

- (e) the sums from the recovery of compensation paid to depositors from and out of the assets of a member institution during the winding up proceedings instituted against such institution;
- (f) such sums as may be appropriated out of the abandoned property or dormant deposits of member institutions, as the case may be, which have been transferred to the Central Bank under the Banking Act;
- (g) the moneys received as additional premia and penalties paid by the member institutions under this Part of this Act;
- (h) the borrowings from the Government or any international financial institution, as may be approved by the Central Bank; and
- (i) any other receipt from any other sources of income as may be approved by the Central Bank.

(2) The Deposit Insurance Fund shall be utilized to make payments in respect of –

- (a) compensation to depositors of insured deposits of member institutions;
- (b) abandoned property or dormant deposits of member institutions lying to the credit of the Deposit Insurance Fund;
- (c) repaying of any borrowings obtained from the Government or any international financial institution; and
- (d) such operating expenses of the Scheme as may be determined by the Central Bank.

(3) The Central Bank may require the Scheme to provide financing to effectively facilitate the resolution of a licensed bank through the transfer of assets and liabilities to a transferee or bridge bank, by way of paying any difference between such assets and liabilities transferred, or by issuing guarantee or providing indemnities for losses related to the transferred assets and liabilities:

Provided that, the total amount of financing provided under this subsection shall not exceed the amount of total compensation to be paid to the depositors of such bank under section 44, and such financing shall be subject to a confirmation by the Central Bank that, with the transfer of assets and liabilities, insured deposits shall be owed by a viable bank:

Provided further, that the holders of all classes of share capital and subordinated debt holders shall have absorbed, or will absorb, the losses.

(4) (a) The Central Bank shall have the right to recover from the licensed bank subject to resolution, the total amount of financing provided by the Scheme to such bank under subsection (3).

(b) The amount to be recovered from the licensed bank to the Scheme under this subsection shall rank, *pari passu* with the insured deposits and claims of the Deposit Insurance Fund arising from subrogation of rights of insured depositors under section 45.

52. All moneys lying to the credit of the Deposit Insurance Fund, shall be invested by the Central Bank in Treasury Bills, Treasury Bonds, any other marketable securities, having regard to the safety, liquidity and return of such investments in accordance with the policies and guidelines issued by the Central Bank, from time to time, relating to the investment of the moneys of the Deposit Insurance Fund.

Investment of
the moneys of
the Deposit
Insurance Fund

53. If, at any time, the liquid funds available in the Deposit Insurance Fund are considered insufficient to meet the payout requirements of the Scheme, the Central Bank may extend a liquidity line to the Deposit Insurance Fund against existing collateral in the Deposit Insurance Fund's portfolio or against a guarantee issued by the Ministry of Finance on such terms and conditions, and for such period, as it may consider necessary.

Transfer of
funds from the
Central Bank to
the Deposit
Insurance Fund

Financial
statements of the
Deposit
Insurance Fund

54. (1) The financial statements of the Deposit Insurance Fund shall be prepared in accordance with the applicable accounting standards. The accounts of the Deposit Insurance Fund shall be maintained in such form and manner as may be determined by the Central Bank, from time to time. Such financial statements shall be maintained separately and shall not be considered as part of the financial statements of the Central Bank.

(2) The Central Bank shall be responsible for the preparation of the financial statements of the Deposit Insurance Fund within three months from the end of each financial year and such financial statements shall be audited by the Auditor-General.

(3) The Central Bank shall publish the audited financial statements of the Deposit Insurance Fund within four months from the end of the financial year at least once in three Sinhala, Tamil and English daily newspapers circulating in Sri Lanka and in such other manner as may be determined by the Central Bank.

Member
institutions to
pay a premium
to the Deposit
Insurance Fund

55. (1) Each member institution shall pay to the Deposit Insurance Fund a premium calculated on the total amount of eligible deposits for such periods, at such rate, at such times and in such manner as may be determined, from time to time, by the Central Bank.

(2) Where any member institution makes any default in the payments of premium due under subsection (1), such member institution shall be liable to pay to the Central Bank, a penalty for the period of such default, at such rate as may be determined by the Central Bank.

(3) In exceptional circumstances, the Central Bank shall have the authority to require the member institutions to pay such additional premium to the Deposit Insurance Fund within such period, as may be specified by the Central Bank.

(4) In the event any member institution fails to pay the additional premium referred to in subsection (3) within the period specified, the Central Bank may, on a case-by-case basis-

- (a) having regard to the reasons explained by such institution, grant additional time for such member institution to pay such additional premium; or
- (b) impose on such member institution a late payment fee on the defaulted premium at such rate, as may be determined by the Central Bank.

(5) No person other than a member institution, shall represent to the general public that such person is a member of the Scheme and its deposit liabilities are insured under this Act.

(6) Any person who contravenes the provisions of subsection (5) commits an offence and shall, on conviction, be liable to a fine not exceeding ten million rupees or to imprisonment for a term not exceeding three years or to both such fine and imprisonment, and shall, in addition, be liable to a fine not exceeding fifty thousand rupees for each day during which such contravention continues.

56. For the purposes of this Part of this Act, the Head of the Department established under section 4 or any other officer authorized by the Central Bank shall have the power to examine and supervise the activities of any member institution.

Examination
and supervision
of member
institutions

Application of
certain
provisions of the
Act to non-bank
financial
institutions

57. (1) The Central Bank may, from time to time, by Order, declare that the provisions of Part I and Part II of this Act relating to resolution of licensed banks shall apply to any class or category of non-bank financial institutions licensed or appointed, and regulated and supervised by the Central Bank (hereinafter referred to as a "non-bank financial institution"), where the Central Bank is satisfied that it is necessary to-

- (a) promote monetary and financial system stability;
or
- (b) protect the interests of the public in respect of the business or activities carried on by such class or category of non-bank financial institutions.

(2) Where an Order is made under this section by the Central Bank, any reference made in this Act to the Director of Bank Supervision shall, where appropriate, be deemed to have been made to the Director, the Department of Supervision of Non-bank Financial Institutions of the Central Bank.

PART IV

FINANCIAL SECTOR CRISIS MANAGEMENT COMMITTEE

Financial Sector
Crisis
Management
Committee

58. (1) There shall be established a committee called the Financial Sector Crisis Management Committee for the purpose of effectively managing and minimizing the impact of financial crises which are systemic in nature.

(2) The Financial Sector Crisis Management Committee shall consist of the following members: -

- (a) the Governor of the Central Bank, who shall be the Chairperson of the Financial Sector Crisis Management Committee;
- (b) the Secretary to the Treasury who shall be the Deputy Chairperson of the Financial Sector Crisis Management Committee;
- (c) an appointed member of the Governing Board of the Central Bank with expertise on financial sector;
- (d) the Deputy Governor of the Central Bank in charge of financial system stability; and
- (e) the Deputy Secretary to the Treasury in charge of fiscal operations.

59. (1) The Financial Sector Crisis Management Committee shall, for the purpose of operationalization of the Financial Sector Crisis Management Committee, prepare and approve procedures, including procedures for -

Duties and
functions of the
Financial Sector
Crisis
Management
Committee

- (a) identifying crisis times;
- (b) determining the powers, duties and functions of the Financial Sector Crisis Management Committee on crisis preparedness and management;
- (c) the appointment of members to the Technical Committee on Financial Sector Crisis Management appointed under section 60;
- (d) determining the duties and functions of the Technical Committee on Financial Sector Crisis Management during crisis and non-crisis times; and

- (e) determining the duties and functions of the Secretariat.

(2) During non-crisis times, it shall be lawful for the Financial Sector Crisis Management Committee to take decisions on an ongoing basis, aimed at strengthening its crisis management powers, expertise, and resources to strengthen the preparedness and resilience to avoid, control, or manage the risk of future crises, which may cause instability of the financial system.

(3) During crisis times, it shall be lawful for the Financial Sector Crisis Management Committee to approve, and coordinate the overall crisis management strategy, in consultation with the other authorities of the financial sector, and take decisions to manage, and control such crises, without prejudice to the powers, duties, functions, and independence of such authorities.

The Technical
Committee on
Financial Sector
Crisis
Management

60. (1) There shall be a technical committee called the Technical Committee on Financial Sector Crisis Management to assist the Financial Sector Crisis Management Committee, which shall operate in crisis and non-crisis times.

(2) The Technical Committee on Financial Sector Crisis Management shall consist of such number of members appointed by the Financial Sector Crisis Management Committee, representing the Central Bank and the Ministry of the Minister.

(3) Without prejudice to the provisions of section 59, the Technical Committee on Financial Sector Crisis Management shall be chaired by the Deputy Governor of the Central Bank in charge of financial system stability.

Secretariat of the
Committees

61. The Central Bank shall function as the Secretariat of the Financial Sector Crisis Management Committee and the Technical Committee on Financial Sector Crisis Management.