Monetary Board is actually endangering, or threatening to endanger, the domestic or international stability of the Ceylon rupee, it shall be the duty of the Board to take such action as is appropriate under section 63 or section 67.

PART 3.—CREDIT OPERATIONS WITH BANKING INSTITUTIONS.

Principles governing credit operations.

81. (1) The Central Bank shall exercise the authority conferred by this Part of this Act to carry out the national monetary policy by regulating the supply, availability, cost, and character of credit and by providing the banking system with liquid funds in times of need.

(2) If the Monetary Board determines that it is necessary so to do by reason that, in the opinion of the Board, there is in progress, or has occurred, an expansion of the money supply that represents a threat to the domestic or international monetary stability of Ceylon, the Board shall direct the suspension of the grant of credit by the Central Bank to banking institutions, except when the Board, having regard to the special circumstances, by unanimous decision approves the grant of credit.

82. (1) Subject to the principles stated in the preceding section of this Act, the Central Bank may ordinarily transact with commercial banks and the Co-operative Federal Bank of Ceylon, Limited, credit operations of any description set out hereunder :—

(a) *Commercial credits.*—The Central Bank may discount, re-discount, buy, and sell bills, acceptances, promissory notes, and other credit instruments with maturities of not more than 180 days from the date of their discount, re-discount, or acquisition by the Central Bank and resulting from transactions related to—

- (i) the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within Ceylon ; or
- (ii) the storage of non-perishable goods and products which are duly insured and deposited under conditions assuring their preservation, in authorised bonded warehouses or in other places approved by the Monetary Board.

(b) *Production Credits.*—The Central Bank may discount, re-discount, buy, and sell bills, acceptances, promissory notes, and other credit instruments having maturities of not more than 270 days from the date of their discount, re-discount, or acquisition by the Central Bank and resulting from transactions related to the production, manufacture, or processing of agricultural, animal, mineral, or industrial products.

- (c) *Advances.*—The Central Bank may grant loans or advances for any fixed period not exceeding 180 days upon promissory notes secured by the pledge with the Bank of—
 (i) gold coins or bullion ; or
 (ii) negotiable Treasury bills, promissory notes, debentures, bonds, or other negotiable securities of the Government ; or
 (iii) securities issued by the Central Bank itself or other credit instruments of banking institutions operating in Ceylon and approved by the Monetary Board ; or
 (iv) credit instruments referred to in paragraph (a) of this sub-section ; or
 (v) credit instruments referred to in paragraph (b) of this sub-section.
- Notwithstanding anything in the preceding provisions of this paragraph, a loan or advance secured by the pledge of any credit instrument referred to in paragraph (b) of this sub-section may be for a period not exceeding 270 days.

(2) Except in such circumstances and subject to such conditions as the Monetary Board may determine, the Central Bank shall not grant to any commercial bank or to the Co-operative Federal Bank of Ceylon, Limited, any loan or advance upon the security of the pledge of any instrument referred to in paragraph (c) of sub-section (1) in any case where such instrument is held by such commercial bank or the Co-operative Federal Bank of Ceylon, Limited, as security for the repayment to it of the amount due upon any overdraft account.

83. Whenever, in the opinion of the Monetary Board, a deflationary situation exists which requires special relaxation of normal maturities applying to Central Bank credit operations, the Board may determine that credits may be granted by the Bank on instruments referred to in paragraph (a) or paragraph (b) of section 82 (1) having a maturity of a period longer than the period specified in those paragraphs but not exceeding one year, and may authorize loans or advances to be granted under paragraph (c) of that section for any period not exceeding one year,

Extension of maturities.

84. (1) In special circumstances in which the Monetary Board considers it necessary to promote or facilitate lending operations or particular classes of such operations by banking institutions which make loans upon mortgages, whether of movable or of immovable property, the Central Bank may grant loans or advances to any such institution against promissory notes given by such institution subject to and in accordance with the following conditions :—

- (a) that the loan or advance is repayable within a period not exceeding one year ;
 (b) that the repayment to the Central Bank of the loan or advance is secured by the assignment to the Bank by way of pledge—
 (i) of debts falling due for payment within the same period to the institution by its borrowers, and
 (ii) of the mortgages given as security for the payment of such debts to the institution ;
 (c) that the borrowers from whom such debts are due to the institution are not in default or arrears ; and
 (d) that the total amount of the loan or advance by the Central Bank must not exceed fifty per centum of the total amount of the debts which are so assigned to it.
- (2) The Central Bank may make advances to any institution referred to in sub-section (1) upon the terms and conditions mentioned in section 82 (1).
- (3) Loans or advances shall not be made under sub-section (1) by the Central Bank at any time when the Board is of opinion that the grant thereof would cause or aggravate inflationary tendencies.
85. (1) In periods of emergency or of imminent financial panic which directly threaten monetary and banking stability, the Central Bank may grant to banking institutions, and may renew, extraordinary loans or advances secured by any assets which are defined as acceptable for the purpose by the Monetary Board by unanimous decision.
- (2) A banking institution to which an extraordinary loan or advance is granted under sub-section (1) shall not, while the loan or advance is outstanding, expand

Loans to mortgage institutions.

Emergency loans and advances.

the total volume of its loans and investments except with the prior approval of the Monetary Board.

Interest and discount rates.

86. The Monetary Board shall fix the interest and discount rates to be charged by the Central Bank on its credit operations in accordance with the character and term of each such operation ; and the Board shall, in so doing, have regard to the soundness of credit conditions, the needs of the market, and the general requirements of the national monetary policy.

General conditions as to grant of credit facilities.

87. The Monetary Board may prescribe the conditions subject to which credit facilities of the Central Bank will be available to banking institutions, including conditions relating to the rates of interest charged by such institutions, to the purposes for which their loans in general are destined, and to any other matter affecting or connected with the credit policy of such institutions.

PART 4.—CREDIT OPERATIONS WITH THE GOVERNMENT.

Principles governing open-market operations.

88. The Central Bank may make direct provisional advances to the Government to finance expenditures authorised to be incurred out of the Consolidated Fund :

Provided that every such advance shall be repayable within a period not exceeding six months, and the total amount of such advances outstanding at any time shall not exceed ten per centum of the estimated revenue of the Government for the financial year in which they are made.

89. (1) The Central Bank shall so exercise the authority conferred by this Part of this Act to conduct open-market operations as to secure any of the following purposes, that is to say :—

(a) to increase the liquidity or stabilise the values of the securities referred to in section 90 in order thereby to promote private investment in such securities ; and to prevent or moderate sharp fluctuations in the quotations of such securities, so, however, as not to alter fundamentally movements in the market resulting from basic changes in the pattern or level of interest rates ;

(b) to increase or decrease the supply, availability, and cost of money in accordance with the national monetary policy as determined by the Monetary Board.

(2) In conducting open-market operations in Government securities, the Central Bank shall have regard to the need for maintaining adequate holdings of short-term securities in order to enable the Bank more readily to contract its credit if such contraction becomes necessary.

(3) If the Monetary Board determines that it is necessary so to do by reason that, in the opinion of the Board, there is in progress, or has occurred, an expansion of the money supply or of bank reserves that represents a threat to the domestic or international monetary stability of Ceylon, the Board shall take action to secure—

(a) that purchases of rupee securities in the open market by the Central Bank are suspended, except in special circumstances where the Board by unanimous decision determines that such purchases are necessary in the public interest ; and

(b) that sales of rupee securities are transacted in the open market by the Bank to such extent as market conditions permit.

90. (1) In order to carry out the purposes of this Part the Central Bank is hereby authorised—

(a) to purchase and sell in the open market securities issued by the Government or securities fully guaranteed by the Government ; and

(b) to issue, place, buy, and sell freely negotiable securities of the Bank itself.

Authority of Central Bank to transact open-market operations.

(2) The power conferred on the Central Bank by the preceding provisions of this section shall be deemed to include the power to purchase and sell Government securities which are denominated in foreign currencies.

PART 5.—OPEN-MARKET OPERATIONS.

Principles governing open-market operations.

91. (1) Securities issued by the Central Bank shall be on such terms and conditions and in such form as may be determined by the Monetary Board.

(2) Any security issued by the Central Bank which is purchased or redeemed by the Bank shall not be included among its assets and shall be immediately retired and cancelled.

Conditions as to issue of securities by Central Bank.

PART 6.—REGULATION OF THE RESERVES OF
COMMERCIAL BANKS.

Reserve requirements.

92. (1) The Monetary Board shall, in order to limit the volume of money created by the credit operations of the banking system, require commercial banks operating in Ceylon to maintain reserves against their deposit liabilities, and shall for such purpose define the classes of deposit liabilities against which reserves shall be held.

(2) The reserves required to be held by any commercial bank shall be proportional to the volume of its deposit liabilities and shall ordinarily take the form of rupee deposits in the Central Bank:

Provided that the Monetary Board may, in its discretion permit the maintenance of any part of the required reserves in the form of assets other than rupee deposits in the Central Bank.

Monetary Board
to prescribe
reserve ratios.

93. (1) The Monetary Board shall prescribe, and may from time to time modify, the reserve ratios applicable to each class of deposit liabilities. The ratios so prescribed shall not be less than five per centum or more than twenty per centum in the case of time and savings deposits, and shall not be less than ten per centum or more than forty per centum in the case of demand deposits and unused balances of overdrafts allowed.

(2) Any increase of the reserve ratio which is to be applicable in respect of any existing liability shall be made by the Board in a gradual manner and shall not exceed four percentage points in any one period of thirty days. The Board shall, except in extraordinary circumstances, endeavour to give the commercial banks at least fourteen days' notice of the date on which any such increase is to become effective.

Fixing of
special high
ratios in
time of
inflation.

94. (1) Notwithstanding anything in section 93, the Monetary Board may, during periods of inflation or when inflation is anticipated, prescribe reserve ratios not exceeding one hundred per centum in respect of the amount by which any commercial bank's deposit liabilities of any class may, after the date on which notice is given to that bank of the fixing of the new reserve ratio, exceed the amount of such deposit liabilities of that bank on that date.

(2) In any case where any commercial bank is required, by reason of the exercise of the powers conferred on the Monetary Board by sub-section (1), to

maintain a minimum reserve against any class of deposit liabilities of an amount exceeding the maximum amount specified in section 93 (1) for that class of deposit liabilities, the Central Bank shall pay to that bank interest on the amount in excess at a rate not higher than the Central Bank's lowest discount rate for the time being in operation.

95. The required reserves of each commercial bank shall be calculated weekly on the basis of the amount, at the close of business on such day of each week as may be prescribed by the Monetary Board, of its deposit liabilities against which reserves are required to be maintained.

In the computation of the required reserves of a commercial bank, its principal office in Ceylon and all its branches and agencies in Ceylon shall be considered together as one unit.

96. (1) Whenever the reserves of any commercial bank are below the required reserves computed in the manner provided in section 95, the bank shall, within such time as may be prescribed by the Monetary Board, pay to the Central Bank interest on the amount of the deficiency at such rate not exceeding one-thirtieth of one per centum per day as may be so prescribed.

(2) In any case where any bank fails more or less continuously to maintain the required reserves, the Monetary Board may make order—

- (a) prohibiting or restricting the making of new loans or investments by that bank; and
- (b) prohibiting the application of the whole or any specified part of the net profits of that bank for the purpose of the payment of a dividend to its shareholders.

97. (1) The Central Bank shall provide facilities for clearance transactions among commercial banks operating in Ceylon.

(2) The deposit reserves maintained by commercial banks in the Central Bank under the preceding provisions of this Part shall serve as a basis for the

Computation
of required
reserves.

Consequences
of reserve
deficiencies.

Clearance and
settlement.

clearance of cheques and the settlement of balances among such banks in accordance with such rules as may be made in that behalf by the Monetary Board.

PART 7.—ADDITIONAL REGULATION OF CREDIT OPERATIONS OF BANKING INSTITUTIONS.

Principles governing additional regulation.

98. The powers conferred on the Monetary Board by this Part of this Act shall be so exercised as to regulate the supply, availability, cost and character of bank credit in accordance with the national monetary policy as determined by the Board, and to ensure that bank credit is not granted for speculative purposes or other purposes, prejudicial to the public interest.

Limitation of loans and investments of commercial banks.

99. The Monetary Board may from time to time by order prescribe the maximum permissible maturities for loans and investments made by commercial banks after the order comes into force and the nature and amount of the security to be permitted or required for various types of credit operations.

100. (1) The Monetary Board may from time to time by order—
 (a) prohibit commercial banks from increasing the amount of their loans and investments ; or
 (b) fix limits to the rate at which the amount of loans and investments as may be increased within specified periods :

Provided, however, that nothing in any such order shall be deemed to require any commercial bank to reduce the amount of its loans, and investments below the amount outstanding at the date of the order.

(2) An order under sub-section (1) may be made applicable to all the loans and investments of each commercial bank or any specified class or classes of such loans and investments, so, however, that every such order shall be applicable to all banks uniformly and without discrimination.

Minimum capital ratios.

101. The Monetary Board may from time to time by order prescribe the minimum ratios, which the capital and surplus of commercial banks shall bear to the total volume of their assets or to any specified categories of such assets.

102. The Monetary Board may by order direct that letters of credit shall not be opened by commercial banks unless such letters are covered by minimum margins of such kind, amount, or proportion as may be prescribed by the Board ; different margins may be so prescribed for different classes of transactions to be financed by means of letters of credit.

103. (1) The Monetary Board may from time to time make order—
 (a) fixing the maximum rates of interest which commercial banks may pay upon various classes of deposits ; or
 (b) fixing the maximum rates of interest which commercial banks may charge for different types of loans or other credit operations.

(2) Subject as hereinafter provided, the maximum rate of interest fixed by order under sub-section (1) shall apply in relation to any deposit, or to any loan or credit operation, as the case may be, completed before the date on which the order comes into force :

Provided, however that nothing in any such order—
 (a) shall apply in relation to any interest accrued before that date ; or
 (b) shall require or be deemed to require the reduction of the rate or interest payable upon any deposit completed before that date if such reduction would constitute a breach of the contract or agreement relating to such deposit.

(3) For the purposes of preventing evasion of any order made under sub-section (1), the Monetary Board may from time to time prescribe the maximum rates which may be paid to or charged by commercial banks in the form of commissions, discounts, fees or other payments whatsoever.

104. The Monetary Board may declare that credit instruments held by banking institutions, will not be accepted for discount or rediscount by, or advances from, the Central Bank, if the interest rates charged by such institutions in respect of the loans or other credit operations to which such instruments relate exceed the interest or rediscount rates of the Central Bank by more than such percentage or margin as may from time to time be prescribed by the Board.

Conditions of eligibility of credit instruments for discount, &c., by Central Bank.

**CHAPTER VI.—THE CENTRAL BANK AS
FISCAL AGENT, BANKER AND
FINANCIAL ADVISER OF THE
GOVERNMENT.**

Central Bank
to be fiscal agent
and banker of
the Government.

105. (1) The Central Bank shall act as the fiscal agent and banker of the Government and of agencies or institutions acting on behalf of the Government, whether established by any written law or otherwise.

(2) The Central Bank may, in addition to exercising the functions mentioned in sub-section (1), act as agent of the Government for the purposes of any matter or transaction if it is authorised so to do by the Minister of Finance after consultation with the Monetary Board.

Official
depository
of the
Government.

106. (1) The Central Bank shall be the official depository of the Government and of agencies or institutions referred to in sub-section (1) of section 105 :

Provided, however, that the Monetary Board may authorise one or more commercial banks operating in Ceylon to accept Government deposits, subject to such rules and regulations as the Board may prescribe.

(2) The Monetary Board shall advise the Government regarding the distribution of official deposits between the Central Bank and commercial banks and the effects of such distribution on monetary conditions in Ceylon.

(3) The Bank shall not pay interest on deposits of the Government or of agencies or institutions referred to in sub-section (1).

Loan guarantees
and loan
insurance.

107. (1) The Central Bank may act as agent, or for the account, of the Government or of any of the agencies or institutions referred to in sub-section (1) of section 105, in guaranteeing, insuring, or participating in the loans, or any category thereof, of banking institutions operating in Ceylon.

(2) The Central Bank may give guarantees in favour of the Government or of any of the agencies or institutions referred to in sub-section (1) of section 105.

Other
institutions as
agents of
Central Banks.

institutions in places, whether in Ceylon or abroad, where the Central Bank does not have offices or agencies adequately equipped to perform such functions.

109. The Central Bank shall not ordinarily collect any commissions, fees or other charges for services which it renders to the Government or to any agencies or institutions referred to in sub-section (1) of section 105 :

Provided, however, that the Monetary Board may, in special cases, conclude an agreement with the Minister of Finance providing for reimbursement for services the cost of which the Bank is unable to bear.

110. The Central Bank may represent the Government of Ceylon in any dealings, negotiations, or transactions with the International Monetary Fund and shall carry such accounts as may result from Ceylon's membership in, or operations with, the Fund. The Central Bank may also be authorised by the Government to represent it in dealings, negotiations, and transactions with foreign governments, institutions, or agencies, or with the International Bank for Reconstruction and Development, or other international financial institutions and agencies.

111. The issue of securities of the Government or of any of the agencies or institutions referred to in sub-section (1) of section 105 shall be made through the Central Bank, which shall act as agent, and for the account, of the Government or of such agency or institution :

Provided, however, that except in the case of Treasury bills for which the Central Bank may make direct tenders, the Bank shall not subscribe to any issue of such securities or agree to purchase the unsubscribed portion of any such issue.

112. The Central Bank shall, as agent of the Government, be responsible for the management of the public debt.

113. No new loan shall be raised and no new issue of stock or debentures shall be made by the Government or by any agency or institution referred to in sub-section (1) of section 105, whether in pursuance of authority conferred by any written law or otherwise,

Advice on
Government
credit
operations.

unless the advice of the Monetary Board has first been obtained upon the monetary implications of the proposed loan or issue.

Recommendations as to policy, &c., of Government agencies or institutions.

114. The Monetary Board may from time to time make recommendations to the Minister of Finance or to any agency or institution referred to in subsection (1) of section 105, as to the measures and policies which should be adopted by such agency or institution for the purposes of co-ordinating its policy with the policies of the Board ; and where any such recommendations are made to the Minister, the Minister or any other authority or person may, if empowered so to do by any such other written law as may be applicable, make or issue such orders or directions or take such other action as may be necessary for the purpose of giving effect to such recommendations.

Monetary policy and fiscal policy.

115. (1) On or before the fifteenth day of May in each year the Monetary Board shall submit to the Minister of Finance for use in preparation of the Budget speech a confidential report describing and analysing the monetary situation in Ceylon and the current monetary policy of the Board, and examining the effect of the current fiscal policy of the Government upon the ability of the Central Bank to achieve the objects specified in section 5.

(2) In the event of any difference of opinion between the Minister of Finance and the Monetary Board as to whether the monetary policy of the Board is directed to the greatest advantage of the people of Ceylon, the Minister of Finance and the Board shall endeavour to reach agreement. If the Minister of Finance and the Board are unable to reach agreement, the Minister of Finance may inform the Board that the Government accepts responsibility for the adoption by the Board of a policy in accordance with the opinion of the Government and direct that such a policy be adopted by the Board. Where a direction is so given by the Minister of Finance, the Board shall carry out that direction.

Business which Central Bank may not transact.

116. Save as otherwise expressly provided in this Act, the Central Bank shall not—
(a) engage in trade or otherwise have a direct interest in any commercial, industrial, or other undertaking except such interest

as it may in any way acquire in the course of the satisfaction of any of its claims : Provided that all such interests shall be disposed of at the earliest possible opportunity ; or
(b) purchase the shares of any other banking institution or of any company, or grant loans or advances upon the security of any such shares ; or
(c) grant loans or advances on the mortgage of, or otherwise on the security of, immovable property or documents of title relating thereto.

117. Notwithstanding anything in any other written law—
(a) the Monetary Board shall be exempt from the payment of income tax and profits tax upon the income or profits of the Central Bank ;

(b) all goods of any description imported or purchased out of bond by the Board for the purposes of the Central Bank shall be exempt from customs duty ; and
(c) the Monetary Board shall be exempt from the payment of stamp duty on any instrument executed by, or on behalf of, or in favour of the Monetary Board or the Central Bank in cases where, but for this exemption, the Monetary Board would be liable to pay the duty chargeable in respect of such instrument.

118. All acts done at any meeting of the Monetary Board shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of any member thereof or that any such member was disqualified, be as valid as if every such member had been duly appointed and duly qualified.

119. Every member of the Monetary Board and every officer or servant of the Central Bank shall be deemed to be a public servant within the meaning of Chapter IX of the Penal Code.

120. Notwithstanding anything in any written or other law, no banking institution shall be liable or subject to any action or proceedings in any court in

Officers and servants to be deemed public servants for purposes of Chapter IX of Penal Code Cap. 15.

Protection for banking institutions.

CHAPTER VII.—GENERAL.

116. Save as otherwise expressly provided in this Act, the Central Bank shall not—
(a) engage in trade or otherwise have a direct interest in any commercial, industrial, or other undertaking except such interest

Acts of Monetary Board
valid notwithstanding subsequent discovery of disqualification.

respect of any loss or damage suffered or incurred or alleged to have been suffered or incurred by any person by reason of any act or thing done or omitted to be done by such institution for the purpose of carrying out or complying with any provision of this Act or any rule, regulation, order, direction or requirement made or given under this Act.

Offences and penalties.

was a director or an officer of the body corporate shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, or that he exercised all due diligence to avoid the commission of such offence.

121. (1) Any person who contravenes or fails to comply with any provisions of this Act or any rule, regulation, order, direction or requirement made or given thereunder shall be guilty of an offence under this Act.

(2) Every person who is guilty of an offence by reason of the contravention of or failure to comply with section 30, or section 32 (2), or section 45 or section 46 or section 50 or any rule, regulation, order, direction, or requirement made or given under section 30, or section 78 (2) (c), or section 100 or section 101 shall be liable—

(a) on conviction after summary trial before a Magistrate to imprisonment of either description for a term not exceeding six months or to a fine not exceeding two thousand five hundred rupees, or to both such imprisonment and such fine ; or

(b) on conviction before a District Court to imprisonment of either description for a term not exceeding three years or to a fine not exceeding ten thousand rupees, or to both such imprisonment and such fine.

(3) Every person who is guilty of an offence for which no punishment is prescribed by sub-section (2) shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding five hundred rupees or to imprisonment of either description for a term not exceeding one month, or to both such fine and such imprisonment.

(4) Any person who attempts to commit, or does any act preparatory to the commission of, any offence under this Act shall be deemed to be guilty of such offence.

Offences by corporations.

123. Nothing in the Companies Ordinance, No. 51 of 1938, shall apply to or in relation to the Central Bank or the Monetary Board.

124. In the event of any conflict or inconsistency between the provisions of this Act and the provisions of any other written law by or under which any banking institution is constituted or established, the provisions of this Act shall prevail.

125. The provisions of this Act shall be in addition to, and not in substitution or derogation of, the provisions of the Defence (Finance) Regulations, Defence (Finance No. 2) Regulations, Defence (Finance No. 3) Regulations and Defence (Securities) Regulations.

126. (1) In this Act, unless the context otherwise requires—
“ appointed date ” means the date appointed by order under section 1 ;

“ banking institution ” means—
(a) any commercial bank ;
(b) any agency or institution acting on behalf of the Government (whether established by any written law or otherwise) which makes loans, advances or investments or accepts deposits of money from the public ;
(c) the Co-operative Federal Bank of Ceylon, Limited ; and
(d) any other person or body of persons declared by the Minister of Finance, by order published in the *Gazette*, to be a banking institution for the purposes of this Act ;

“ commercial bank ” means any person or body of persons, corporate or unincorporate, which carries on in Ceylon the business of accepting from the public, or of creating, demand deposits, but does not include the Central Bank ;
“ current international transactions ” means

122. Where the person convicted of an offence under this Act is a body corporate, every person who at the time of the commission of the offence

transactions which are not for the purpose of transferring capital, and includes, without limitation—

- (i) all payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities ;
- (ii) payments due as interest on loans and as net income from other investments ;
- (iii) payments, of amounts not exceeding such maxima as may be fixed by the Monetary Board, for amortisation of loans or for depreciation of direct investments ; and
- (iv) remittances, of amounts not exceeding such maxima as may be fixed by the Monetary Board, for family living expenses ;

“ currency ”, “ demand deposits ” and “ money supply ” have the meanings assigned to those expressions by sections 48, 59 and 61 respectively.

(6) For the purposes of this Act, any question which may arise as to whether any agency or institution is an agency or institution acting on behalf of the Government shall be referred to the Prime Minister for decision ; and such decision shall be final.

CHAPTER VIII.—REPEALS AND TRANSITIONAL PROVISIONS.

127. The Currency Ordinance, No. 21 of 1941, is hereby repealed with effect from the appointed date :

Provided, however, that the Board of Commissioners of Currency constituted under that Ordinance and holding office immediately prior to the appointed date shall continue to hold office as such for the purpose only of carrying out the duties imposed upon the Board by the succeeding provisions of this Chapter, and shall thereafter be dissolved upon an order made by the Minister in that behalf and published in the *Gazette*.

128. On the appointed date, or as soon as may be thereafter, the Board of Commissioners of Currency—

- (a) shall transfer to the Monetary Board for and on behalf of the Central Bank such part of the moneys and investments of the Currency Security Fund maintained under the Currency Ordinance, No. 21 of 1941, of a market value (as estimated by the Board of Commissioners of Currency) equivalent to the total face value of all currency notes issued or deemed to have been issued under that Ordinance which are in circulation on the appointed date, and of all Ceylon coins issued or deemed to have been issued under that Ordinance which are estimated by the Board of Commissioners of Currency to be in circulation on that date ;
- (b) shall in addition transfer to the Monetary Board for and on behalf of the Central Bank, out of the balance of the moneys and investments of the Currency Security Fund, and of the balance in the Currency Income Account remaining after meeting outstanding liabilities of the Board of Commissioners of Currency (other than liabilities declared by section 129 of this Act to be liabilities of the Central Bank), moneys and investments of a total market value (as estimated by the Board of Commissioners of Currency) of twenty-five million rupees, of which value—

- (i) fifteen million rupees shall constitute the capital of the Central Bank as provided in section 6 of this Act, and
- (ii) ten million rupees shall be appropriated to surpluses of the Central Bank ; and
- (c) shall transfer the balance, if any, of the moneys and investments of the Currency Security Fund and in the Currency Income Account remaining after the transfers referred to in paragraphs (a) and (b), to such sinking fund or funds established under the Registered Stock

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and Securities Ordinance as may be specified by the Minister of Finance.

Validity of currency in circulation, &c.

129. (1) The Central Bank is hereby empowered to issue any currency notes or Ceylon coins printed or minted under the authority of the Board of Commissioners of Currency and remaining unissued on the appointed date.

(2) All currency notes and Ceylon coins issued or deemed to have been issued under the Currency Ordinance, No. 21 of 1941, prior to the appointed date and in circulation on that date (including any such notes or coins which have ceased to be legal tender and have not been surrendered to the Board of Commissioners of Currency), and all currency notes and coins issued by the Central Bank under subsection (1) shall be deemed for all purposes to be currency notes and coins issued by the Central Bank under this Act and to be liabilities of the Central Bank; and the provisions of this Act shall apply accordingly to and in relation to such currency notes and coins in like manner as they apply to and in relation to currency notes and coins issued under this Act.

Amendment of Ordinance No. 51 of 1938.

130. (1) Sections 339 and 341 of the Companies Ordinance, No. 51 of 1938, are hereby repealed.

(2) Section 340A of the Companies Ordinance, No. 51 of 1938, (inserted by Ordinance No. 19 of 1942) is hereby amended as follows :—

- (a) by the omission of the word and figure "section 339"; and
- (b) by the substitution for all the words from "shall be liable" to "any other case", of the words "shall be liable."

(3) Section 342 of the Companies Ordinance, No. 51 of 1938, is hereby amended as follows :—

- (a) in sub-section (2), by the substitution, for the word "registrar", of the words "Director of Bank Supervision of the Central Bank of Ceylon"; and
- (b) by the repeal of sub-section (3) of that section.

Amendment of Chapter 289.

131. The Registered Stock and Securities Ordinance is hereby amended by the substitution, for section 48 thereof, of the following section :—

"**48.** For the purposes of this Ordinance—

(a) the Monetary Board of the Central Bank shall appoint a person to be or to act as the Registrar, and

(b) such Monetary Board shall be the trustees of the sinking fund established for each loan."

132. (1) Where any person in the service of the Government of Ceylon and holding a post declared to be pensionable under the Minutes on Pensions (hereinafter referred to as a 'pensionable public officer') is appointed to be a temporary officer of the Central Bank, he shall be deemed to have been seconded to an office to which pension rights are not attached and accordingly section 24 of those Minutes shall apply to him.

(2) Where a pensionable public officer is appointed to be a permanent officer of the Central Bank on or before the appointed date, he shall be deemed, for the purposes of the Minutes on Pensions, to continue to hold a post declared to be pensionable under those Minutes so long as he is in the employ of the Bank, and shall be eligible for the grant of a pension as though his service under the Bank were service under the Government, and the Minister of Finance may grant such pension in accordance with those Minutes.

(3) Where a pensionable public officer, whether or not he is an officer to whom sub-section (1) applies, is appointed to be permanent officer of the Central Bank after the appointed date, the Minister of Finance, may, by notification published in the *Gazette*, declare that the post in the service of the Bank to which such officer is appointed shall, while it is held by such officer, be deemed, for the purposes of the Minutes on Pensions, to be a pensionable post in the service of the Government; and upon the publication of any such notification, the officer referred to therein shall be eligible for the grant of a pension as though his service under the Bank were service under the Government, and the Minister of Finance may grant such pension in accordance with the Minutes on Pensions.

(4) Where a person in the employ of the Central Bank is eligible, under the preceding provisions of this section, for the grant of a pension in accordance with the Minutes on Pensions, he shall,

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notwithstanding anything in the Widows' and Orphans' Pension Fund Ordinance, be deemed, so long as he remains in such employ, to be a public Officer within the meaning and for the purposes of the application, of that Ordinance.

Contributions by Central Bank in respect of pensionable public officers appointed to posts in the Bank.

133. (1) In respect of every such officer in the employ of the Central Bank as is eligible, under sub-section (2) or sub-section (3) of section 132, for the grant of a pension in accordance with the Minutes on Pensions and is deemed, under sub-section (4) of that section, to be a public officer within the meaning and for the purposes of the application, of the Widows' and Orphans' Pension Fund Ordinance, the Bank shall contribute out of the funds of the Bank to the Consolidated Fund, in respect of every complete month during which that officer is in the employ of the Bank :—

(a) such sum not exceeding twenty-two per centum of the highest monthly salary received by that officer in his substantive post in the service of the Government or the Bank as the Minister of Finance may from time to time determine, and
(b) a sum equivalent to three per centum of the salary of that officer for that month.

(2) In sub-section (1) "salary" means the emoluments of the pensionable appointment held by the officer exclusive of allowances other than personal allowances.

(3) The Central Bank shall pay the contributions under sub-section (1) annually to the Treasury on or before such date as may be fixed by the Deputy Secretary to the Treasury.

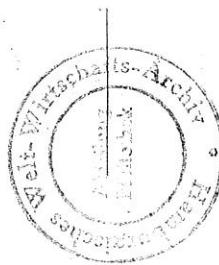
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