

**PARLIAMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF**   
**SRI LANKA**

**CENTRAL BANK OF SRI LANKA**   
**ACT, No. 16 OF 2023**

**[Certified on 14th of September, 2023]**

*Printed on the Order of Government*

Published as a Supplement to Part II of the **Gazette of the Democratic Socialist Republic of Sri Lanka** of September 15, 2023

PRINTEDATTHEDEPARTMENTOFGOVERNMENTPRINTING, SRILANKA   
TOBEPURCHASEDATTHEGOVERNMENTPUBLICATIONSBUREAU, COLOMBO5

**Price : Rs. 162.00**  **Postage : Rs. 150.00**

*This Act can be downloaded from* www.documents.gov.lk 

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| *Central Bank of Sri Lanka* | 1 |

*Act, No. 16 of 2023*

[Certified on 14th of September, 2023]

L.D.—O. 12/2019

AN ACTTOPROVIDEFORTHEESTABLISHMENTOFTHE CENTRAL BANKOF SRI LANKA; FORTHEREPEALOFTHE MONETARY LAW ACT (CHAPTER 422); ANDTOPROVIDEFORMATTERSCONNECTED THEREWITHORINCIDENTALTHERETO.

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

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| **1.** | (1) This Act may be cited as the Central Bank of | Short title and date of  operation |
| Sri Lanka Act, No. 16 of 2023 and 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) The appointed date shall be a date not later than a period of six months from the date on which the Certificate is endorsed in respect of this Act in terms of Article 79 of the Constitution.

PART I

ESTABLISHMENTOFTHE CENTRAL BANK

|  |  |  |
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| **2.** | (1) There shall be established an institution which | Establishment of the Central Bank |
| shall be called and known as the Central Bank of Sri Lanka | |

(in this Act referred to as the “Central Bank”) to be an authority responsible for the administration, supervision and regulation of the monetary, financial and payment systems of Sri Lanka.

(2) The Central Bank shall be a body corporate with perpetual succession and a common seal and may sue or be sued in its corporate name.

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| **3.** | The Central Bank shall have its principal place of | Principal place of business |
| business in Colombo. | |

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| Capital of the Central Bank | **4.** | (1) The capital of the Central Bank shall be a fully |
| subscribed and paid-up amount as may bedetermined by | |

the Governing Board from time to time.

(2) The capital of the Central Bank shall be held solely by the Government and shall not be transferable or subject to any encumbrance.

(3) The capital of the Central Bank may be increased by such amounts as may be determined by the Governing Board with the concurrence of the Minister from funds allocated from the Consolidated Fund.

(4) The capital of the Central Bank shall not be reduced at any time.

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| Autonomy and  accountability of the Central Bank | **5.** | (1) The Central Bank shall have administrative and |
| financial autonomy. | |
| (2) | The Central Bank shall be autonomous and |

accountable.

(3) The autonomy of the Central Bank shall be respected at all times and no person or entity shall cause any influence on the Governor of the Central Bank or other members of the Governing Board and Monetary Policy Board or employees of the Central Bank in the exercise, performance and discharge of their powers, duties and functions under this Act or interfere with the activities of the Central Bank.

(4) Except in the exercise, performance and discharge of the powers, duties and functions under this Act, the Governor of the Central Bank or other members of the Governing Board and Monetary Policy Board**,** employees of the Central Bank or any person authorized by the Central Bank shall not seek or takeinstructions from any person:

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Provided however, nothing in this section shall prevent the Central Bank from seeking professional or expert advice to effectively exercise, perform and discharge its powers, duties and functions under this Act or any other written law.

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| **6.** | (1) The primary object of the Central Bank shall be to | Objects of the Central Bank |
| achieve and maintain domestic price stability. | |
| (2) | The other object of the Central Bank shall be to |

securethe financial system stability**.**

(3) Without prejudice to the attainment of its objects and subject to the provisions of this Act, the Central Bank shall support the general economic policy framework of the Government as provided for in any law.

(4) In pursuing the primary object referred to in subsection (1), the Central Bank shall take into account, *inter alia,* the stabilization of output towards its potential level.

(5) In pursuingthe object referred to in subsection (2), the Central Bank shall take into account, *inter alia*, the development and efficiency of the financial system.

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| **7.** | (1) Subject to the provisions of this Act, the powers, | Powers, duties  and functions of the Central Bank |
| duties and functions of the Central Bank shall be to – | |
| (*a*) | determine and implement monetary policy; |
| (*b*) | determine and implement the exchange rate policy; |
| (*c*) | hold and ensure the prudent and effective |

management of the official international reserves   
of Sri Lanka;

(*d*) issue and manage the currency of Sri Lanka;

(*e*) administer, supervise and regulate payment systems   
 and ensure the safety, effectiveness, and efficiency   
 of such payment systems;

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(*f*) register, license, regulate and supervise financial   
 institutions;

(*g*) resolve financial institutions regulated and   
 supervised by the Central Bank;

(*h*) adopt and implement macroprudential policy   
 measures;

(*i*) collect and produce statistics;

(*j*) act as financial advisor and banker to the   
 Government;

(*k*) act as fiscal agent of the Government to the extent   
 provided for by or under any written law;

(*l*) inform Parliament, Government, and the public   
 about its policies and operations;

(*m*) cooperate with and participate in international organizations, including public international financial institutions, and cooperate with domestic and foreign public institutions**,** concerning matters related to its objects;

(*n*) promote financial inclusion in Sri Lanka;

(*o*) establish deposit insurance and liquidity support   
 schemes as means of securing the financial system   
 stability;

(*p*) hold, sell and dispose of property, both movable   
 and immovable, and enter into contracts;

(*q*) acquire and hold such assets and incur such   
 liabilities as it may deem necessary; and

(*r*) generally, do all such acts and things as are   
 necessary for, or incidental or conducive to the   
 carrying out or attainment of the objects of the   
 Central Bank.

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(2) The Governing Board, Monetary Policy Board and theGovernor of the Central Bank shall, for the purpose of achieving the objects of the Central Bank, exercise, perform and discharge the powers, duties and functions conferred on, or assigned to, or imposed on, the Central Bank by this Act.

PART II

GOVERNING BOARD, MONETARY POLICY BOARD, GOVERNORAND   
DEPUTY GOVERNORS

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| **8.** | (1) There shall be established a Governing Board of | Governing  Board of the  Central Bank |
| the Central Bank (in this Act referred to as the “Governing Board”) which is charged with the responsibility of | |

overseeing the administration and management of the affairs of the Central Bank and the determination of generalpolicy of the Central Bank other than the monetary policy.

(2) The Governing Board shall consist of the following members: -

(*a*) the Governor of the Central Bank who shall be the   
 Chairperson of the Governing Board; and

(*b*) six members who shall have expertise in   
 Economics, Banking, Finance, Accounting and   
 Auditing, Law or Risk Management.

(3) The Secretary to the Governing Board who shall be an employee of the Central Bank shall be nominated by the Governor of the Central Bank.

(4) The members of the Governing Board other than the Chairpersonshalldischarge supervisory and policy formulation functions of the Central Bank and shall not discharge any executive function of the Central Bank.

(5) The powers, duties and functions of the Governing Board shall be to-

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(*a*) take generalpolicy decisions other than monetary   
 policy;

(*b*) take enforcement measures, including issuing   
 instructions to the financial institutions, regulating   
 payment, clearing and settlement systems, and   
 taking remedial actions, and to appoint a receiver   
 for such institutions;

(*c*) take administrative measures, as provided for by   
 this Act or any other written law;

(*d*) formulate the corporate strategy of the Central   
 Bank;

(*e*) approve the budget of the Central Bank;

(*f*) approve annual accounts and financial statements   
 of the Central Bank;

(*g*) organize the Central Bank and the general   
 framework regulating the powers, duties and   
 functions of the employees of the Central Bank;

(*h*) prepare schemes for appointments, promotions and   
 the exercise of disciplinary control over the   
 employees of the Central Bank;

(*i*) appoint the Chief Internal Auditor of the Central   
 Bank;

(*j*) oversee the financial reporting, risk management,   
 compliance, information technology, security and   
 internal control system of the Central Bank;

(*k*) supervise the administration of the Central Bank;

(*l*) adopt policies including accounting policies and   
 procedures of the Central Bank in line with   
 internationally recognized accounting standards;

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(*m*) approve the internal audit report prepared by the Audit Committee of the Central Bank and monitor implementation of the internal auditor’s recommendations in the Central Bank; and

(*n*) generally, do all such acts and things as are   
 necessary for, or incidental or conducive to the   
 administration and managementof the Central   
 Bank and to give effect to the provisions of this   
 Act.

(6) The Governing Board may, in writing, delegate the functions specified in paragraphs (*b*) and (*c*) of subsection (5) to the Governor of the Central Bank.

(7) The Governing Board may establish specialized boards and sub-committees to assist in supervising the administration and management of the Central Bank.

(8) The Governing Board may make such rules as it may consider necessary in relation to any matter affecting or connected with or incidental to the exercise, performance and discharge of the powers, duties and functions of the Central Bank**.**

(9) The Governing Board may utilize the funds of the Central Bank for the purpose of meeting all expenditures incurred by the Central Bank in the administration, management and operation of the Central Bank and in the exercise, performance, and discharge of the powers, duties and functionsof the Central Bank.

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| **9.** | (1) The meetings of the Governing Board shall be | Meetings of the Governing  Board |
| held at least once a month, and as frequently as is necessary for the purpose of exercising, performing and discharging | |

the powers, duties and functions of the Central Bank.

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(2) The Chairperson of the Governing Board shall, if present, preside at every meeting of the Governing Board. In the absence of the Chairperson from any meeting,a member appointed under paragraph (*b*) of subsection (2) of section 8 elected by the members present at that meeting shall preside at such meeting.

(3) The meetings of the Governing Board shall be convened by the Chairperson or at the written request of any two members of the Governing Board.

(4) The *quorum* for a meeting of the Governing Board shall be five members.

(5) Each member of the Governing Board shall have one vote and in the event of an equality of votes at any meeting of the Governing Board, the member presiding at such meeting shall, in addition to his vote, have a casting vote.

(6) All matters for decision at any meeting of the Governing Board shall be decided by the votes of the majority of the members present.

(7) The Governing Board may make rules of procedure for the exercise, performance and discharge ofits powers, duties and functions under this Act, and such rules of procedure may provide for the manner in which the meetings of the Governing Board shall be conducted.

(8) Subject to the preceding provisions of this section, the Governing Board may regulate the procedure in regard to the meetings of the Governing Board and the transaction of business at such meetings.

(9) No act, decision or proceeding of the Governing Board shall be deemed to be invalid by reason only of the existence of a vacancy in the Governing Board or a defect in the appointment of any member of the Governing Board.

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| **10.** | (1) The proceedings of the meetings of the | Confidentiality of proceedings of the  Governing  Board |
| Governing Board shall be confidential to the extent permitted under the Right to Information Act, No. 12 of 2016. The Governing Board may give publicity to any of its decisions on any matter, if it considers it necessary. | |
| (2) | The minutes of each meeting of the Governing Board |

shall be signed by the person presiding atsuch meeting and the Secretary to the Governing Board.

(3) The minutes of each meeting of the Governing Board shall be kept in writing, and retained at least for a period of twelve years.

**11.**  (1) There shall be a Monetary Policy Board of the Monetary Policy Central Bank (in this Act referred to as the “Monetary Policy Board

Board”), which is charged with the formulation of monetary policy of the Central Bank and implementation of a flexible exchange rate regime in line with the flexible inflation targeting framework in order to achieve and maintain domestic price stability.

(2) The Monetary Policy Board shall regulate the supply, availability, and cost of money, taking into account the macroeconomic and financial condition of Sri Lanka.

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| **12.** | (1) The Monetary Policy Board shall consist of the | Composition of the Monetary  Policy Board |
| following members:– | |
| (*a*) | the Governor of the Central Bank who shall be the |
| Chairperson of the Monetary Policy Board; | |
| (*b*) | members of the Governing Board appointed |
| pursuant to paragraph (*b*) of subsection (2) of section 8; | |
| (*c*) | two experts in Economics or Finance; |
| (*d*) | the Deputy Governor of the Central Bank in charge |
| of price stability; and | |
| (*e*) | the Deputy Governor of the Central Bank in charge |
| of financial system stability. | |

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(2) The Secretary to the Monetary Policy Board who shall be an employee of the Central Bank shall be nominated by the Governor of the Central Bank.

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| Meetings of the Monetary Policy Board | **13.** | (1) The Monetary Policy Board shall meet at least |
| once in two months. | |
| (2) | Every year, the schedule of meetings of the |
| Monetary Policy Board shall be published by the Central Bank prior to the first meeting in that year. | |
| (3) | The schedule of meetings may be changed, if the |

Chairperson of the Monetary Policy Board is of the view that an additional meeting or a reschedule of meeting is required due to any exigency. In such circumstances, the revised schedule of meetings shall be published by the Central Bank as soon as practicable.

(4) The Chairperson of the Monetary Policy Board shall, if present, preside at every meeting of the Monetary Policy Board. In the absence of the Chairperson from any meeting, an appointed member elected by the members present at that meetingshall preside at such meeting.

(5) The *quorum* for a meeting of the Monetary Policy Board shall be eight members of which one shall be the Governor of the Central Bank or in his absence, the Deputy Governor of the Central Bank in charge of price stability.

(6) Each member of the Monetary Policy Board shall have one vote and in the event of an equality of votes at any meeting of the Monetary Policy Board, the member presiding at such meeting shall, in addition to his vote, have a casting vote.

(7) All matters for decision at any meeting of the Monetary Policy Board shall be decided by the votes of the majority of the members present.

(8) The proceedings of the meeting of the Monetary Policy Board shall be confidential to the extent permitted under the Right to Information Act, No. 12 of 2016.

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(9) The Monetary Policy Board shall publish the resolution adopted by it after the conclusion of every meeting of the Monetary Policy Board with an explanation of recent economic developments and the economic outlook which underpins such resolution.

(10) The Monetary Policy Board may make rules of procedure for the exercise, performance and discharge of its powers, duties and functions.

(11) The rules of procedure may provide for the manner in which the meetings of the Monetary Policy Board shall be conducted.

(12) The minutes of each meeting of the Monetary Policy Board shall be kept in writing, and retained at least for a period of twelve years.

(13) No act, decision or proceeding of the Monetary Policy Board shall be deemed to be invalid by reason only of the existence of any vacancy in the Monetary Policy Board or any defectin the appointment of any member of the Monetary Policy Board.

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| **14.** | (1) The Governor of the Central Bank shall be the | Powers of the  Governor and  the Deputy  Governors of  the Central Bank |
| Chief Executive Officer and the principal representative of the Central Bank.  (2) The Governor of the Central Bank, in consultation | |

with the Deputy Governors, shall be responsible for-

(*a*) the day-to-day operations of the Central Bank; and

(*b*) implementing policy decisions of the Governing   
 Board and the Monetary Policy Board.

(3) The Governor of the Central Bank shall discharge such other functions of the Central Bank expressly assigned to the Governor of the Central Bank by the Governing Board or the Monetary Policy Board.

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(4) The Governor of the Central Bank shall have the authority to sign any rule, order, direction, notice, contract, promissory note, security, report, balance sheet, statement, or such other document on behalf of the Central Bank.

(5) The Governor of the Central Bank shall devote his full professional time to the business of the Central Bank.

(6) The Governor of the Central Bank shall not accept or hold any other office or employment whatsoever, whether public or private, and whether remunerated or not.

(7) The Governor of the Central Bank may delegate any of his powers, duties and functionsto the Senior Deputy Governor of the Central Bank, or with the concurrence of the Governing Board to any other Deputy Governor of the Central Bank.

(8) Where the Governor of the Central Bank is temporarily absent from duty or is temporarily unable to exercise,perform and discharge his powers, duties and functions, the Senior Deputy Governor of the Central Bank designated in terms ofsubsection (8) of section 15 shall act as the Chief Executive Officer of the Central Bank and shall have authority to exercise, perform anddischarge the powers, duties andfunctions of the Governor of the Central Bank.

(9) Where both the Governor of the Central Bank and the Senior Deputy Governor of the Central Bank are temporarily absent from duty or are temporarily unable to exercise, perform and discharge their powers, duties and functions, the Governing Board shall appoint a Deputy Governor of the Central Bank to act as the Chief Executive Officer of the Central Bank.

(10) The Deputy Governor of the Central Bank appointed under subsection (9) shall be designated as the acting Chief Executive Officer ofthe Central Bank.

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(11) (*a*) Where the Governor of the Central Bank

vacates or ceases to hold office for any reason, the Senior

Deputy Governor of the Central Bank designatedin terms of

subsection (8) of section 15 shall act as the Chief Executive

Officer of the Central Bank.

(*b*) Where the Senior Deputy Governor of the Central

Bank referred to in paragraph (*a*) is unable to act as the Chief

Executive Officer for any reason, the acting Chief Executive

Officer designated in terms of subsection (10) shall act as

the Chief Executive Officer of the Central Bank.

(12) The office of the Governor of the Central Bank

shall not remain vacant for a period of more than forty-five

days.

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| **15.** | (1) The Minister shall, having regard to the | Appointment of the Governor  and other  appointed  members and  the Senior  Deputy  Governor of the Central Bank |
| provisions of section 17, recommend to the President- | |
| (*a*) | the name of a person to be appointed as the |
| Governor of the Central Bank; and | |
| (*b*) | the names of persons to be appointed as members |
| of the Governing Board referred to in paragraph (*b*) | |

of subsection (2) of section 8 and the experts of the   
Monetary Policy Board referred to in paragraph (*c*)   
of subsection (1) of section 12 (in this Act referred   
to as the “appointed members”).

(2) In recommending the names of persons to be appointed as members of the Governing Board referred to in paragraph (*b*) of subsection (2) of section 8, the Minister shall take into account the desirability of promoting diversity in the membership of the Governing Board.

(3) Upon the receipt of the recommendations of the Minister under subsection (1), if the President is satisfied with the suitability of the persons so recommended, the President shall recommend the names of such persons to the Constitutional Council for approval.

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(4) Upon the receipt of approval of the Constitutional Council under subsection (3), the President shall appoint such persons as the Governor of the Central Bank and the other members of the Governing Board and the Monetary Policy Board.

(5) Where the Constitutional Council refuses to approve the name of a person referred to in subsectioin (3), the Minister shall make a fresh nomination, and the provisions of subsections (2), (3), and (4) shall apply to such nomination accordingly.

(6) Where the President is of the view that any person recommended under subsection (1) is not suitable for such appointment, the President shall, in writing, communicate such fact along with reasons therefor to the Minister and the Minister shall table such communication in Parliament.

(7) Where the Minister receives a communication referred to in subsection (6), he shall recommend to the President another person. The provisions of subsections (2), (3), (4) and (6) shall apply to the recommendation made under this subsection.

(8) The Minister shall, on the recommendation of the Governing Board-

(*a*) determine the number of Deputy Governors of the   
 Central Bank to be appointed and appoint such   
 number of Deputy Governors who shall exercise,   
 perform and discharge such powers, duties and   
 functions assigned to them by this Act or the   
 Governing Board; and

(*b*) designate the most senior Deputy Governor   
 appointed under paragraph (*a*) as the Senior Deputy   
 Governor of the Central Bank.

(9) Every appointment made under this section shall be subject to the provisions of section 17.

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(10) TheDeputy Governors of the Central Bank shall be employees of the Central Bank.

(11) The appointment of the Deputy Governors of the Central Bank and the designation of the Senior Deputy Governor of the Central Bank shall be made in accordance with the criteria prescribed by rules of the Governing Board.

(12) The appointments referred to in subsection (1) shall be finalized not more than a period of thirty days prior to the expiration of the term of office of the previously appointed member.

(13) In the event of the President failing to appoint any person approved by the Constitutional Council under subsection (4) within a period of thirty days from the date of approval of the Constitutional Council, such person shall be deemed to have been appointed as the Governor of the Central Bank, a member of the Governing Board or an expert of the Monetary Policy Board, as the case may be, with effect from the date of expiry of such period.

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| **16.** | **(**1) The term of office of the Governor of the Central | Term of  office of the  Governor of  the Central  Bank and an  appointed  member |
| Bank and an appointed member shall be a period of six years commencing on the date of his appointment. | |
| (2) | Where the Governor of the Central Bank or any |
| appointed member vacates office before the expiration of | |

the term of office, another person shall be appointed in terms of section 15in his place to hold office during the unexpired period of the term of office of the Governor of the Central Bank or the appointed member so vacating the office.

(3) The Governor of the Central Bank or any appointed member who vacates officeby effluxion of time shall be eligible for reappointment:

Provided however, the aggregateterm of office of any such member shall not exceed a period of twelve years.

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| Eligibility and  disqualifications of the Governor and other  appointed  members and  Deputy  Governors of  the Central Bank | **17.** | (1) The persons appointed under section 15shall be |
| persons of eminence and integrity who have distinguished themselves in public and professional life and who possess professional or academic experience in thefields of Economics, Monetary Policy, Banking, Finance, Accounting and Auditing, Law or Risk Management in order to assist the Central Bank to achieve its objects and to exercise, perform | |

and discharge its powers, duties and functions.

(2) A person shall be disqualified from being appointed or continuing as the Governor of the Central Bank, or an appointed member or a Deputy Governor of the Central Bank, if such person –

(*a*) has committed or has been connected with the   
 commission of, any act which involves fraud, deceit,   
 dishonesty or professional misconduct;

(*b*) is subject to an investigation or inquiry consequent   
 upon being served with notice of a charge involving   
 fraud, deceit, dishonesty or other similar criminal   
 activity, by any regulatory authority, supervisory   
 authority, professional association, commission of   
 inquiry, tribunal or any other body established by   
 law, in Sri Lanka or abroad;

(*c*) has been convicted by any court in Sri Lanka or   
 abroad in respect of a crime involving dishonesty   
 orcommitted in connection with financial   
 management or of any offence involving moral   
 turpitude;

(*d*) is an undischarged insolvent or has been declared   
 bankrupt by a court of competent jurisdiction in   
 Sri Lanka or abroad;

(*e*) has failed to satisfy any judgement or order of any   
 court whether in Sri Lanka or abroad, or to repay a   
 debt;

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(*f*) has been declared by a court of competent   
 jurisdiction in Sri Lanka or abroad, to be of unsound   
 mind;

(*g*) has been removed or suspended by an order of a   
 regulatory or supervisory authority from serving as   
 a director, chief executive officer or other officer in   
 any financial institution or corporate body, in Sri   
 Lanka or abroad;

(*h*) was a chief executive officer or held any other   
 position of authority in any financial institution –

(i) whose license has been suspended or   
 cancelled; or

(ii) which has been wound up or is being   
 wound up, or which is being compulsorily   
 liquidated whether in Sri Lanka or abroad;

(*i*) is an employee of the Central Bank:

Provided however, this disqualification shall not   
be applicable in the case of the appointment of a   
Deputy Governor of the Central Bank from among   
the employees of the Central Bank;

(*j*) is or becomes a member of the Parliament, a   
 Provincial Council or a local authority;

(*k)*  is or becomes a public officer or judicial officer or   
 holds any office or position other than an academic   
 position, either by election or appointment, for   
 which salary or other remuneration or benefit other   
 than the superannuation benefit deriving from his   
 previous employment, is payable out of public   
 funds, provincial funds or the funds of any local   
 authority:

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Provided however, nothing in this subsection   
shall be held to empower the Minister to remove,   
with the concurrence of the Governing Board, from   
office, any Deputy Governor of the Central Bank   
who has been temporarily released under subsection   
(3), by reason only that such Deputy Governor of   
the Central Bank holds such office or position in   
such institution:

Provided further, that nothing in this subsection   
shall be construed to enable a Deputy Governor of   
the Central Bank who has been temporarily released   
to serve in an office or position of a public   
corporation under subsection (3) to take part in the   
deliberations of the Governing Board or Monetary   
Policy Board of the Central Bank while he holds   
office or position as a public officer;

(*l*) is an official of a political party; or

(*m*) is or becomes a director, officer or employee of an entityregulated by the Central Bank or a financial institution operating through offices in Sri Lanka or a beneficial owner of an equity interest in a financial institution.

(3) The Governing Board may, with the concurrence of the Minister, temporarily release a Deputy Governor of the Central Bank to serve in an office or position of any Ministry, department, public international financial institution or public corporation which is not a financial institution under this Act.

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| Resignation  from office | **18.** | Any person serving any office referred to in |
| subsection (1) of section 15 may resign such office by giving | |

not less than three months’ notice in writing to the President and the Minister.

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| Disqualifications and removal  from office | **19.** | (1) Any person appointed under subsection (4) of |
| section 15 may be removed by the president, on the recommendation of the Minister and subject to the approval | |

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of the Constitutional Council following a hearing of the relevant appointed person that such person–

(*a*) is unable to exercise, perform anddischarge the   
 powers, duties andfunctions of such office because   
 of an infirmity of body or mind that has lasted for   
 more than a period of three months;

(*b*) has not complied with the relevant code of conduct   
 of the Central Bank;

(*c*) has failed to exercise, perform anddischarge the   
 powers, duties andfunctions of such office for a   
 consecutive period of more than three months   
 without the approval of the Governing Board; or

(*d*) is disqualified in terms of the provisions of   
 subsection (2) of section 17.

(2) Upon the receipt of the approval of the Constitutional Council, the President shall, in writing, remove any person appointed under subsection (4) of section 15, and shall state in the letter of removal-

(*a*) the date on which the removal shall take effect   
 which shall not be a date earlier than the date on   
 which the letter of removal is received; and

(*b*) the reasons for the removal.

(3) Any person appointed under subsection (4) of section 15 may be suspended from the office by the President prior to the commencement of the hearing or during the course of the hearing under subsection (1).

(4) Any person appointed under subsection (8) of section 15 may be removed from office by the Minister on the advice of the Governing Board, in the event the Minister is satisfied following a hearing of the relevant person that such person–

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(*a*) is unable to exercise, perform anddischarge the   
 powers, duties and functions of such office because   
 of an infirmity of body or mind that has lasted for   
 more than a period of three months;

(*b*) has not complied with the relevant code of conduct   
 of the Central Bank;

(*c*) has failed to exercise, perform anddischarge the   
 powers, duties andfunctions of such office for a   
 consecutive period of more than three months   
 without the approval of the Governing Board; or

(*d*) is disqualified in terms of the provisions of   
 subsection (2) of section 17.

(5) No person appointed pursuant to subsections (4) and (8) of section 15 shall be removed from office on any ground other than the grounds specified in subsection (1) or (4).

(6) Any person appointed under subsection (7) of section 15 may be suspended from the office by the Minister, on the advice of the Governing Board, prior to the commencement of the hearing or during the course of the hearing under subsection (4).

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| Restriction on subsequent  actions | **20.** | Any person who ceases to be the Governor of the |
| Central Bank, a member of the Governing Board or Monetary Policy Board, Deputy Governor, or an employee | |

of the Central Bank shall not serve in any capacity whatsoever, in or for, any financial institution until the expiration of a period of three years from the date of such cessation.

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| Remuneration | **21.** | (1) Notwithstanding anything to the contrary in any |

other written law, the remuneration of the Governor of the Central Bank and the allowances payable to the appointed members shall be determined by the Parliament.

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(2) The amount of remuneration and allowances determined under subsection (1) shall be specified in the letter of appointment issued to such Governor and appointed members, and such remuneration shall not be reduced during the terms of office of such Governor and appointed members**.**

(3) No remuneration or allowance shall be based on the profits of the Central Bank or any of its revenues.

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| **22.** | The Governing Board shall adopt such Codes of | Codes of  conduct |
| Conduct applicable to members of the Governing Board | |

and the Monetary Policy Board.

PART III

EMPLOYEESOFTHE CENTRAL BANK

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| **23.** | (1) The Governing Board may appoint and remove | Appointment  and removal of employees of  the Central Bank |
| employees of the Central Bank, and may determine the terms and conditions of their employment including the remuneration. | |
| (2) | No remuneration shall be based on the profits of the |

Central Bank or any of its revenue.

(3) The Governing Board may establish and regulate pensions or provident funds or schemes for the benefit of employees and their dependents and nominees, and may make contributions to any such fund or scheme.

(4) The Governing Board may, notwithstanding the provisions of subsection (1) of section 114, grant loans and advances, to employees of the Central Bank for such purposes as may be determined by the Governing Board subject to such terms and conditions as may be determined by the Governing Board.

(5) The compulsory age of retirement for every employee of the Central Bank shall be sixty years and the optional age of retirement for every employee of the Central Bank shall be fifty-five years.

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(6) The Central Bank shall make rules relating to disciplinary control for all the employees of the Central Bank.

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| Employees not to accept any  other office | **24.** | (1) The employees of the Central Bank shall devote |
| their professional services to the Central Bank, and shall not accept or hold any other office or employment, whether | |

public or private, or whether remunerated or not, except as a nominee of the Central Bank or for educational or academic purposes, which are not in conflict with or which will not prevent the ability of any employee to devote his professional services to the Central Bank, and are within the limits determined by the Governing Board in that regard.

(2) The Governing Board may, at the request of any ministry, department, public international financial institution or a public corporation which is not a financial institution, temporarily release any officer of the Central Bank with the consent of such officer, to serve any office or position in such ministry, department, public international financial institution or public corporation, subject to such terms and conditions as may be determined by the Governing Board:

Provided, however, the temporary release of any officer of the Central Bank shall not exceed a period of five years unless the Cabinet of Ministers approves such other longer period.

(3) Any officer of the Central Bank who is released to serve any office or position in terms of subsection (2), shall be deemed to be removed from such office or position, if such officer is removed from his office in the Central Bank under the provisions of this Act.

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| Codes of  conduct | **25.** | The Governing Board shall make codes of conduct |
| applicable to employees of the Central Bank. | |

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PART IV

INFLATION TARGET

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| **26.** | (1) The Minister and the Central Bank shall sign a | Inflation target |
| monetary policy framework agreement with regard to setting out the inflation target to be achieved by the Central Bank. | |

(2) In the event the Minister and the Central Bank are unable to reach an agreement with regard to the inflation target as referred to in subsection (1), the Minister shall place his proposal for the inflation target and that of the Central Bank before the Cabinet of Ministers, and the Cabinet of Ministers shall determine the inflation target to be achieved by the Centeral Bank.

(3) The Minister shall publish the monetary policy framework agreement including the inflation target and other parameters relating thereto in the *Gazette* within a period of one week from the date of such agreement.

(4) The Minister and the Central Bank may review the inflation target and any other parameters relating thereto, once in every three years or in such other intervals, if exceptional circumstances so warranted. The Minister shall, upon such review, publish in the *Gazette* the inflation target and other parameters relating thereto so reviewed and the exceptional circumstances that warranted such review.

(5) If the Central Bank fails to meet the inflation target by a margin determined in terms of subsections (1) and (4) of this section for two consecutive quarters, the Monetary Policy Board shall submit a report to Parliament through the Minister, which shall also be made available to the public, setting out-

(*a*) the reasons for the failure to achieve the inflation   
 target;

(*b*) the remedial actions proposed to be taken by the   
 Central Bank; and

(*c*) an estimate of the time-period within which the   
 inflation target shall be achieved.

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(6) The Monetary Policy Board shall determine the monetary policy and other instruments relating to the implementation of the monetary policy of the Central Bank and shall have the authority to adjust such instruments for the purpose of implementing the monetary policy.

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| Publication of report on  inflation | **27.** | The Central Bank shall publish a report once in six |
| months explaining recent movements in inflation, sources | |

of inflation and medium-term projections for inflation and key risks to such projections.

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| Action to  preserve price stability | **28.** | (1) Where the Monetary Policy Board anticipates |
| economic disturbances that are likely to threaten the | |

domestic price stability in Sri Lanka or there are abnormal movements in the price level that are actually endangering such domestic price stability, it shall be the duty of the Monetary Policy Board –

(*a*) to adopt such policies, and to cause such remedial   
 measures to be taken, as are appropriate in the   
 circumstances and authorized by this Act;

(*b*) to submit to the Minister and, if it is not prejudicial   
 to the public interest, publish, 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 price level;

(ii) the probable effects of such disturbances   
 or movements on the level of production,   
 employment, and income in Sri Lanka;   
 and

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

(2) The Monetary Policy 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 price stability.

(3) The Minister shall submit the reports referred to in this section to the Cabinet of Ministers to consider the same and take appropriate decisions to avert such an occurrence.

PART V   
 MONETARYANDOTHER OPERATIONS   
 **29.**  (1) In the carrying out of its operations, the Central Opening of Bank may open and maintain cash, precious metals and accounts securities accounts on its books for –  
 (*a*) financial institutions, foreign banks, and   
 government entities;   
 (*b*) central banks, international organizations including   
 public international financial institutions, foreign   
 governments, and donor organizations.

(2) The Central Bank may prescribe by rules the conditions for opening accounts on its books.

(3) The Central Bank may open and maintain cash, precious metals and securities accounts on the books of – (*a*) financial institutions which are subject to the regulation and supervision of the Central Bank;

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(*b*) central banks, depositories, foreign banks and   
 international organizations including public   
 international financial institutions.

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| Custodial  services of the Central Bank | **30.** | The Central Bank may, subject to the payment of |
| fees in line with market rates and the terms and conditions as may be prescribed by the Governing Board, provide custodial | |

facilities to financial institutions for denominated currency notes and coins as it designates, and for securities, precious metals and any other valuable assets as the Governing Board may determine.

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| Open market  operations | **31.** | (1) In order to achieve the objects of the Central |
| Bank and to exercise, perform anddischarge its powers, | |

duties and functions, the Central Bank may –

(*a*) operate in the financial markets by buying and   
 selling outright or under a repurchase agreement,   
 and by lending or borrowing claims and marketable   
 instruments, as well as precious metals;

(*b*) conduct credit operations with licensed banks and   
 other market participants operating in Sri Lanka,   
 based on adequate collaterals; or

(*c*) issue securities on such terms and conditions and   
 in such form as may be determined by the Monetary   
 Policy Board.

(2) The Monetary Policy Board shall make rules specifying–

(*a*) the types of instruments and collateral to be used   
 for open market and credit operations for the   
 purpose of the monetary policy; and

(*b*) the conditions under which the Central Bank may   
 enter into transactions for the purposes of   
 paragraph (*a*).

(3) The Governing Board shall make rules specifying –

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(*a*) the types of instruments and collateral to be   
 used for credit operations other than the   
 monetary policy; and

(*b*) the conditions under which the Central Bank   
 may enter into transactions for the purposes of   
 paragraph (*a*).

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| **32.** | (1) The Central Bank shall require- | Regulation of |
| reserves of the |
| (*a*) the licensed commercial banks; and | financial |
| institutions |

(*b*) such other financial institutions falling under   
such criteria as may be prescribed by the   
Monetary Policy Board (in this Act referred to   
as the “relevant financial institutions”),

to maintain reserves against their deposit liabilities and such of their other financial liabilities as the Monetary Policy Board may consider necessary and shall, for that purpose, prescribe the classes of deposit liabilities and the categories of other financial liabilities against which reserves are required to be maintained.

(2) The reserves required to be maintained by a licensed commercial bank or a relevant financial institution under subsection (1), shall be proportionate to the volumes of each class of its deposit liabilities and each category of its other financial liabilities and shall, subject to subsection (3), take the form of rupee deposits in the Central Bank.

(3) The Monetary Policy Board may, in the interest of the national economy and the banking and financial systems of Sri Lanka, demand the maintenance of any part of the reserves required to be maintained, in the form of assets other than rupee deposits in the Central Bank.

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| **33.** | (1) The Monetary Policy Board shall prescribe the | Monetary Policy Board to  prescribe reserve ratios |
| reserve ratios applicable to each class of deposit liabilities and each category of other financial liabilities against which | |

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reserves are required to be maintained under subsection (1) of section 32and may, from time to time, vary such ratios as it may consider necessary.

(2) Where any licensed commercial bank or relevant financial institution is required to maintain a reserve against any class of deposit liabilities or any category of other financial liabilities, the Central Bank shall, if so determined by the Monetary Policy Board, in the interest of the national economy and the banking and financial systems of the country, pay to such licensed commercial bank or relevant financial institution, as the case may be, interest at such rate as may be determined by the Monetary Policy Board, on the amount maintained as a reserve or a part thereof.

(3) Where the reserves maintained by any licensed commercial bank or relevant financial institution are below the reserves required to be maintained by such licensed commercial bank or relevant financial institution, such licensed commercial bank or relevant financial institution shall pay to the Central Bank, an interest on the amount of the deficiency at such rate as may be determined by the Monetary Policy Board.

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| Consequences of reserve  deficiencies | **34.** | Where a licensed commercial bank or a relevant |
| financial institution regularly fails to maintain the reserves required to be maintained by such licensed commercial bank | |

or relevant financial institution under subsection (1) of section 32, the Monetary Policy Board may, in the interest of the national economy, make order –

(*a*) prohibiting or restricting the making of loans or   
 investments by such licensed commercial bank or   
 relevant financial institution;

(*b*) prohibiting the application of the whole or any   
 specified part of the net profits of such licensed   
 commercial bank or relevant financial institution   
 for the purpose of payment of a dividend to its   
 shareholders.

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| **35.** | The Monetary Policy Board may recommend to the | Operational  methods of  monetary  control  Liquidity  assistance to  financial  institutions |
| Governing Board to adopt such other methods of monetary control as may be authorized by this Act. | |
| **36.** | (1) In exceptional circumstances, the Central Bank |
| may, on such terms and conditions as the Governing Board determines, grant liquidity assistance to a financial institution, or for its benefit- | |
| (*a*) | under such rate as the Governing Board may |

determine which shall be above the prevailing   
market rate; and

(*b*) for a period not exceeding a period of ninety-one   
 days that may be renewed following a decisionby   
 the Central Bank for another period not exceeding   
 a period of ninety-one days.

(2) The Central Bank shall provide such financial assistance on the basis of a programmme specifying the remedial measures:

Provided however, no such commitment shall be made by the Central Bank unless such financial institution, in the opinion of the Governing Board, is solvent and can provide adequate collateral to support the loan, and the request for financial assistance is based on the need to improve liquidity.

(3) The renewal of credit facilities granted under subsection (1) shall, after the initial ninety-one days, require a Government guarantee in writing securing their repayment. The maximum renewal period shall be ninety-one days upon which the credit operations shall be repaid.

(4) The Governing Board shall determine the type and minimum value of the collateral to be deposited or provided for to secure credit operations granted or renewed under this section.

(5) If the Central Bank discovers that the assisted financial institution did not implement the remedial

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measures specified in subsection (2), or that such measures did not achieve the results intended, the Central Bank shall take appropriate measures including the administrative measures provided for in section 107.

(6) Notwithstanding anything to the contrary in the preceding provisions of this section, the Central Bank may, if it considers that financial stability issues are at stake and to avoid a disturbance in the financial system, at its own discretion and on such terms and conditions as the Governing Board determines including the viability of the financial institution in the context of a restructuring or resolution plan, provide liquidity support in exceptional circumstance to a financial institution for a maximum period of one hundred and eighty days in cases where the Government has, for the sake of public interest, provided to the Central Bank an unconditional and irrevocable guarantee for any losses incurred by the Central Bank from the loan.

PART VI

FOREIGN EXCHANGE OPERATIONSAND INTERNATIONAL RESERVES

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| Foreign  exchange  operations of the Central Bank | **37.** | (1) The Central Bank may engage in foreign | |
| exchange operations by conducting – | | |
| (*a*) | | foreign exchange auctions; |
| (*b*) | | derivative transactions; |
| (*c*) | | direct dealings; or |
| (*d*) | | any other acceptable methods as approved by |
| the Governing Board. | | |
| (2) | Foreign exchange operations may be transacted by | |
| the Central Bank only with – | | |
| (*a*) | | licensed commercialbanks operating in Sri Lanka; |
| (*b*) | | the Government and agencies or institutions |
| acting on behalf of the Government, whether established by any written law or otherwise; | | |

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(*c*) foreign commercial and investment banks;

(*d*) foreign central banks;

(*e*) international financial institutions; and

(*f*) foreign Governments, foreign provincial   
 governments and agencies or institutions acting   
 on behalf of foreign Governments.

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| **38.** | The Central Bank shall not accept any commission | Central Bank not to accept any  commission or  impose any  charges in  foreign  exchange |
| or impose any charge of any description in respect of the purchase or sale of foreign exchange, except telegraphic or other costs which are actually incurred in connection with such purchase or sale. | |

operations

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| **39.** | (1) The Central Bank may grant collateralized loans | Loans to and  from foreign  institutions |
| to, or take loans from, any institution of any description referred to in paragraphs (*c*), (*d*), (*e*) and (*f*) of subsection (2) | |

of section 37 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 Central Bank.

(2) Any loan taken as provided in subsection (1) may be secured by assets held by the Central Bank.

(3) The Central Bank may act as an agent or correspondent of a foreign commercial bank or an investment bank or any institution referred to in paragraphs (*b*), (*d*), (*e*) and (*f*) of subsection (2) of section 37.

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| **40.** | (1) The Central Bank shall manage the official | Management of international  reserves |
| international reserves consistent with international best practices and the rules made by the Governing Board having | |

regard to the safety, liquidity and return in that order of priority.

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(2) The international reserves of the Central Bank may include the following assets –

(*a*) gold including credit balances representing such   
 gold;

(*b*) assets denominated in freely convertible foreign   
 currencies in the form of –

(i) foreign notes and coins held by or to the   
 credit of the Central Bank;

(ii) credit balances and interbank deposits that   
 are payable on demand or within a short   
 term held in the accounts of the Central   
 Bank, on the books of foreign central and   
 commercial banks, or international   
 financial institutions;

(iii) readily-marketable debt securities issued   
 by, or supported by foreign governments   
 including provincial governments,   
 foreign central banks, international   
 financial institutions and agencies;

(*c*) either the whole, or such maximum percentage of   
 the whole, of the holdings of such drawing rights in   
 the International Monetary Fund as may be   
 determined from time to time by the Governing   
 Board; and

(*d*) any other readily-marketable financial assets   
 denominated in freely convertible foreign   
 currencies as determined by the Governing Board.

(3) In the event, the Central Bank is satisfied that there is a decline or a likelihood of decline in the international reserves, or such reserves may reach to a level that could jeopardize the objects of the Central Bank, and that the Central Bank is unable to remedy such decline by its own

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measures, the Central Bank shall report to the Minister in writing of such decline including reasons for and recommendations to remedy such decline.

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| **41.** | (1) Every licensed commercial bank shall, after the | Information on exchange  operations |
| closure of business at the end of such period as may be prescribed by the Governor of the Central Bank, 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 Governor of the Central Bankmay 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 form as the Governor of the Central Bank may prescribe for the purpose.

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

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| **42.** | (1) The Governing Board may determine the manner | Control of  foreign  exchange  holdings of  commercial  banks |
| of determination of the maximum amount of the working balances which licensed commercial banks may hold in foreign currencies generally or in any specified foreign currency or currencies, and may 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 Governing Board may, having regard to the special needs of any particular licensed commercial bank, permit such bank to hold working balances in any specified

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foreign currency in excess of the maximum amount determined for such currency under subsection (1).

(3) In ascertaining whether the working balances of any licensed commercial bank in any foreign currency are in excess of the maximum amount determined under subsection (1), there may be deducted from such balances the net liabilities of that bank in currencies into which the first-mentioned currency is freely convertible.

PART VII

CURRENCYAND LEGAL TENDER

Currency **43.** The currency of Sri Lanka shall be the Sri Lanka rupee. The Sri Lanka rupee shall be divided into one hundred units each of which shall be called a “cent”.

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| Issuing power | **44.** | The Central Bank shall have the sole right and |

authority to issue currency in Sri Lanka.

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| Prohibition  against issue of notes by any  person other  than the Central Bank | **45.** | (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 however, cheques or drafts payable to bearer on demand may be drawn on licensed 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 commits an offence.

Liability for **46.**  (1) Any currency notes and coins issued by the notes and coins Central Bank shall be liabilities of the Central Bank.

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(2) The currency notes and coins held in custody of the Central Bank shall not be considered as part of its currency issue and shall not be taken into account in determining the assets and liabilities of the Central Bank.

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| **47.** | (1) All currency notes and coins issued by the | Currency to be the legal tender |
| Central Bank shall be legal tender in Sri Lanka for the | |

payment of any amount.

(2) Any transaction executed or liquidated between or among residents in Sri Lanka shall, unless otherwise authorized by the Central Bank for the purposes of the Foreign Exchange Act, No. 12 of 2017, be in Sri Lanka rupees.

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| **48.** | (1) The Central Bank may, with the approval of the | Issue of  commemorative currency notes or coins |
| Minister and subject to section 49, issue commemorative currency notes or coins. | |

(2) Any commemorative currency notes or coins issued under subsection (1) may be sold at a price higher than the denomination specified in such notes or coins and as may be determined by the Minister.

(3) The sale of commemorative currency notes or coins issued under subsection (1) at a price higher than the denomination specified in such currency notes or coins shall be deemed not to be a contravention of section 55 or 56.

(4) Numismatic items prepared from currency notes or coins other than commemorative currency notes or coins may be sold at a price higher than the denomination specified in such notes or coins with the approval of the Governing Board, and the sale of such items at a price higher than the denomination specified in such currency notes or coins shall be deemed not to be a contravention of section 55 or 56.

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| **49.** | (1) The Central Bank shall, with the approval of the | Characteristics of currency |
| Minister, prescribe the denominations, dimensions, designs, | |

inscriptions, and other characteristics of currency notes and coins issued by the Central Bank.

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(2) Every currency note shall bear the signatures in facsimile of the Minister 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 Sri Lanka.

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| Contracts for  printing of notes and minting of  coins  Exchange of  currency | **50.** | The Central Bank shall have the authority to enter |
| into contracts with any other person in Sri Lanka or abroad for the printing of currency notes and the minting of coins. | |
| **51.** | Upon a request made and subject to such conditions |
| as may be specified by rules, the Central Bank shall | |

exchange, without charge or commission, currency notes and coins issued by the Central Bank.

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| Replacement of currency unfit for circulation | **52.** | The Central Bank shall withdraw from circulation |
| and shall cancel all currency notes and coins which for any reason whatsoever are unfit for circulation, and shall, as soon | |

as practicable and subject to such rules as may be made in that behalf by the Governing Board, replace them by the delivery in exchange of fit currency notes and coins.

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| Redemption of currency | **53.** | (1) The Governing Board may, in its discretion, by |
| notice published in the *Gazette* call in for the replacement | |

ofcurrency notes or coins of any issue or denomination.

(2) Any currency 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 specified by the Governing Board and shall thereafter cease to be legal tender.

(3) The Governing Board may determine a period not less than one year within which the Central Bank or any agent authorized by the Governing Board for the purpose, shall, upon surrender of any currency notes or coins so called in for replacement, replace such currency notes or coins, at par and without charge, by the delivery in exchange of fit currency notes or coins.

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(4) All currency notes and coins called in for replacement and not surrendered as provided in subsection (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.

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| **54.** | The Central Bank shall create and administer a | Currency stock |

currency stock in order to ensure the availability of a regular supply of currency notes and coins.

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| **55.** | Any person who without the authority of the | Mutilation or  defacement of currency notes |
| Governing Board– | |
| (*a*) | cuts, perforates, or in any other way whatsoever |

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;

(*c*) attaches or affixes to or upon any currency note   
 anything in the nature or form of an advertisement;

(*d*) reproduces in any form whatsoever, or makes a   
 facsimile of, any currency note; or

(*e*) uses otherwise as a legal tender, any currency note,

commits an offence.

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| **56.** | (1) Any person who, without the authority of the | Use of currency coin otherwise  than as legal  tender |
| Governing Board, melts, breaks up, perforates, mutilates or uses otherwise than as legal tender, any coin which is legal tender in Sri Lanka commits an offence. | |
| (2) | Any person who knowingly uses, possesses or deals |

with any metal or article which he knows or has reasonable cause to believe, is derived from any coin which has been dealt with in contravention of subsection (1), commits an offence.

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| Conclusive  evidence of  imitation of a currency note | **57.** | (1) Where, in any proceedings in any court, it has to |
| be determined whether a document purporting to be a currency note is an imitation of a currency note, a certificate under the hand of the Governor of the Central Bank to the | |

effect that such document is an imitation of a currency note and is not a currency note issued or deemed to be issued by the Central Bank shall be received in such proceedings as conclusive evidence of the fact that such document is an imitation of a currency note.

(2) The Governor of the Central Bank who issues a certificate under this section shall not be examined or cross-examined with respect to that certificate.

(3) Every certificate issued under this section shall be in a form as may be determined by the Governing Board.

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| Conclusive  evidence of  imitation of a  coin or current coin | **58.** | (1) Where, in any proceedings in any court, it has to |
| be determined whether an article purporting to be a coin or a current coin is an imitation of such coin or current coin, a certificate under the hand of the Governor of the Central | |

Bank to the effect that such article is an imitation of a coin or a current coin, as the case may be, and is not a coin or a current coin issued or deemed to be issued by the Central Bank, shall be received in such proceedings as conclusive evidence of the fact that such article is an imitation of a coin or a current coin.

(2) The Governor of the Central Bank who issues a certificate under this section shall not be examined or cross-examined with respect to that certificate.

(3) Every certificate issued under this section shall be in a form as may be determined by the Governing Board.

(4) In this section, the expression “current coin” shall have the same meaning as in the Penal Code (Chapter 19).

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PART VIII

PAYMENTAND SETTLEMENT SYSTEMS

|  |  |  |
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| **59.** | (1) The Central Bank may establish and operate one | Establishment of systems for  transfer of funds and transfer and settlement of  scripless  securities |
| or more systems – | |
| (*a*) | for the transfer of funds by and between the Central |
| Bank, licensed commercial banks and such other institutions or persons that maintain a settlement | |

account with the Central Bank and who are admitted   
as participants to such system by the Central Bank;

(*b*) for the transfer and settlement of scripless securities   
 by and between the Central Bank and direct   
 participants;

(*c*) for the settlement of payment obligations in respect   
 of transfer and settlement of scripless securities   
 under paragraph (*b*); and

(*d*) for the maintenance of a depository for the recording   
 of title to scripless securities of the Central Bank,   
 of direct participants, and in the case of dealer direct   
 participants, of their customers. The Central Bank   
 may make such rules as it may consider necessary   
 in relation to the depository.

(2) A system established under subsection (1) may be linked to another system in Sri Lanka or elsewhere for the clearing or settlement of payment obligations or securities, and the Central Bank may enter into agreements with the operators of any of such systems.

(3) (*a*) The Central Bank shall provide facilities for clearance transactions among licensed commercial banks operating in Sri Lanka or any other financial institutions as may be approved by the Governing Board.

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(*b*) The reserves maintained by licensed commercial banks in the Central Bank or the funds maintained in the Central Bank by any financial institution as may be approved by the Governing Board shall serve as a basis for the clearance of cheques and the settlement of balances among such banks and financial institutions in accordance with such rules as may be made in that behalf by the Central Bank.

(4) The Central Bank may enter into agreements with the participants of a system established under subsection (1) and issue in writing to the participants of the system, rules for the operation of the system.

(5) Without prejudice to the generality of subsection (4), such rules may provide –

(*a*) for the provision of intra-day credit against the   
 collateral of securities to the participants and the   
 conditions attaching to the provision of such credit;

(*b*) for the appointment of the Central Bank as a   
 certification authority for the purpose of issuing   
 certificates to participants under any law applicable   
 to the appointment of certification authorities in   
 respect of electronic signatures;

(*c*) for the formulation and adoption of a code of   
 conduct for participants;

(*d*) for the authentication of transactions carried out   
 electronically;

(*e*) for the Central Bank, if it considers necessary in the   
 interest of the system, to cease or suspend the   
 operation of the system, or to withdraw or suspend   
 the privileges or rights of any participant or   
 category of participants or to suspend or revoke the   
 membership in the system of a participant;

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(*f*) for the appointment of auditors or inspectors for   
 the auditing or inspection of the operating systems   
 of participants in respect of the settlement system;   
 and

(*g*) for the payment of charges and fees to the Central   
 Bank by the participants.

(6) A payment or transfer made through a system established under subsection (1), is final and irrevocable –

(*a*) in the case of a transaction involving funds transfer   
 only, upon the settlement account of the participant   
 requesting the funds transfer being debited;

(*b*) in the case of a transaction involving a securities   
 transfer only, upon the securities account of the   
 participant requesting the securities transfer being   
 debited; or

(*c*) in the case of a transaction involving both a funds   
 transfer and a securities transfer, upon debiting the   
 settlement account or the securities account of a   
 participant requesting the funds transfer or the   
 securities transfer as the case may be, whichever   
 occurs earlier,

and notwithstanding anything to the contrary in any other written law, such payment or transfer shall not be required to be reversed, repaid or set aside, and subject to the provisions of Articles 126 and 140 of the Constitution, no court shall order such payment or transfer to be rectified or stayed.

(7) (*a*) Any scripless securities issued under this Act or the Local Treasury Bills Ordinance (Chapter 417) or the Registered Stock and Securities Ordinance (Chapter 420) shall be transferred, pledged, encumbered, lent, borrowed or transacted in only as provided by or under the rules made under this Act or regulations made under the Local Treasury Bills Ordinance or the Registered Stock and Securities Ordinance, as the case may be.

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(*b*) A transfer, pledge, encumbrance, loan, borrowing or transaction effected under paragraph (*a*) shall be valid and effectual notwithstanding anything in any other written law, and the claim of a participant of the system on any scripless securities posted as collateral in accordance with those rules or regulations as may be applicable shall have priority over the claims on such scripless securities of a person who is not a participant of the system.

(8) Nothing in subsections (5) and (6) shall affect any other legal right or remedy available to a person who has suffered any loss or damage by a payment, transfer or settlement effected through a system established under subsection (1).

(9) Notwithstanding the provisions of any written law relating to the winding up of companies, if proceedings for the winding up of a participant of a system have commenced–

(*a*) the Central Bank may do anything permitted or   
 required by the rules of the system in order to net   
 obligations incurred on or before the day on which   
 the proceedings commenced;

(*b*) the obligations that are netted under the rules of   
 the system shall be disregarded in the proceedings;   
 and

(*c*) the netting made by the Central Bank and any   
 payment made by the participant under the rules of   
 the system shall not be voidable in the proceedings.

(10) If proceedings for the winding up of a participant is commenced and a payment or settlement owed by such participant has been made as referred to in subsection (6) or (9), and if a payment or settlement of such funds or securities would have been void or voidable under any other written law if made outside the system, the liquidator of such participant may recover from the person to whose benefit

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such payment or settlement was made such amount as would have been recoverable, if such payment or settlement had been made outside the system.

(11) Where any transaction effected through a system established under subsection (1) is carried out electronically, such transaction shall not be denied legal effect, validity or enforceability solely on the ground that such transaction is carried out electronically or that the information relating to such transaction is maintained in the form of an electronic record, and notwithstanding anything to the contrary in any other written law,such record may be tendered in evidence in proceedings before any court or tribunal.

(12) Any or all of the functions referred to in subsection (1) or (2) may be carried out by a body corporate authorized for the purpose by the Governing Board, subject to such terms and conditions as may be imposed by the Governing Board.

(13) The Central Bank shall provide facilities –

(*a*) for financial institutions other than licensed   
 commercial banks, as may be approved by the   
 Governing Board, to maintain accounts at the   
 Central Bank for the purpose of settling   
 securities transactions; and

(*b*) for financial institutions other than licensed   
 commercial banks, as may be approved by the   
 Governing Board to maintain accounts at the   
 Central Bank for the purpose of holding scripless   
 securities or clearing and settling transactions   
 in scripless securities among direct participants.

(14) (*a*) Any or all of the functions referred to in paragraph (*d*) of subsection (1), paragraph (*a*) of subsection (3) and subsection (13) may be carried out by a body corporate authorized for the purpose by the Governing Board, subject to such terms and conditions as may be imposed by the Governing Board.

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(*b*) The body corporate referred to in paragraph (*a*) may maintain an account with the Central Bank for the purpose of carrying out such functions.

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| Licensing and oversight | **60.** | (1) The Central Bank shall be responsible for the |
| regulation, licensing, registration and oversight of payment, | |

clearing and settlement systems as further specified in the Payment and Settlement Systems Act, No. 28 of 2005 or any other written law relating to regulation, licensing, registration and oversight of payment, clearing and settlement systems.

(2) The Central Bank may, by rules –

(*a*) require the registration or licensing of any   
 payment, clearing and settlement system or the   
 operator of such system;

(*b*) require any payment, clearing and settlement   
 system or the operator of such system to observe   
 such conditions and requirements as may be   
 prescribed by the Central Bank; and

|  |  |
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| (*c*) | regulate and oversee the issuance of payment instruments. |

(3) Any employee of the Central Bank or any other qualified person nominated by the Central Bank, may conduct periodic examinations over payment, clearing and settlement systems and the participants of such systems, to examine such accounts, books, documents and other records, or to obtain such information or records of such systems and participants or to take such other action as the Central Bank may direct.

(4) The payment, clearing and settlement systems, and their operators and participants, shall furnish the Central Bank with such information and records as the Central Bank may require.

(5) The Central Bank may disclose information and data obtained under subsection (3) or (4) in whole or in part in accordance withsection 79.

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PART IX

SUPERVISIONAND RESOLUTIONOF FINANCIAL INSTITUTIONS

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| **61.** (1) The Central Bank shall be exclusively responsible for the regulation, licensing, registration and supervision of financial institutions. Such responsibility shall include the | Supervisory  authority of the Central Bank |

imposition of administrative measures within the meaning of section 107.

(2) Any employee of the Central Bank or any other qualified person authorizedby the Central Bank shall examine the books and accounts of financial institutions, at least once in each examination period, and shall make such further examinations in respect of any financial institution, whenever required so to do by the Governor of the Central Bank.

(3) A report on the results of each examination under this section shall be furnished to the Governing Board.

(4) Any person authorized by the Central Bank may–

(*a*) administer oaths or affirmations, in accordance   
 with the Oaths and Affirmations Ordinance   
 (Chapter 17), to any director, officer, or employee   
 of any financial institution;

(*b*) require any director, officer, or employee to   
 furnish such information as such person may   
 consider necessary for the purpose of ascertaining   
 the true condition of the affairs of any such   
 financial institution; or

(*c*) require any director, officer, or employee to   
 produce for inspection any book, record, or other   
 document in his possession containing or likely   
 to contain any information.

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(5) It shall be the duty of every director, officer or employee of any financial institution to afford to the Central Bank or to any person authorized by the Central Bank an opportunity to examine books and records and its cash, assets, liabilities and general condition, whenever so requested by the Central Bank.

(6) The Central Bank may, for the purpose of the continuous supervision of financial institutions–

(*a*) require any such financial institution, to furnish   
 from time to time and within such period as may   
 bespecified, such statement and information   
 relating to the business or affairs of such financial   
 institution, as it may consider necessary to obtain   
 for the purpose of ascertaining the true condition   
 of the affairs of such financial institution;

(*b*) require the auditor of any such financial   
 institution, to furnish to it within such period as   
 may be specified**,** any information in relation to   
 an audit carried out by such auditor of such   
 financial institution, as it may consider necessary   
 to obtain for the purpose referred to in paragraph   
 (*a*); and

(*c*) examine the books and accounts kept by any   
 such financial institution as it may deem   
 necessary for the purpose of verifying the   
 accuracy of any statement or information so   
 furnished.

(7) Any employee of the Central Bank or any other qualified person authorized by the Central Bank shall examine the books and accounts of any subsidiary or agency of any financial institution including the overseas operations of such financial institution, if directions in that behalf are given by the Central Bank.

(8) The Central Bank may exchange information and data obtained under subsection (4) or (6), in whole or in part or

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aggregate form, from the classes of financial institutions determined in accordance with the nature of their business, with competent authorities in or outside Sri Lanka that are entrusted with –

(*a*) the supervision of other financial institutions;

(*b*) the supervision of financial markets;

(*c*) maintaining the stability of the financial system   
 through the use of macroprudential policy; and

(*d*) the reorganization or resolution of financial   
 institutions,

and may enter into an agreement with any of such authorities for determining the procedure for the exchange of information and data and specifying their respective roles and duties.

(9) The Central Bank may disclose information and data obtained under subsection (4) or (6), in whole or in part or aggregate form, from the classes of financial institutions determined in accordance with the nature of their business in accordance with section 79.

(10) In this section-

“examination period” means a period of such duration   
as may be specified for the purpose by the   
Central Bank; and

“qualified person” means a person who possesses an   
academic or professional qualification and   
extensive knowledge and experience in the   
field of Banking, Finance, Accounting,   
Auditing, Law, Risk Management or any other   
similar field.

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| Resolution  authority of the Central Bank | **62.** | (1) Notwithstanding anything to the contrary in any |
| other written law, the Central Bank shall be the authority responsible for the resolution of financial institutions: | |

Provided however, where the resolution involves public funds, such resolution decisions shall be taken in consultation with the Minister subject to the applicable laws.

(2) The Central Bank may enter into agreements with foreign supervisors and resolution authorities for the exchange of information and cooperation in resolution planning and in the implementation of resolution measures.

(3) The Central Bank shall carry out resolution planning and implement resolution measures on financial institutions in accordance with the provisions of this Act and other applicable laws.

PART X

MACROPRUDENTIAL AUTHORITY

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| Macroprudential objectives of the Central Bank | **63.** | (1) The Central Bank shall be the macroprudential |
| authority in Sri Lanka. | |

(2) The Central Bank shall develop and periodically update the overall approach to the use of macroprudential tools, and publish such approaches with a view to informing the public of the role of the Central Bank in macroprudential policy.

(3) In order to achieve the financial stability, the Central Bank shall pursue the following intermediate macroprudential objectives:-

(*a*) to maintain the resilience of the financial system,   
 in a manner that supports the provision of financial   
 services even under adverse economic and financial   
 conditions;

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(*b*) to contain risks from unsustainable increases in   
 credit and leverage; and

(*c*) to contain risks from interconnectedness within the   
 financial system and control the risk of failure of   
 individual systemically important institutions.

(4) (*a*) Without prejudice to the provisions of sections 5 and 6,the Central Bank shall, on therequest of the Minister, provide the Minister with information regarding the exercise, performance anddischarge of the powers, duties and functions of the Central Bank.

(*b*) Any specific information relating to supervised or overseen entities may be provided onlyfor the purpose of the Government’s functions with respect to financial stability, including crisis prevention and crisis management.

(*c*) Notwithstanding the confidentiality requirements specified in this Act, the supply of such information shall be subject to such limitations as the Central Bank may deem appropriate to preserve confidentiality.

(5) In the achievement of financial stability under subsection (3), the Central Bank shall consider the interests of depositors.

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| **64.** | (1) The Central Bank, as the macroprudential | | Macroprudential powers of the  Central Bank |
| authority may- | | |
| (*a*) | | monitor, identify or assess the build-up of risks and |

vulnerabilities in the financial system;

(*b*) request, collect, compile, analyze or publish data,   
 information and statistics in order to achieve the   
 macroprudential objectives;

(*c*) conduct stress testing and simulation exercises;

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(*d*) designate systemically important financial sector   
 participants under section 68;

(*e*) adopt and apply the macroprudential instruments   
 indicated in section 66 to financial institutions   
 regulated and supervised by the Central Bank;

(*f*) adopt and apply enhanced macroprudential   
 oversight to systemically important financial sector   
 participants;

(*g*) identify gaps in regulation that could pose systemic   
 risks;

(*h*) formulate strategies and policies to mitigate or   
 address identified systemic risks;

(*i*) monitor domestic and international financial   
 regulatory developments and advise on legislative   
 or regulatory measures that will enhance financial   
 stability;

(*j*) develop and propose prudential standards to be   
 applied by relevant financial sector authorities in   
 respect of financial sector participants regulated   
 and supervised by such authorities;

(*k*) facilitate information sharing and cooperation   
 among relevant financial sector authorities; and

(*l*) propose to the Financial System Oversight   
 Committee the recommendations to be issued to   
 public or financial sector authorities.

(2) The Governing Board shall meet at least quarterly for the purpose of deciding any matter in relation to macroprudential authority under this section.

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(3) The Central Bank shall, without prejudice to its autonomy, communicate to the Financial System Oversight Committee, such information as may be necessary for the exercise, performance anddischarge of powers, duties and functions under this section.

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| **65.** | (1) The Central Bank shall monitor, analyse, and | Monitoring, |
| assess – | analysis and |
| assessment of |
| vulnerabilities of the financial sector, including the |
| (*a*) | risks |

risks arising from the developments in the financial   
sector;

(*b*) risks to the financial system, including those arising   
 from financial developments in the household and   
 non-financial corporate sectors;

(*c*) risks to the financial system arising from the broader   
 economic context, in or outside Sri Lanka; and

(*d*) any risk to the financial system stability, the nature   
 and extent of such risk, including any risk   
 contemplated in anymatter raised by members of   
 the Financial System Oversight Committee or   
 reported by a financial sector authority in terms of   
 this Act or communicated by a public authority.

(2) The Central Bank shall determine the methodology and indicators to be used in the assessment of systemic risks, at an early stage.

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| **66.** | (1) In order to mitigate or eliminate identified | Macroprudential instruments |
| systemic risks, the Central Bank shall issue qualitative | |

and quantitative macroprudential instruments, which include –

(*a*) countercyclical capital buffers;

(*b*) capital conservation buffer;

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(*c*) dynamic provisioning;

(*d*) caps on leverage ratios;

(*e*) caps on interest rates andcredit growth;

(*f*) sectoral capital requirements;

(*g*) caps on loan-to-value ratios;

(*h*) caps on debt-service-to income ratio;

(*i*) caps on loan-to-income and debt-to-income ratios;

(*j*) exposure caps;

(*k*) liquidity tools;

(*l*) capital surcharges;

(*m*) liquidity surcharges;

(*n*) control of inter-linkages in funding or derivatives

markets; and

(*o*) margin deposit requirements.

(2) The Central Bank may apply macroprudential

instruments in respect of any financial sector participant or

class of such financial sector participants regulated and

supervised by the Central Bank.

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| Powers of the Central Bank  upon financial institutions | **67.** | (1) The Central Bank may exercise the following |
| powers upon financial institutions:- | |
| (*a*) | to directly collect relevant data or information; |
| (*b*) | to apply a macroprudential instrument according |

to section 66;

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(*c*) to conduct on-site inspections to verify data and   
 information collected under paragraph (*a*), and   
 verify compliance with the rules made under this   
 Act; and

(*d*) to enforce such rules by applying the administrative   
 measures indicated in section 107 of this Act to   
 any financial sector participant that is not   
 compliant, and ordering a financial sector   
 participant to take, or refrain from taking, actions   
 that are necessary to restore compliance.

(2) The Central Bank shall have the power to collect relevant data or information directly from any person or institution in order to achieve its macroprudential objectives.

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| **68.** | (1) The Central Bank shall prescribe the criteria | Designation of systemically  important  financial sector |
| that are used to designate a financial sector participant as systemically important. | |

participants (2) Nothing provided for in subsection (1) shall be   
construed so as to entitle any financial sector participant   
designated as systemically important to claim any form of   
guarantee or credit or other support from any public   
authority.

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| **69.** | The Central Bank shall, if it considers necessary to | Central Bank to propose  recommendations to the Financial System  Oversight  Committee |
| prevent or mitigate a systemic risk with powers other than macroprudential instruments as provided for in subsection (1) of section 66, or if such risk is likely to be arising from the behaviour of any class of financial sector participants outside of the Central Bank’s regulatory or supervisory | |

authority, propose to the Financial System Oversight Committee, recommendations to be issued to relevant public authorities or to financial sector authorities, under section 75.

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| Financial  Stability Review | **70.** | (1) The Central Bank shall prepare and publish an |
| assessment of the stability of the financial system (in this | |

Act referred to as the “Financial Stability Review”) on or before the thirty-first day in the month of October of each year.

(2) The Financial Stability Review shall include -

(*a*) the Central Bank’s assessment of financial system   
 stability;

(*b*) the identification of, and assessment of, the risks   
 and vulnerabilities of the financial system;

(*c*) an overview of measures taken by the Central Bank   
 and the other financial sector authorities to identify   
 and manage risks, vulnerabilities or disturbances   
 in the financial system; and

(*d*) an overview of recommendations made by the   
 Financial System Oversight Committee during the   
 period under review and the progress made in   
 implementing the recommendations.

PART XI

FINANCIAL SYSTEM OVERSIGHT COMMITTEE

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| Establishment of the Financial  System  Oversight  Committee | **71.** | (1) There shall be a Financial System Oversight |
| Committee.  (2) The objective of the Financial System Oversight Committee shall be to contribute to secure the stability of | |

the financial system in line with the macroprudential policy.

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| Powers, duties | **72.** | The Financial System Oversight Committee shall- |
| and functions of | (*a*) | examine the macroprudential policy to mitigate |
| the Financial |
| System |
| Oversight | identified building-up of systemic risks affecting |
| Committee |
| the financial system; |

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(*b*) coordinate the implementation of macroprudential   
 policy;

(*c*) upon a proposal of the Central Bank under section   
 69, issue recommendations to relevant public   
 authorities and financial sector authorities on   
 corrective action in response to the risk identified   
 and, making those recommendations public, if it   
 deems necessary; and

|  |  |  |
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| (*d*) | monitor compliance with its recommendations. | Composition of the Financial  System  Oversight  Committee |
| **73.** | (1) The Financial System Oversight Committee shall |
| consist of – | |
| (*a*) | the Governor of the Central Bank, who shall be the |
| Chairperson; | |
| (*b*) | the Deputy Governor of the Central Bank in charge |

of macroprudential policy;

(*c*) the Deputy Governor of the Central Bank in charge   
 of regulation and supervision;

(*d*) a Deputy Secretary to the Treasury nominated by   
 the Secretary to the Treasury;

(*e*) the Chief Executive Officer of the Insurance   
 Regulatory Commission of Sri Lanka;

(*f*) the Chief Executive Officer of the Securities and   
 Exchange Commission of Sri Lanka; and

(*g*) another person who may be appointed by the   
 Governing Board.

(2) The Financial System Oversight Committee may invite representatives from any other public authority to the meetings of the Committee to express their opinions.

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(3) The Secretary to the Financial System Oversight Committee who shall be an employee of the Central Bank shall be nominated by the Governor of the Central Bank.

(4) The *quorum* for a meeting of the Financial System Oversight Committee shall be four voting members, including the members referred to in paragraph (*a*)**,** and (*b*) or (c) of subsection (1).

(5) Every voting member of the Financial System Oversight Committee shall have one vote and in the case of an equality of votes, the Chairperson shall be entitled to a second or casting vote.

(6) The Financial System Oversight Committee shall, in the case of paragraph (*c*) of section 72, vote by ordinary resolution.

(7) A meeting of the Financial System Oversight Committee shall be convened at least quarterly. Any extraordinary meeting may be convened by the Chairperson, at his discretion or at the written request of at least two voting members.

(8) The Financial System Oversight Committee may make rules regarding the procedures to be followed at its meetings.

(9) The Secretary to the Financial System Oversight Committee shall keep the minutes of each meeting of the Financial System Oversight Committee at least for a period of twelve years.

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| Secretariat of the Financial System Oversight  Committee | **74.** | The Central Bank shall establish a Secretariat of the |
| Financial System Oversight Committee, which shall be responsible for high-quality analytical, statistical, administrative, logistical and financial support to the | |

Financial System Oversight Committee, under the direction of the Chairperson of the Financial System Oversight Committee.

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| **75.** | (1)Any recommendation under paragraph (*c*) of | Recommendations to public  authorities and  financial sector authorities |
| section 72 may be of either general or specific nature and may be addressed to all or one or more public authorities, according to the mandate of the authority receiving the recommendation. | |

(2) The recommendation shall include a specified timeline for the policy response.

(3) The recommendation may be addressed to financial sector authorities in order to request the adoption of specific actions by exercising its regulatory, supervisory, enforcement, or resolution powers, according to the mandate of the authority receiving the recommendation.

(4) The recommendation shall be deemed to be fully implemented when the authority receiving it adopts all the actions within the timeline specified in the recommendation.

(5) (*a*) Where the receiving authority does not intend to fully implement the recommendation, it shall communicate the reasons therefor to the Secretariat of the Financial System Oversight Committee.

(*b*) Wherethe receiving authority implements only a part of the recommendation within the specified timeline, it shall communicate the reasons for not implementing the rest of the recommendationto the Secretariat of the Financial System Oversight Committee.

(6) Where the Financial System Oversight Committee decides not to implement the recommendation in full, it shall make public such decision.

(7) Notwithstanding the provisions of subsection (6), where arecommendation is issued on a financial sector participant designated as systemically important, the Financial System Oversight Committee shall be convened immediately and shall determine whether to re-issue the recommendation subject to a detailed explanation. If any recommendation is re-issued and if it isnot fully

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implemented by the financial sector participant, the Financial System Oversight Committee shall publish the decision taken.

(8) (*a*) The Financial System Oversight Committee shall, in appropriate circumstances, decide whether a recommendation shall be published.

(*b*) If the Financial System Oversight Committee decides to make a recommendation public, it shall inform the receiving authority in advance.

(*c*) The authority receiving a recommendation that has been made public by the Financial System Oversight Committee may make its views and reasoning public in response thereto.

PART XII

INFORMATION EXCHANGEWITH FINANCIAL SECTOR AUTHORITIES

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| Information  exchange with  regard to  macroprudential issues | **76.** | (1) Notwithstanding anything to the contrary in any |
| other written law, the financial sector authorities shall cooperate with the Central Bank regarding its macroprudential authority and shall provide the Central Bank with all the data and information necessary in the exercise of its macroprudential authority. | |

(2) Upon a request for data or information or statistics made by the Central Bank under this Part, a financial sector authority shall provide the Central Bank with any such data, information or statistics in its possession within a period specified in such request or withina reasonable period.

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| Agreement | **77.** | (1) For the implementation of the provisions of this |
| Part of this Act, the Central Bank shall, as soon as practicable, enter into an agreement with each financial sector authority, for determining the procedure for such implementation and specifying their respective roles and duties. | |

(2) The agreement shall, as a minimum, include provisions on-

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| (*a*) | collection and sharing of information; and | | | on |
| (*b*) | notification | and | consultation |

macroprudential policy measures to be taken by   
financial sector authorities.

(3) The Central Bank may, for the implementation of the provisions of this Part of this Act, enter into an agreement with any public authority.

(4) The agreement entered into under subsection (1) may be reviewed and updated as appropriate, at least once in every three years.

PART XIII

STATISTICSAND INFORMATION

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| **78.** | The Central Bank, in order to achieve its objects | Collection of  statistics and  information |
| and for the effective exercise, performance anddischarge of its powers, duties and functions under this Act or any other | |

written law, may-

(*a*) request, collect, compile, analyze, abstract and   
 publish relevant statistics and information;

(*b*) prescribe the statistical information so required and   
 the form in which such information is to be provided   
 to the Central Bank, the persons subject to reporting   
 requirements, the applicable confidentiality regime   
 and the administrative measures that may be   
 imposed in case of breach of such requirements;   
 and

(*c*) coordinate with bi-lateral and multilateral agencies   
 in the adoption of internationally accepted   
 statistical methodologies and data dissemination   
 standards with a view to achieving consistency and   
 efficiency in the organization of statistics and   
 information.

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| Dissemination of statistics and  information | **79.** | The Central Bank may publish statistics, |
| information and the methodology applied in the compilation of statistics and information, subject to the provisions of section 119. | |

PART XIV

RELATIONSHIPWITHTHE PARLIAMENT, THE GOVERNMENTANDTHE PUBLIC

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| Accountability | **80.** | (1) The Central Bank shall, once in every six months |
| and at such additional times as it deems necessary, inform the public regarding the implementation of its monetary policy, and the achievement of its objects. | |

(2) (*a*) The Governor of the Central Bank, the members of the Governing Board and the Monetary Policy Board and every Deputy Governor of the Central Bank shall, at the request of the Parliament, be heard by the Parliament or any of its committees once in every four months, regarding the functions of the Central Bank.

(*b*) The Governor of the Central Bank, the members of the Governing Board and the Monetary Policy Board and every Deputy Governor of the Central Bank may, on their own initiative, seek an opportunity to apprise functions of the Central Bank or to submit any document or report of the Central Bank to Parliament.

(3) The Governor of the Central Bank shall ensure that the Central Bank shall, within a period of four months after the close of each financial year, publish, and lay before Parliament through the Minister, a report approved by the Governing Board, on the state of the economy during such financial year emphasizing its policy objectives and the condition of the financial system. The report shall include a review and an assessment of the policies of the Central Bank followed during such financial year.

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| Financial  advisor, fiscal agent of, and | **81.** | (1) The Central Bank shall act as the financial advisor |
| to the Government. | |

banker to, the   
Government

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(2) The Central Bank may, on such terms and conditions as it shall agree with the Government, act as fiscal agent of the Government to the extent provided for by or under any written law and banker to the Government.

(3) In the discharge of its functions as the fiscal agent of, and banker to the Government, the Central Bank may engage the services of banks or other institutions in places, whether in or outside Sri Lanka, where the Central Bank does not have offices or agencies adequately equipped to perform such functions.

(4) The Central Bank shall, on request of the Government, provide the Government with data on funds received by the Central Bank, acting as the fiscal agent of the Government.

(5) The Government shall, on request of the Central Bank, provide the Central Bank with such information and documents as the Central Bank may request for the purpose of coordinating the functions of the Central Bank with the fiscal policy of the Government.

(6) The Central Bank may represent the Government of Sri Lanka in any dealing, negotiation, or transaction with the International Monetary Fund, the International Bank for Reconstruction and Development or any other international financial institution of which Sri Lanka is a member, and shall maintain such accounts as may result from Sri Lanka’s membership in, or operations with, such International Monetary Fund, International Bank for Reconstruction and Development or such other international financial institution. The Central Bank may be authorized by the Government to represent it in any dealing, negotiation, or transaction with foreign Governments, institutions, or agencies.

(7) The Central Bank may operate a registry for securities issued by the Government.

**82.**  (1) The Central Bank shall be the official depository, Depository for

and may accept deposits in any currency from, or on behalf the Government

of the Government:

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Provided however, the Central Bank may authorize one or more licensedcommercial banks operating in Sri Lanka to accept Government deposits, subject to such rules as the Governing Board may prescribe.

(2) As the depository, the Central Bank shall receive and disburse moneys, keep records thereof, and provide other financial services related thereto to the Government.

(3) The Central Bank shall not pay any interest on any deposit held by the Government in Sri Lankanrupees.

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| Coordination  Council | **83.** | (1) There shall be a Council for the Coordination of | |
| Fiscal, Monetary and Financial Stability Policies of the Central Bank, (in this Act referred to as the “Coordination Council”) consisting of the following members:— | | |
| (*a*) | | the Governor of the Central Bank, who shall be |
| the Chairperson; | | |
| (*b*) | | the Secretary to the Treasury; and |
| (*c*) | | the Secretary to the Ministry of the Minister |
| assigned the subject of Economic Policy, in the event that such subject is assigned to a Minister other than the Minister of Finance. | | |

(2) The Coordination Council shall hold its meetings quarterly to share information and exchange views on recent macroeconomic developments, outlook, and risks.

(3) The Chairperson of the Coordination Council shall call for an emergency meeting to share information and exchange views on any event or circumstance that poses a significant risk to financial stability, or thatis expected to have a substantial adverse effect on economic activity, in Sri Lanka, with contagion effects among financial sector participants.

(4) The Central Bank shall place before theCoordination Council—

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| (*a*)  (*b*) | the data relevant for the purpose of subsection (2); and  the assessment of the Central Bank regarding the impact of economic policies of the Government on inflation, monetary conditions and fiscal operations. |

(5) For the avoidance of doubts, the Coordination Council shall have no authority to make decisions over the fiscal, monetary and financial stability policies.

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| **84.** | (1) Without prejudice to the provisions of sections | Cooperation  with the  Government |
| 5 and 6,the Central Bank shall- | |
| (*a*) | cooperate with the Government and any other |
| public authority; and | |
| (*b*) | exchange views with the Government and any other |
| public authority on policies relating to monetary, foreign exchange operations, financial system stability, crisis prevention and crisis management and fiscal matters. | |

(2)The Central Bank and the Minister shall keep each other fully informed of all matters that affect the functions of the Central Bank and the Ministry**.**

(3) The Central Bank may advise the Government on any matter which, in its opinion, is likely to affect the achievement of the objects of the Central Bank under this Act.

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| **85.** Without prejudice to the provisions of sections 5 and 6, the Central Bank may, in order to achieve its objects and in the exercise, performance anddischarge of its powers, duties andfunctions under this Act, cooperate with domestic or foreign regulatory, supervisory or monetary authorities, or with public international financial institutions, with a view to sharing information, coordinating activities, or arranging any other form of cooperation as it may deem | Inter- institutional  cooperation |

necessary.

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| Prohibition on monetary  financing | **86.** | (1) The Central Bank shall not, directly or indirectly, |
| grant credits to the Government or any public authority owned by the Government or to any other public entity. | |

(2) The Central Bank shall not incur any cost on behalf of the Government, except for expenses related to the functions of the Central Bank under subsection (3) of section 113 of this Act.

(3) The prohibition laid down in subsection (1) shall not apply to suchGovernment-owned or publicly-owned banks and other financial institutions as may be determined by the Governing Board.

(4) The Central Bank shall not purchase securities issued by the Government, any Government-owned entity, or any other public entity in the primary market. The Central Bank may purchase such securities in the secondary market provided that such purchases do not circumvent the prohibition laid down in subsection (1).

(5) Notwithstanding the provisions of subsections (1) and (4), upon a Proclamation being made under the Public Security Ordinance (Chapter 40) in the interests of the Public Security and the preservation of public order, or a global health emergency that substantially and materially disrupts or constraints access by the Government to market funding, the Central Bank may purchase Treasury Bills in the primary market, where-

(*a*) the Central Bank, in consultation with the Minister   
 and subject to its monetary policy objectives under   
 this Act, recommends the amount and terms of such   
 Treasury Bills to be purchased under this subsection;

(*b*) Parliament approves every each recommendation;   
 and

(*c*) upon the approval of Parliament, the Central Bank   
 publishes in the *Gazette* the reasons for and, the   
 amount and terms of such purchase of Treasury Bills:

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Provided, however, the total amount of the   
purchase of Treasury Bills under this subsection shall-

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| (i)  (ii)  (iii)  (iv)  (v)  (vi) | not exceed five *per centum* of the limit of the Treasury Bills approved by Parliament, applicable for the respective financial year;  be at prevailing market interest rates;  be on a temporary basis for a period not exceeding six month;  be repaid immediately upon maturity, in cash only;  be of maturities not exceeding six months; and  not be rolled over or renewed. |

PART XV

CREDITOPERATIONS

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| **87.**  (1) The Central Bank may, as the agent of the  Government- | | Credit  operations with credit  institutions |
| (*a*) | disburse and recover any loan or advance; |
| (*b*) | issue guarantees, pay indemnity payments, recover any post claim recoveries and write off any unrecoverable balance; or |
| (*c*) | disburse grants and interest subsidy, |

out of the funds of the Government with a view to implementing refinance loan schemes and interest subsidy loan schemes under such terms and conditions as may be determined by the Government.

(2) Any loan or advance granted to such institution shall be made against a promissory note or such other security as may be determined by the Government subject to the following conditions:-

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| (*a*) | that the loan or advance is repayable within such period not exceeding fifteen years as may be determined by the Government; |

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| (*b*)  (*c*) | that the repayment to the Central Bank of the loan or advance is secured by the assignment to the Central Bank, by way of pledge, of debts owed to such institution by its borrowers in respect of such purpose; and  such other conditions including the rate of interest on such loan or advance, as determined by the Government. |

(3) The Central Bank may, in consultation with the Minister, prescribe the terms and conditions subject to which loans or advances will be made available to credit institutions out of the funds provided by the Government, for the purposes for which their loans in general are destined, or relating to any other matters affecting or connected with the credit policy of such institutions.

(4) An assignment of debts to the Central Bank under this Part of this Act shall be effected by an instrument which shall be in such form as may be determined by the Governing Board.

(5) The Central Bank shall, on the execution of an assignment, have a first charge on the debts so assigned.

(6) The provisions of this Part of this Act shall have effect notwithstanding anything to the contrary in any other provision of this Act.

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| Stamp duty  Registration of instrument of assignment  Applicability of the Prevention of Frauds  Ordinance  Interpretation | **88.**  No stamp duty shall be chargeable or payable on or in respect of any instrument of assignment of debtby way of pledge to the Central Bank under this Part of this Act.  **89.**  No instrument of assignment to the Central Bank under this Part of this Act shall require registration under the Registration of Documents Ordinance (Chapter 117).  **90.**  No assignment shall require execution before a licensed notary public and witnesses as provided for by section 2 of the Prevention of Frauds Ordinance (Chapter 70). | |
| **91.** | In this Part of this Act– |

“assignment” meansan assignment by way of

pledge; and

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“credit institution” means any bank licensed under   
 the Banking Act, No. 30 of 1988.

PART XVI

FINANCIAL PROVISIONS

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| **92.** | The financial reporting framework, and accounting | Accounting  standards  Financial year  Reserve  accounts |
| policies and procedures shall be in line with the internationally recognized financial reporting framework as approved by the Governing Board. | |
| **93.** | The financial year of the Central Bank shall be the |
| calendar year. | |
| **94.** | (1) The Central Bank shall establish and maintain a |
| general reserve account. | |

(2)The general reserve account shall not be used for any other purposes, except for the purposes of transferring to retained earnings if it becomes negative.

(3) The Central Bank shall establish special reserve accounts to record unrealized gains and losses arising from exchange rates and unrealized gains arising from market price revaluation due to its positions in foreign currencies, gold, financial instruments, and other financial assets recorded in the income statement in line with the internationally recognized financial reporting framework as approved by the Governing Board, prior to distribution of profits.

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| **95.** | (1) Before the expiration of forty-five days after the | Profits, losses  and distributable earnings |
| end of each financial year, the Central Bank shall determine its net profits or losses, and distributable earnings. | |

(2) (*a*) The earnings available for distribution shall be determined by deducting from the net profits after tax the total amount of unrealized revaluation gains arising from price revaluations and unrealized revaluation gains and losses arising from exchange rates, and by allocating an equivalent amount to the respective unrealized revaluation reserve accounts.

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(*b*) Unrealized revaluation losses arising from exchange rates shall be transferred to the respective unrealized revaluation reserve account until such revaluation reserve account has a zero balance, after which the losses shall be covered by the retained earnings.

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| Allocation of  distributable  earnings | **96.** | (1) Before the expiration of sixty days after the end |
| of each financial year, the Governing Board shall, based on the income statement, statement of financial position, | |

statement of cash flows and statement of changes in equity of such financial year, allocate the distributable earnings in accordance with the following provisions:–

(*a*) Firstly - the Central Bank may establish special   
 reserves for such purposes as the Governing Board   
 may deem fit;

(*b*) Secondly - an amount equivalent to hundred   
 *percent* of distributable earnings remaining after   
 allocation to special reserves pursuant to the   
 previous provision shall be credited to the general   
 reserve account until the sum of the paid-up capital   
 and general reserveis at least six *per centum* of the

total monetary liabilities of the Central Bank; and

(*c*) Thirdly - any remaining distributable earnings after   
 compliance with the preceding provisions shall, as   
 determined by the Governing Boardin consultation   
 with the Minister, either be applied in liquidation   
 of any outstanding Government obligations to the   
 Central Bank due as at the end of the financial year   
 or be paid and credited to the Consolidated Fund.

(2) No distribution shall be made except as provided for in subsection (1).

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| Coverage of  shortfall in  capital | **97.** | In the event, the audited annual financial statements |
| of the Central Bank reflect that the value of its assets falls below the sum of its monetary liabilities and its paid-up capital- | |

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| (*a*) | the Central Bank shall, within a period not | Balance sheet of the Central Bank  Annual financial statements |
| exceeding thirty days, assess the situation and prepare a report on the causes and extent of the shortfall and assess the situation; | |
| (*b*) | in the event that the Governing Board approves the |
| report prepared under paragraph (*a*), the Central Bank shall request the Minister for a capital contribution to be made by the Government to remedy the deficit with a view to restoring the capital to an unimpaired level; and | |
| (*c*) | the Minister may, upon the request made under |
| paragraph (*b*), seek the approval of the Parliament to transfer to the Central Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at prevailing market-related interest rates. | |
| **98.** | The Central Bank shall publish a general balance |
| sheet showing the volume and composition of its assets and liabilities as at the last day of each month before the last day of the succeeding month. | |
| **99.** | (1) The Central Bank shall prepare financial |
| statements for a financial year. | |

(2) Within four months after the close of each financial year, the Central Bank shall submit to the Minister, financial statements approved by the Governing Board, signed by the Governor of the Central Bank and the Chief Accountant and audited by the Auditor-General.

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

(4) Upon completion of therequirements under subsection (2), the Central Bank shall publish the financial statements.

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| Budget | **100.** | (1) Prior to the commencement of each financial |
| year, the Governing Board shall approve the annual budget of the Central Bank. | |

(2) All revenue and income projected to be generated by the Central Bank or granted to the Central Bank from any source together with projected expenditures, including depreciation and provisions for losses, shall be included in the annual budget.

(3) The Governing Board shall make rules for the implementation of the annual budget.

PART XVII

INTERNALAND EXTERNAL AUDITS

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| Auditing of the accounts of the Central Bank | **101.** | (1) The accounts of the Central Bank shall be |
| audited by the Auditor-General. | |

(2) The Auditor-General or any officer of the National Audit Office established under the National Audit Act, No. 19 of 2018,authorized in that behalf by the Auditor-General, or any other auditor appointed by the Auditor-

General 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.

(3) The Auditor-General shall report to the Governor of the Central Bank on main concerns arising from the audit and in particular on material weaknesses in internal controls relating to the financial reporting process.

(4) The Auditor-General shall submit an opinion on the accounts of the Central Bank to the Minister who shall lay such opinion before the Parliament. The opinion of the Auditor-General shall be published together with the annual audited financial statements of the Central Bank.

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| Appointment of Chief Internal  Auditor | **102.** | (1) A Chief Internal Auditor of the Central Bank |
| (in this Act referred to as the “Chief Internal Auditor”) shall be appointed by the Governing Board. | |

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(2) The Chief Internal Auditor shall be a person with substantive professional qualifications and experience in the field of Accounting or Audit.

(3) The Chief Internal Auditor shall be appointed for a term of five years and shall be eligible for reappointment for such periodas may be determined by the Governing Board:

Provided however, no person shall serve as the Chief Internal Auditor for more than ten years.

(4) The Chief Internal Auditor shall be removed by a decision of the Governing Board if the Governing Board is satisfied that such Chief Internal Auditor is subject to any disqualification referred to in paragraphs (*a*) to (*m*), except paragraph (*i*) of subsection (2) of section 17.

(5) The Governing Board shall define the scope, terms and conditions of the Internal Audit in the Audit Charter of the Central Bank in line with international professional practices framework.

(6) The Chief Internal Auditor or an officer of the Internal Audit Department authorized in that regard shall, in the exercise, performance and discharge of his powers, duties andfunctions under this Act or as may be specifically directed by the Governing Board, be entitled to have access

to, take into custody or obtain copies of any document,

information or record of any activity or transaction

undertaken by the Central Bank including any document,

information or record provided to or obtained by the Central

Bank from any external party or entity, and unless otherwise

decided by the Governing Board, it shall be the duty of all

officers and employees of the Central Bank to comply with

the requirements communicated by the Chief Internal

Auditor or a person authorized in that behalf.

(7) The internal audit reports of the Central Bank shall

not be shared with any person other than the Auditor-General

or a person authorized by the Governing Board.

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| Audit  Committee | **103.** | (1) There shall be an Audit Committee of the |
| Central Bank (in this Act referred to as the “Audit Committee’’) consisting of such number of members of the Governing Board appointed pursuant to paragraph (b) of subsection (2) of section 8 as may be nominated by the Governing Board. | |

(2) (*a*) In the absence of at least one member of the Governing Board with extensive experience in the field of Accounting or Auditing, an expert with extensive experience in such field shall be appointed by the Governing Board as an additional member of the Audit Committee.

(*b*) The expert shall not have been a member of the Governing Board or an employee of the Central Bank during the period of three years immediately preceding the date of his appointment as a member of the Audit Committee.

(3) An expert appointed under paragraph (*a*) of subsection (2) shall be removed by a decision of the Governing Board if the Governing Board is satisfied that such expert is subject to any of the disqualifications referred to in subsection (2) of section 17.

(4) The powers, duties and functions of the Audit Committee shall include-

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| (*a*)  (*b*)  (*c*)  (*d*) | overseeing the internal audit function;  monitoring compliance with the findings and recommendations issued by the Chief Internal Auditor;  meeting with the auditors to discuss their findings; and  reviewing with the auditors the annual financial statements. |

(5) The Audit Committee shall, once in four months report to the Governing Board.

(6) Subject to subsection (2), the Governing Board shall define the composition, and powers, duties andfunctions of the Audit Committee in the Audit Charter of the Central Bank.

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PART XVIII

GENERAL PROVISIONS

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| **104.** | The Central Bank shall, without prejudice to the | Duty of the  Central Bank to support the  economic policy of the  Government  Regulatory  instruments |
| provisions of section 6, support the general economic policy framework of the Government as provided for in any law with a view to encouraging and promoting the development of the productive resources of Sri Lanka. | |
| **105.** | (1) The Central Bank shall have the power to make |
| such rules or issue such directions as it may consider necessary | |

for exercising, performing anddischarging the powers, duties andfunctions entrusted to the Central Bank by orunder this Act or any other written law.

(2) A rule made by the Central Bank shall have general application. It shall be binding in its entirety and directly applicable.

(3) A direction issued by the Central Bank shall be binding on the addressee only.

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| **106.** | (1) Every rule or order made by the Central Bank | Publication of rules and  directions |
| under this Act shall be published in the *Gazette* and shall, except any rule or order specified in subsection (2), come | |

into force on the date of such publication or on such later date as such rule or order shall specify.

(2) Upon the publication under subsection (1), every rule or order, the contravention of, or failure to comply with which, entails criminal sanction shall, within three months from the date of publication, be placed before Parliament for approval. Such rule or order shall come into force on the date on which such rule or order is approved by Parliament.

(3) The Central Bank shall maintain a public register of its published rules and directions.

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| Administrative measures | **107.** | (1) The Central Bank may take administrative |
| measures on any person who contravenes any of the | |

provisions of this Act or any rule, direction or decision made or issued thereunder.

(2) The Central Bank shall, before taking any administrative measures against a person, afford such person an adequate opportunity to be heard providing all material facts pertaining to the contravention referred to in subsection (1).

(3) (*a*) The Central Bank shall make rules specifying the procedure to be followed in respect of the imposition of administrative measures.

(*b*) In the case of administrative fines, the amount of administrative fines shall be prescribed by the Governing Board.

(*c*) Every rule made under this subsection shall be placed before Parliament for approval.

(*d*) Every rule made under this subsection shall come into force on the date on which such rule is approved by Parliament.

(4) In determining whether to impose administrative measures, and the extent of such measures, the Central Bank shall take into consideration-

(*a*) the severity of the contravention and whether such   
 contravention is recurring;

(*b*) whether any loss or damage is caused to the   
 depositors or any other person due to such   
 contravention;

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(*c*) whether the person against whom a penalty is to be   
 imposed is unduly benefitted from such   
 contravention;

(*d*) the financial resources of such person;

(*e*) any mitigating factors; and

(*f*) such other matters as it considers to be relevant.

(5) Notwithstanding anything in any written or other law, no person shall be liable or subject to any action or proceedings in any court in respect of any loss or damage suffered or incurred or alleged to have been suffered or incurred by any other person by reason of any act or thing done or omitted to be done by such person in carrying out or complying with any provision of this Act or any rule, order or direction made or issued under this Act.

(6)For the purpose of this section, “administrative measures” includesadministrative fines, written warnings or orders, suspension and dismissal of administrators of financial institutions, revocation of licences and other measures, as specified in this Act.

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| **108.** | (1) Where an employee of the Central Bank or a | Power of the  Central Bank to suspend or  restrict business of a banking  institution |
| qualified person authorized by the Central Bank is satisfied, after examination by himself or any examiner of the affairs of any banking institution, or upon information received from the banking institution, that the banking 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 employee of the Central Bank or the qualified person authorized by the Central Bank shall make a report accordingly to the Governor of the Central Bank for submission to the Central Bank.

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(2) Where the Central Bank, upon review of the facts and circumstances, is of opinion that action should be taken as hereinafter provided, the Central Bank may make Order directing the banking institution forthwith to suspend business in Sri Lanka and directing an employee of the Central Bank or a qualified person authorized by the Central Bank to take charge of all books, records and assets of the banking institution and to take such measures as may be necessary to prevent the continuance of business by the banking institution.

(3) Subject to the provisions of Articles 126 and 140 of the Constitution, no action or proceeding may be instituted in any court for the purpose of securing the review or revocation of any Order made under subsection (2) or in respect of any loss or damage incurred, or likely to be or alleged to be incurred, by reason of such Order.

(4) An Order made by the Central Bank under subsection (2) in respect of any banking institution shall cease to have effect upon the expiration of a period of six months from the date on which it is made, and it shall be the duty of the Central Bank, as soon as practicable and in any event before expiration of the said period–

(*a*) to make Order permitting the banking institution   
 to resume business, either unconditionally or   
 subject to such conditions as the Central Bank may   
 consider necessary in the public interest or in the   
 interest of the depositors and other creditors of the   
 banking institution;

(*b*) to cause an employee of the Central Bank or a   
 qualified person authorized by the Central Bank to   
 make an application to the competent court under   
 such written law as may be applicable in that behalf   
 for the winding up of the banking institution; or

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(*c*) to cause an employee of the Central Bank or a   
 qualified person authorized by the Central Bank to   
 make an application to the competent court, to wind   
 up the affairs of a branch of the banking institution,   
 incorporated outside Sri Lanka.

(5) Where an order has been made by the Central Bank under subsection (4) 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 an application made to it in that behalf by the banking institution at any time while the Order is in force, make an order permitting the banking 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 Central Bank, and any such order shall have effect notwithstanding anything in the Order made by the Central Bank under subsection (4).

(6) The employee of the Central Bank or the qualified person authorized by the Central Bank shall be named respondent to any such application and shall be entitled on behalf of the Central Bank to be heard and to adduce evidence at the hearing thereof.

(7) Where an application is made by an employee of the Central Bank or a qualified person authorized by the Central Bank as provided for in subsection (4) for the winding up of any banking institution-

(*a*) the banking institution shall not carry on business   
 during the pendency of the application unless it is   
 authorized 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 banking

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institution is not insolvent, may make an order   
permitting the banking institution to resume   
business either unconditionally or subject to such   
conditions as the court may consider necessary in   
the public interest or in the interest of the depositors   
and other creditors of the banking institution.

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

Provided however, an order under paragraph (*b*) of subsection (7) shall be final and shall not be subject to appeal.

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

(10) In this section–

“competent court”, in relation to any banking   
institution, means the High Court established   
by Article 154P of the Constitution and   
exercising civil jurisdiction under the High   
Court of the Provinces (Special Provisions) Act,   
No. 10 of 1996.

(11) Where the business of a banking institution has been suspended under subsection (2), the Central Bank may–

(*a*) require such banking institution to forthwith take   
 any action or to do any act or thing which the   
 Central Bank may consider necessary for carrying   
 on the business of such banking institution;

(*b*) appoint a fit and proper person to advise such   
 banking institution with regard to the proper   
 conduct of the business of such banking institution;

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(*c*) assume control of, and carry on the business of such   
 banking institution or delegate to another person,   
 the carrying on of the business of the banking   
 institution;

(*d*) reorganize such banking institution by increasing   
 its capital and arranging for new shareholders and   
 by the reconstitution of its board of directors; and

(*e*) make such arrangements as are necessary for the   
 amalgamation of such banking institution with any   
 other banking institution that consents to such   
 amalgamation.

(12) (*a*) Where an Order has been made by the Central Bank under subsection (1) of section 76M of the Banking Act, No. 30 of 1988 in respect of a licensed specialised bank, the provisions of subsections (4), (5), (7), (8), (9), (10) and (11) of this section shall, notwithstanding subsections (3) and (4) of section 76M of the Banking Act and subject to paragraph (ii) of this subsection, *mutatis mutandis*, apply to such bank as if it were a banking institution.

(*b*) Where the application of the provisions of subsection (4) of this section requires -

(i) the winding up of a licensed specialised bank, the   
 Central Bank shall cancel the licence issued to such   
 bank under Part IXA of the Banking Act and the   
 provisions of Part VIII of that Act shall apply to   
 such winding up as if it were a compulsory winding   
 up of the bank, in the case of a bank incorporated or   
 established within Sri Lanka or a compulsory   
 winding up of the affairs or closure of the business   
 of the bank, in the case of a bank incorporated   
 outside Sri Lanka; or

(ii) the resumption of business of a licensed specialized   
 bank, the Central Bank may exercise the powers   
 conferred on it under section 76N of the Banking   
 Act;

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(*c*) In this subsection “licensed specialised bank” shall have the same meaning as in the Banking Act, No. 30 of 1988.

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| Training | **109.** | The Central Bank shall promote and sponsor the |

training of technical personnel on the subjects which are relevant to the operations of the Central Bank, and for that purpose, the Central Bank is hereby authorized to defray the costs of study, in Sri Lanka or abroad, of employees of the Central Bank who are of proven merit, or of any other qualified persons selected by the Central Bank.

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| Offences under this Act | **110.** | (1) Any person who contravenes or fails to comply |
| with any provision of this Act commits an offence under this | |

Act.

(2) Any person who contravenes or fails to comply with any provision of any rule or order made under this Act, the contravention of, or failure to comply with which entails criminal sanction, commits an offence under this Act.

(3) Where an offence under this Act is committed by a body corporate, then every person who at the time of the commission of the offence was a director or an officer of such body corporate shall be deemed to have committed that offence unless such person proves that the offence was committed without such person’s knowledge, or that such person exercised all due diligence to prevent the commission of such offence.

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| Penalty | **111.** Any person who commits an offence under this Act shall, on conviction after summary trial before a Magistrate, |

be liable to a fine not exceeding twenty-five million rupees or to imprisonment of either description for a term not exceeding three years, or to both such fine and imprisonment.

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| Compounding offences | **112.** The Governing Board may, having regard to the circumstances in which an offence under this Act was |

committed, compound such offence for a sum of money not exceeding one half of the maximum fine specified under this Act for such offence.

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| **113.** | (1) The Central Bank may collect fees or charges | Fees and charges |

for the services which it renders in the exercise, performance anddischarge of the powers, duties andfunctions under this Act.

(2) The Central Bank shall publish such fees or charges in its official website.

(3) The Central Bank shall be reimbursed at market rates for any expenditure incurred by it at the request of or on behalf of the Government, for rendering any service other than those specifically provided for in this Act.

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| **114.** | (1) Except as otherwise specifically authorized by | Prohibited  activities |
| this Act or any other written law, the Central Bank shall not- | |
| (*a*) | grant any credit, except as authorized under this |

Act or make any monetary or financial gain;

(*b*) engage in trade or otherwise have a direct interest   
 in any commercial, industrial, or other undertaking   
 except where such interest is acquired in satisfaction   
 of any of its claims:

Provided however, all such interest shall be   
disposed of at the earliest possible opportunity;

(*c*) purchase the shares of any other bank or financial   
 institution or of any company, or grant loans or   
 advances upon the security of any such shares;

(*d*) grant loans or advances on the mortgage of, or   
 otherwise on the security of, immovable property   
 or documents of title relating thereto; or

(*e*) acquire by purchase, lease, or otherwise any right   
 in or to real property, except as it may consider   
 necessary or expedient for the provision of premises   
 for the conduct of its administration and operations   
 or such other requirements incidental to the   
 discharging of its functions.

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(2) Notwithstanding the provisions of subsection (1), the Central Bank may-

(*a*) make adequately secured loans to, or have an   
 ownership share or otherwise participate in, any   
 organization that is engaged in activities that are   
 required for the proper discharge of the functions   
 of the Central Bank and including an ownership   
 share or otherwise participate in any company   
 which, in the opinion of the Governing Board, was   
 formed for the advancement and promotion of   
 human resources and technological development   
 in the banking and financial sector in Sri Lanka, or   
 to provide for all or any of the facilities;

(*b*) grant loans to any employee of the Central Bank,   
 in accordance with rules made by the Governing   
 Board;

(*c*) establish employee retirement funds or similar   
 arrangements for the benefit or protection of the   
 employees of the Central Bankand their   
 dependents and nominees, and manage such funds   
 or arrangements; and

(*d*) lease out any property that is not immediately   
 required for the purposes of the Central Bank.

(3) Any activity referred to in paragraph (*a*) of subsection (2) shall be published by the Central Bank in the report referred to in subsection (3) of section 80.

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| Provisions of  this Act to  prevail over  other written law | **115.** | Subject to the provisions of subsection (6) of |
| section 119, the provisions of this Act shall have effect notwithstanding anything to the contrary in any other written law and accordingly, in the event of any inconsistency or | |

conflict between the provisions of this Act and such other written law, the provisions of this Act shall prevail.

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| **116.** | Notwithstanding anything to the contrary in any | Tax exemption |

other written law –

(*a*) the Central Bank shall be exempt from the payment   
 of income tax;

(*b*) all goods of any description imported or purchased   
 out of bond by the Central Bank shall be exempt   
 from customs duty; and

(*c*) the Central Bank shall be exempt from the payment   
 of stamp duty on any instrument executed by, or on   
 behalf of, or in favour of the Central Bank in cases   
 where, but for this exemption, the Central Bank   
 would be liable to pay the duty chargeable in respect   
 of such instrument.

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| **117.** | (1) The Central Bank shall have the first priority | Preferential right |

and an unconditional preferential right against all other claims to satisfy each of its claims arising from the discharge of its functions from any cash balances, securities and other assets that it holds for the account of the debtor concerned, whether as collateral to secure its claims or otherwise, at the time such claim becomes due and payable.

(2) The Central Bank may exercise its preferential right only by appropriating the cash balances by way of compensation and by selling securities and other assets without undue delay in a commercially reasonable manner and paying itself from the proceeds of the sale after deducting therefrom the costs associated with the sale.

(3) No action from any court of law or from any public entity shall be required for the Central Bank to exercise its preferential right under subsection (2), and no other claim shall be permitted to delay the exercise by the Central Bank of its preferential right in accordance with subsection (2).

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| Immunity from prejudgment  attachment | **118.** (1) No attachment or execution shall be issued against the Central Bank or its property, including gold, special drawing rights, currency, credits, deposits or |

securities, and any proceeds thereof, before the issuance of a final judgment by any court of law established in Sri Lanka.

(2) The Central Bank may, at its discretion, waive the protection either in whole or in part, explicitly and in writing, except with respect to its gold and the special drawing rights.

Confidentiality **119.** (1) No person who serves or has served as the Governor of the Central Bank, any other member of the Governing Board and Monetary Policy Board, a member of the Financial System Oversight Committee, or an employee of the Central Bank or in any other capacity under the authority of the Central Bank shall, except in the exercise, performance anddischarge of such person’s powers, duties andfunctions under this Act or any other written law, permit access to, disclose or publicize any non-public information which he has obtained in the performance of his duties or use such information, or allow such information to be used, for personal gain.

(2) Notwithstanding the provisions of subsection (1), any person referred to in that subsection may disclose non-public information outside the Central Bank, in accordance with procedures established by the Governing Board, if such disclosure-

(*a*) is made in accordance with the written consent of   
 the natural or legal person to whom such   
 information relates;

(*b*) is made as required by a court of law or to comply   
 with any other provisions of this Act or any other   
 written law for the time being in force;

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(*c*) is made to the external auditors of the Central Bank   
 to such extent as is necessary to conduct the audit   
 of the Central Bank;

(*d*) is made to provide information to domestic or   
 foreign regulatory, supervisory, or monetary   
 authorities, or to public international financial   
 institutions, in the exercise of their duties in relation   
 to the Central Bank; or

(*e*) is required in the interests of the Central Bank in   
 any legal proceedings.

(3) The Governing Board shall be entitled to determine the classification and accessibility of information held by or drawn up by the Central Bank.

(4) Where, in any legal proceedings, a certified copy of any book or document of the Central Bank or of any entry in such book or document is produced, such certified copy shall be received as *prima facie* evidence of the existence of such book, document or entry, as the case may be, and shall be admitted as evidence of the matters, transactions or accounts therein recorded in every case where, and to the same extent as, the original book, document or entry is now by law admissible, but not further or otherwise.

(5) In this Section, “certified copy” in relation to any book, document or entry, means a copy of such book, document or entry, together with a certificate written at the foot of such copy-

(*a*) that it is a true copy of such book, document or   
 entry;

(*b*) that such book or document is still in the custody   
 of the Central Bank; and

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(*c*) that such entry is contained in one of the ordinary   
 books of the Central Bank, and was made in the   
 usual and ordinary course of business,

and such certificate being dated and subscribed with the name and official title of such officer as may be authorized for the purpose by the Governor of the Central Bank.

(6) The provisions of the Right to Information Act, No. 12 of 2016 shall have effect notwithstanding anything to the contrary in this Act, and accordingly in the event of any inconsistency or conflict between the provisions of the Right to Information Act and this Act, the provisions of the Right to Information Act shall prevail in relation to any information of the Central Bank.

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| Protection from action | **120.** | No civil or criminal proceedings shall be instituted |
| against the Governor of the Central Bank, members of the | |

Governing Board and Monetary Policy Board, any employee of the Central Bank, or a person who previously held such a position, for any act which in good faith is done or purported to be done by him under this Act pursuant to and in the course of the exercise, performance anddischarge of the powers, duties andfunctions on behalf of the Central Bank, if he proves that he acted in good faith and exercised all due diligence, reasonable care and skill.

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| Indemnification for costs in legal proceedings | **121.** | (1) The Governor of the Central Bank, other |
| members of the Governing Board and Monetary Policy Board, employees of the Central Bank, every person who has been | |

a member of any of such Board or an employee of the Central Bank shall be indemnified by the Central Bank for all losses and expenses incurred by him after appointed date in or about the exercise, performance and discharge of his powers, duties and functions under this Act, other than such losses and expenses as the Governing Board may deem to have been constituted due to his misconduct or willful default.

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(2) For the purpose of subsection (1), every person who has the benefit of such indemnity shall be entitled to seek legal advice or obtain legal representation in respect of any inquiry or investigation conducted by any statutory authority or any legal proceedings instituted against such person. The Central Bank shall pay such cost as may be reasonably incurred in respect of such inquiry or investigation or proceedings, as and when such cost is incurred:

Provided however, where it is held that a person is not entitled to be indemnified by the Central Bank due to misconduct or willful default on the part of such person, he shall be forthwith required to reimburse the Central bank on demand, the total cost so incurred by the Central Bank. The amount so demanded shall constitute a debt due from such person to the Central Bank until reimbursed.

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| **122.** | The Governor of the Central Bank, other members | Members and employees  deemed to be  public servants |
| of the Governing Board and Monetary Policy Board and the employeesof the Central Bank shall be deemed to be public servants within the meaning and for the purpose of | |

the Penal Code (Chapter 19).

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| **123.** | The Central Bank shall be deemed to be a | Central Bank  deemed to be a Scheduled  Institution.  Interpretation |
| Scheduled Institution within the meaning of the Bribery Act (Chapter 26) and the provisions of that Act shall be construed accordingly.  **124.** In this Act, unless the context otherwise requires– | |

“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;   
 or

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(*c*) any other person or body of persons   
 declared by the Minister in charge of the   
 subject of Finance, by Order published in   
 the *Gazette*, to be a banking institution for   
 the purposes of this Act;

“commemorative currency note or coin” means a   
currency note or coin issued to commemorate   
any person or special event;

“currency” means all currency issued and in   
circulation in accordance with the provisions   
of this Act;

“dealer direct participant” and “direct participant”  
shall have the respective meanings assigned   
to them in the Local Treasury Bills Ordinance   
(Chapter 417) and the Registered Stock and   
Securities Ordinance (Chapter 420);

“deposit liabilities” means all those liabilities of a   
licensed commercial bank, being demand   
deposits, special deposits, savings deposits,   
time deposits, placements made by any   
institution other than a licensedcommercial   
bank in the inter-bank call money market,   
margins against letter of credit and special   
deposit schemes including pension funds,   
children’s deposit schemes and other schemes   
of a similar nature, and funds held in trust or   
on behalf of its constituents consequent to   
deposits, but does not include inter-  
commercial bank deposits;

“financial institution” means -

(*a*) any licensed commercial bank within the   
 meaning of the Banking Act, No. 30 of   
 1988;

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(*b*) any licensed specialized bank within the   
 meaning of the Banking Act, No. 30 of   
 1988;

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| (*c*)  (*d*)  (*e*)  (*f*)  (*g*)  (*h*) | any licensed finance company within the meaning of the Finance Business Act, No.  42 of 2011; | | | |
| any | registered | finance | leasing |
| establishment within the meaning of the Finance Leasing Act, No. 56 of 2000;  any money broker within the meaning of the Money Brokering Regulations issued or deemed to have beenissued under this Act;  any primary dealer within the meaning of the Registered Stock and Securities Ordinance (Chapter 420) or the Local Treasury Bills Ordinance (Chapter 417);  any authorized or restricted dealer within the meaning of the Foreign Exchange Act, No. 12 of 2017; or  any other financial institution as may be assigned to the Central Bank by any written law for the time being in force, | | | |

regulated and supervised by the Central Bank;

“financial market” means an organized institutional structure or mechanism for creating and exchanging financial assets;

“financial market infrastructure” includes a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling or recording payments, securities, derivatives or other financial transactions;

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“financial sector authority” means any authority established by law for the regulation or supervision of a financial sector participant;

”financial sector participant” means –

(*a*) any licensed commercial bank within the   
 meaning of the Banking Act, No. 30 of 1988;

(*b*) any licensed specialized bank within the   
 meaning of the Banking Act, No. 30 of 1988;

(*c*) any licensed finance company within the   
 meaning of the Finance Business Act, No. 42   
 of 2011;

(*d*) any registered finance leasing establishment   
 within the meaning of Finance Leasing Act,   
 No. 56 of 2000;

(*e*) any money broker within the meaning of the   
 Money Brokering Regulations made or   
 deemed to have made under this Act;

(*f*) any primary dealer within the meaning of the   
 Registered Stock and Securities Ordinance   
 (Chapter 420) or the Local Treasury Bills   
 Ordinance (Chapter 417);

(*g*) any authorized or restricted dealer within the   
 meaning of the Foreign Exchange Act,   
 No. 12 of 2017;

(*h*) any insurance company within the meaning   
 of the Regulation of Insurance Industry Act,   
 No. 43 of 2000;

(*i*) any insurance broker or loss adjuster within   
 the meaning of the Regulation of Insurance   
 Industry Act, No. 43 of 2000;

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(*j*) any institutional agent within the meaning   
 of the Regulation of Insurance Industry Act,   
 No. 43 of 2000;

(*k*) any stock exchange within the meaning of   
 the Securities and Exchange Commission of   
 Sri Lanka Act, No. 19 of 2021;

(*l*) any stock broker or stock dealer within the   
 meaning of the Securities and Exchange   
 Commission of Sri Lanka Act, No. 19 of 2021;

(*m*) any managing company operating a unit trust   
 within the meaning of the Securities and   
 Exchange Commission of Sri Lanka Act,   
 No. 19 of 2021;

(*n*) any person who carries on business as a market   
 intermediary within the meaning of the   
 Securities and Exchange Commission of   
 Sri Lanka Act, No. 19 of 2021; or

(*o*) any other financial institution as may be   
 assigned to the Central Bank by any written   
 law for the time being in force;

“financial system” means a network of financial institutions and markets dealing in a variety of financial instruments that are engaged in money transmission and lending and borrowing of funds through financial market infrastructure;

“Government” means the Government of the Democratic Socialist Republic of Sri Lanka;

”Insurance Regulatory Commission of Sri Lanka” means the Insurance Regulatory Commission of Sri Lanka established under the Regulation of Insurance Industry Act, No. 43 of 2000;

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“Minister” means Minister assigned the subject of Finance;

“monetary liabilities” means the reserve money including currency in circulation, deposits held by licensed commercial banks and government agencies in the Central Bank and such other liabilities as may be determined by the Central Bank from time to time, having regard to all types of liabilities available at the Central Bank and the analytical use of the monetary base;

“money supply” means all currency, demand deposits, time and savings deposits and such other financial assets as may be prescribed by the Central Bank from time to time and are owned by persons other than the Government, (commercial) banks and such financial institutions or categories of financial institutions as may be prescribed by the Central Bank;

“note” means a currency note issued by the Central Bank, including a currency note issued or deemed to be issued by the Board of Commissioners under the Currency Ordinance, No. 21 of 1941;

“other financial liabilities” in relation to a financial institution, means liabilities (other than deposit liabilities) incurred by such financial institution by the acceptance of money in any form from the public, in the course of its business, by the issue of bills of exchange, promissory notes, bonds, certificates, notes, commercial papers or anyother similar instrument by means of which money is raised from the public;

“person” includes any officer of any department of the Government and any body of persons, corporate or unincorporate, whether established or constituted by or under any written law or otherwise;

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“prescribed” means prescribed by rules;

“public authority” or “public entity” includes a Ministry, Department, Provincial Ministry, Provincial Department, local authority, public corporation and a company in which the Government or a public corporation or a local authority holds fifty *per centum* or more of the shares of that company;

“public corporation” means any corporation, board or other body which is or was established by or under any written law other than the Companies Act, No. 07 of 2007, with funds or capital wholly or partly provided by the Government, by way of grant, loan or otherwise;

“public international financial institution” includes the Asian Development Bank, International Bank for Reconstruction and Development, and the International Monetary Fund;

“resident” means -

(*a*) a citizen of Sri Lanka residing in Sri Lanka;

(*b*) an individual who has been in Sri Lanka for a   
 period not less than one hundred and eighty-  
 three days in aggregate in any twelve months   
 period;

(*c*) a company incorporated in Sri Lanka or a   
 body corporate established by or under any   
 written law, or any firm, partnership or other   
 organization in Sri Lanka; or

(*d*) a branch, subsidiary, affiliate, extension,   
 office or any other unit of a company or other   
 legal person established by or under the   
 law of any foreign country and operating in   
 Sri Lanka;

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“scripless securities” means securities issued in scripless form;

“Secretary to the Treasury” means the Secretary to the Ministry of the Minister assigned the subject of Finance;

“securities” includes –

(*a*) treasury bills issued in accordance with the   
 provisions of the Local Treasury Bills   
 Ordinance (Chapter 417), whether issued in   
 scripless form or otherwise;

(*b*) registered stock or securities issued in   
 accordance with the provisions of the   
 Registered Stock and Securities Ordinance   
 (Chapter 420), whether issued in scripless   
 form or otherwise; and

(*c*) any security of the Central Bank, whether   
 issued in scripless form or otherwise, except   
 for the purpose of paragraph (*a*) of subsection   
 (5) of section 59;

“securities account” means an account maintained by a participant with the Central Bank;

“Securities and Exchange Commission of Sri Lanka”means the Securities and Exchange Commission of Sri Lanka established under the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021;

“settlement account” means an account maintained by a participant with the Central Bank under this Act and used for the purposes of the system with the approval of the Central Bank; and

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“special deposits” means all those deposit liabilities of a commercial bank arising out of monies deposited in any special account.

PART XIX

REPEALSAND SAVINGS

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| **125.** | The Monetary Law Act (Chapter 422) is hereby | Repeal of the |
| repealed. | Monetary Law |
| Act (Chapter |

422)

**126.**  (1)The Governor of the Central Bank appointed Continuation of under the provisions of the Monetary Law Act (Chapter 422) terms of office

and holding office on the day immediately prior to the appointed date shall be deemed to be and continue to be the Governor of the Central Bank under this Act, and shall continue to serve in such office until the expiration of the term of his office.

(2) The members of the Monetary Board appointed under the provisions of the Monetary Law Act (Chapter 422), except the Secretary to the Treasury appointed under that Act and holding office on the day immediately prior to the appointed date shall be deemed to be the members of the Governing Board under this Act, and shall continue to be members of the Governing Board under this Act until the expiration of the term of their respective offices.

(3) The persons who continue to be the Governor of the Central Bank or the members of the Governing Board in terms of the provisions of subsections (1) and (2) shall be eligible for reappointment to any office under this Act:

Provided however, any such person shall not serve for a term exceeding twelve years including the period such person served as the Governor of the Central Bank or an appointed member, under the provisions of the Monetary Law Act (Chapter 422).

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| Provisional  advances | **127.** | (1) Notwithstanding the prohibition in section 86 |
| of this Act, the Central Bank may make new direct | |

provisional advances to the Government to finance expenditures authorized to be incurred out of the Consolidated Fund within the first month of the financial year:

Providedhowever, every such new advance shall be repaid within a period of not exceeding six months and the total amount of such advances outstanding shall not exceed ten *per centum* of the revenue of the first four months of the preceding financial year as reported in the half yearly report published by the Ministry of the Minister under the Fiscal Management (Responsibility) Act, No. 3 of 2003 for the relevant period.

(2) Such new advances shall bear interest at prevailing market-related rates as determined by the Central Bank.

(3) Such new advances shall not be made to refinance the outstanding credit of the Central Bank to the Government on the appointed date.

(4) The provisions of subsections (1), (2) and (3) of this section shall be effective until such time provisions are made by law for the Government to finance its immediate fiscal requirements.

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| Central Bank to purchase  securities issued by the  Government | **128.** | Notwithstanding the prohibition in subsection (4) |
| of section 86, the Central Bank may purchase securities issued by the Government in the primary market, bearing interest at prevailing market-related rates, within a period of eighteen months from the appointed date: | |

Provided however, such securities shall mature or be redeemed within a period of one year from the appointed date and the total amount of such securities purchased shall not exceed one-tenth of the limit of the Treasury Bills approved by Parliament.

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| **129.** | (1) Notwithstanding the prohibition in subsections | Transitory credit to the  Government |
| (1) and (4) of section 86, any outstanding credit of the Central Bank to the Government and any holding of securities | |

purchased on the primary marketas at the appointed date may be maintained.

(2) The Central Bank shall, in consultation with the Minister, convert any outstanding credit of the Central Bank to the Government and any outstanding securities purchased on the primary marketas at the appointed date, over a period of one year immediately succeeding such date, into negotiable debt instruments with a specified maturity period on which the Central Bank shall, as much as possible, sell such debt instruments under its monetary policy.

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| **130.** | Notwithstanding the provisions of sections 96 and | Application of distributable  earnings to  restore the  capital |
| 97, if from the appointed date the latest audited financial statements of the Central Bank prior to the appointed date reflect that the values of its assets are below the sum of its monetary liabilities and paid-up capital, and in accordance | |

with the Government’s financial position, it is unable to transfer to the Central Bank the necessary amount in currency or in negotiable debt instruments pursuant to section 97, the Central Bank shall not be required to pay and credit any remaining distributable earnings pursuant to paragraph (*c*) of subsection (1) of section 96 to the Consolidated Fund, but such distributable earnings shall instead be applied to restore its capital to an unimpaired level:

Provided however, if the capital of the Central Bank is or continues to be impaired after a period of six years from the appointed date, the provisions of section 97 shall be applicable.

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| **131.** | Notwithstanding the provisions of paragraph (*a*) | Transitory credit to credit  institutions in  respect of  lending  operations  carried out for  productive  purposes |
| of subsection (1) of section 114, any outstanding credit granted to credit institutions pursuant to section 88A of the Monetary Law Act (Chapter 422) and any credit guarantee given under section 108 or 108A of the said Act shall be maintained under this Act subject to the terms and conditions as agreed. | |

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| Central Bank to continue to act as agent of the Government | **132.** | Notwithstanding the repeal of the Monetary Law |
| Act (Chapter 422), the Central Bank shall continue to act as agent of the Government pursuant to sections 112 and 113 of the repealed Act, which shall be limited only in respect of | |

the issuance of securities of the Government for the account of the Government and in respect of the management of public debt, until such date as the relevant law relating to public debt management agency or office comes into operation.

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| Rights and  obligations of the Monetary Board | **133.** | (1) Any right or obligation attributed to the |
| Monetary Board under the Monetary Law Act (Chapter 422) or any other law prior to the appointed date shall be assumed by the Central Bank under this Act, except as provided | |

otherwise.

(2) Any action, regulation or decision taken or issued or made by the Monetary Board under the Monetary Law Act (Chapter 422) or any other law prior to the appointed date, shall be deemed to have been taken or issued or made by the Central Bank under this Act, except as provided otherwise.

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| Savings | **134.** | With effect from the appointed date, |

notwithstanding any provision in any other law-

(*a*) the capital of the Central Bank under the Monetary   
 Law Act (Chapter 422) (in this Act referred to as   
 the “repealed Act”) on the day immediately   
 preceding the appointed date shall be deemed to   
 be the capital of the Central Bank under this Act as   
 at the appointed date;

(*b*) the employees of the Central Bank under the   
 repealed Act, holding office on the day immediately   
 preceding the appointed date shall be deemed to   
 be the employees of the Central Bank under this   
 Act with effect from the appointed date and such   
 employees shall continue to hold office in the

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Central Bank under this Act on terms and conditions   
not less favourable than the terms and conditions   
attaching to the respective office held by them on   
the day preceding the appointed date;

(*c*) all currency notes and coins including   
 commemorative notes and coins issued by the   
 Central Bank and the holding of its own notes and   
 coins as part of its currency issue under the repealed   
 Act and subsisting on the day immediately   
 preceding the appointed date, shall be deemed to   
 be the currency notes and coins issued and held by   
 the Central Bank as the case may be under this Act;

(*d*) all payment, clearing and settlement systems   
 established and operated by the Central Bank under   
 the repealed Act or any other written law, and   
 existing on the day immediately preceding the   
 appointed date shall be deemed, with effect from   
 the appointed date, to be payment, clearing and   
 settlement systems established and operated by the   
 Central Bank under this Act;

(*e*) all examinations, audits, inquiries or investigations   
 initiated by the Central Bank or any of its officers   
 under the repealed Act and pending on the day   
 immediately preceding the appointed date shall be   
 deemed, with effect from the appointed date, to be   
 examinations, audits, inquiries or investigations   
 conducted or being conducted, as the case may be,   
 initiated by the Central Bank or such officer under   
 this Act;

(*f*) all contracts, deeds, bonds, agreements, guarantees,   
 powers of attorney, grants of legal representation   
 and other instruments of whatever nature entered   
 into by the Central Bank, the Monetary Board or   
 any other officer of the Central Bank authorized by   
 the Monetary Board under the repealed Act**,** and

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subsisting and having effect on the day immediately   
preceding the appointed date and to which the   
Central Bank or the Monetary Board or any   
authorized officer is a party or which are in favour   
of the Central Bank shall be deemed with effect   
from the appointed date to be contracts, deeds,   
bonds, agreements, guarantees, powers of attorney,   
grants of legal representation and other instruments   
entered into by or granted in favour of the Central   
Bank under this Act;

(*g*) unless specifically suspended or cancelled or   
 withdrawn in the manner provided for in this Act or   
 in any other written law, all licences, registrations,   
 rules, regulations, directions, determinations,   
 orders, approvals or refusals, notices, circulars,   
 operating instructions or any other written   
 communication made or issued by the Central Bank   
 or the Monetary Board or any officer of the Central   
 Bank authorized by the Monetary Board under the   
 repealed Act, and subsisting or having effect on the   
 day immediately preceding the appointed date shall   
 be deemed with effect from the appointed date to   
 be licences, registrations, rules, regulations,   
 directions, determinations, orders, approvals or   
 refusals, notices,circulars, operating instructions   
 or any other written communication made or issued   
 by the Central Bank under this Act;

(*h*) all applications, actions, proceedings or appeals of   
 whatever nature instituted under the provision of   
 any law by or against the Central Bank, the   
 Monetary Board, its members or any officer of the   
 Central Bank under the repealed Act and pending   
 on the day immediately preceding the appointed   
 date shall be deemed as from the appointed date, to   
 be applications, actions, proceedings or appeals   
 instituted by or against the Central Bank or any   
 officer thereof under this Act and may be continued   
 accordingly;

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(*i*) all judgments, decrees or orders entered in favour   
 of, or against the Central Bank or the Monetary   
 Board or any officer of the Central Bank under the   
 repealed Act by any court ortribunal in any action   
 or proceeding shall be deemed with effect from the   
 appointed date, to be judgments, decrees or orders   
 entered in favour of, or against the Central Bank or   
 such other officer of the Central Bank under this   
 Act;

(*j*) all reserves maintained by the Central Bank for the   
 purpose**s** of the provisions of the repealed Act or   
 any other written law or any regulatory requirement   
 issued thereunder or otherwise, on the day   
 immediately preceding the appointed date shall be   
 deemed with effect from the appointed date to be   
 reserves of the Central bank under this Act, held for   
 such purpose;

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| (*k*) | (i) | all property immovable and movable and |

tangible and intangible, of the Central Bank   
(including cash balances, reserve funds,   
investments, intellectual properties, and   
deposits);

(ii) all liabilities, including deposits and   
 contingent liabilities, of the Central Bank;

(iii) all rights, powers, privileges, authorities,   
 obligations, duties and interest**s** arising in or   
 out of, such property and such liabilities;

(iv) all books, accounts and documents relating or   
 appertaining to the Central Bank or to any   
 property of the Central Bank,

under the repealed Act, andsubsisting on the day   
immediately preceding the appointed date, shall   
be deemed as from the appointed date to be

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property, liabilities, rights, powers, privileges,   
authorities, obligations, duties, interest**s**, books,   
accounts and documents of the Central Bank under   
this Act;

(*l*) all exemptions, refunds, losses, concessions, reliefs,   
 benefits of taxes, duties, levies or any other   
 monetary benefit entitled or enjoyed by the Central   
 Bank under the repealed Act and subsisting on the   
 day immediately preceding the appointed date shall   
 be deemed as from the appointed date, exemptions,   
 refunds, losses, concessions, reliefs, benefits of   
 taxes, duties, levies or any other monetary benefit   
 entitled or enjoyed by the Central Bank under this   
 Act; and

(*m*) with effect from the appointed date, every reference to the Central Bank, the Monetary Board or any officer of the Central Bank under the repealed Act given in any Act, regulation, notification, contract, instrument, record, share certificate, document, deed, bond, agreement, guarantee, power of attorney, grant of legal representation and other instrument of whatever nature shall be deemed to be a reference to the Central Bank or any such officer of the Central Bank under this Act to give effect to the provisions thereof.

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| Sinhala text to  prevail in case  of inconsistency | **135.** | In the event of any inconsistency between the |
| Sinhala and Tamil texts of this Act, the Sinhala text shall prevail. | |

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