

has called for an explanation or any information from any officer or agent of such licensed commercial bank whether such explanation or information is satisfactory.”;

- (4) in subsection (3A) thereof, by the substitution for the words “shall be met by the Central Bank.” of the words “shall be met by the respective licensed commercial bank.”;
- (5) by the insertion, immediately after subsection (3A) thereof, of the following: -

“(3B) Where the Central Bank is of the view that an additional audit is required to be conducted in respect of one or more aspects of the business and affairs of a licensed commercial bank, the Director of Bank Supervision may require such bank to conduct an additional audit on such aspects and the cost of such additional audit shall be met by the respective licensed commercial bank.

(3C) The provisions of sections 38A and 39 in respect of the appointment, duties and powers, and remuneration of auditors shall *mutatis mutandis* apply in respect of any auditor employed to conduct an additional audit under this section.”;

- (6) by the insertion, immediately after subsection (7) thereof, of the following:-

“(7A) The engagement partner of the auditor of a licensed commercial bank shall be a member of the Institute of Chartered Accountants of Sri Lanka

and shall not be subject to any disqualification under any written law in Sri Lanka or abroad from being appointed as an auditor.

(7B) Every licensed commercial bank shall change the auditor of such bank once in every six years and shall change the engagement partner once in every three years.

(7C) A licensed commercial bank which has already appointed an auditor shall comply with the provisions of this section within a period of two years from the appointed date.”; and

(7) by the repeal of subsection (8) thereof.

23. Section 41 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution for the words “or any of its subsidiaries,” of the words “on solo and consolidated basis”.

Amendment of
section 41 of the
principal
enactment

24. Section 42 of the principal enactment is hereby amended as follows: -

Amendment of
section 42 of the
principal
enactment

(1) in subsection (2) thereof, -

(a) by the repeal of paragraph (a) and the substitution therefor of the following: -

“(a) that such person possesses academic or professional qualifications and effective experience in banking, finance, economics, accounting, business administration, information technology, risk management, law or any other relevant discipline as may be determined by the Central Bank;”;

- (b) by the repeal of paragraph (c) and the substitution therefor of the following: -

“(c) that such person is not subject to any proceedings, inquiry or investigation consequent upon being served with notice of a charge involving fraud, deceit, dishonesty or other similar criminal activity, by any court, tribunal, regulatory authority, supervisory authority, professional association, Commission of Inquiry, or any other body established by law, in Sri Lanka or outside Sri Lanka.”;

- (2) by the repeal of subsection (4) thereof, and the substitution therefor of the following: -

“(4) Every licensed commercial bank shall notify the Director of Bank Supervision in such form as may be determined by the Director of Bank Supervision, the name, address and occupation and if he considers necessary, any further information of -

- (a) each person proposed to be appointed, elected or nominated as a director of such licensed commercial bank, before such appointment, election or nomination, as the case may be;
- (b) any director of such licensed commercial bank, if such bank is aware that such person is not a fit and proper person or where such director becomes otherwise ineligible to hold office as such director, within fifteen days of such bank becoming aware of such facts.”;
- (3) by the insertion, immediately after subsection (4) thereof, of the following: -

“(4A) The Director of Bank Supervision may, upon receipt of notice under subsection (4), if he considers necessary, cause further investigation to satisfy himself in relation to any of the matters referred to in subsection (1) or (2).”;

- (4) by the repeal of subsection (7) thereof, and the substitution therefor of the following:-

“(7) A licensed commercial bank shall not appoint, elect or nominate as a director of the licensed commercial bank, a person whose appointment, election or nomination, as the case may be, has not been approved under subsection (5) or subsection (6) and no such director shall be permitted to carry out any duty or function of such licensed commercial bank in any capacity.”;

- (5) by the repeal of subsection (12) thereof, and the substitution therefor of the following:-

“(12) The Board of Directors of a licensed commercial bank shall have the duty to oversee the management of the affairs of the licensed commercial bank including its governance framework and be ultimately responsible for ensuring that the business of such bank is carried out in compliance with all applicable laws and consistent with safe and sound banking practices.”; and

- (6) by the addition immediately after subsection (12) thereof, of the following:-