

Banking (Amendment) Act, No. 24 of 2024

[Certified on 10th of April, 2024]

L.D.-O. 42/2023

AN ACT TO AMEND THE BANKING ACT, NO. 30 OF 1988

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Banking (Amendment) Act, No. 24 of 2024.

Short title and
date of
operation

(2) The provisions of this Act shall come into operation on such date as the Minister may appoint by Order published in the *Gazette* (in this Act referred to as the “appointed date”).

2. Section 2 of the Banking Act, No. 30 of 1988 (hereinafter referred to as the “principal enactment”) is hereby amended in subsection (6) thereof by the substitution for the words “shall not include the Central Bank or a private company” of the words “shall not include the Central Bank, a shell bank or a private company”.

Amendment of
section 2 of Act,
No. 30 of 1988

3. The following section is hereby inserted immediately after section 2 of the principal enactment and shall have effect as section 2A of that enactment:-

Insertion of
section 2A in the
principal
enactment

“Eligibility
criteria to
apply for a
licence

2A. The following matters shall be taken into consideration by the Central Bank in determining whether a company is eligible to apply for a licence under this Act:-

- (a) compliance with the initial capital requirements as may be determined by the Central Bank, from time to time;
- (b) the nature and adequacy of the financial resources as a means of continuing financial support for the licensed commercial bank to be established in Sri Lanka;

- (c) the capital and other funding sources shall not derive from unlawful activities;
- (d) suitability of material shareholders in terms of subsection (1B) of section 12;
- (e) fitness and propriety of directors, chief executive officer and officers performing executive functions or any other person proposed to be appointed to any of the above positions, as the case may be, in terms of the criteria set out in subsection (2) of section 42;
- (f) track record for operating in a manner consistent with the standards of good governance and integrity;
- (g) transparency in ownership structure and the beneficial ownership;
- (h) establishment of a licensed commercial bank in Sri Lanka will be in the interest of the viability and stability of the banking system and the interest of the national economy; and
- (i) compliance with any other requirements under this Act or any other written law in Sri Lanka or outside Sri Lanka.”.

Amendment of
section 3 of the
principal
enactment

4. Section 3 of the principal enactment is hereby amended as follows:-

- (1) in subsection (1) thereof, by the substitution for the words “in such manner” of the words “in such manner along with the application fee”; and
- (2) in subsection (2) thereof, by the repeal of subparagraph (iii) of paragraph (b) and the substitution therefor, of the following:-

“(iii) a copy of the audited financial statements of the company for the preceding three years;”.

5. Section 4 of the principal enactment is hereby amended as follows:-

Amendment of section 4 of the principal enactment

- (1) by the repeal of subsection (1) thereof and the substitution therefor of the following:-

“(1) The Central Bank may require any company or body corporate incorporated outside Sri Lanka, which has applied for a licence under section 3, to carry out banking business through a branch thereof, to undertake to remit to Sri Lanka, prior to the commencement of its business in Sri Lanka, a sum of money determined in United States Dollars, or its equivalent in any designated foreign currency. The amount so remitted may form part of the assigned capital of such company or body corporate and shall be kept as a deposit with the Central Bank or in such other manner as may be determined, from time to time, by the Central Bank.”;

- (2) by the insertion immediately after subsection (3) thereof, of the following: -

“(4) Without prejudice to the provisions of subsection (1), the Central Bank may, having regard to the soundness of the financial position, risk management, governance structure, capital adequacy and availability of liquidity, require any company or body corporate specified in subsection (1) to establish within Sri Lanka as a subsidiary of its parent company or principal body corporate to be issued with a licence to carry on banking business in Sri Lanka.