

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

**BANKING (AMENDMENT) ACT, No. 24 OF 2024**

**[Certified on 10th of April, 2024]**

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| *Banking (Amendment) Act, No. 24 of 2024* | 1 |

[Certified on 10th of April, 2024]

L.D.-O. 42/2023

AN ACTTOAMENDTHE BANKING ACT, NO. 30 OF 1988

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 Banking (Amendment) Act, No. 24 of 2024. | Short title and date of  operation |

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

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| **2.** Section 2 of the Banking Act, No. 30 of 1988 (hereinafter referred to as the “principal enactment”) is hereby amended in subsection (6) thereof by the substitution for the words “shall not include the Central Bank or a private company” of the words “shall not include the Central Bank, a shell bank or a private company”.  **3.** The following section is hereby inserted immediately after section 2 of the principal enactment and shall have effect as section 2A of that enactment:- | | | Amendment of section 2 of Act, No. 30 of 1988  Insertion of  section 2A in the principal  enactment |
| “Eligibility | 2A.The following matters shall be taken into | |
| criteria to  apply for a licence | consideration by the Central Bank in determining whether a company is eligible to apply for a licence under this Act:- | |
| (*a*) | | compliance with the initial capital |
| requirements as may be determined by the Central Bank, from time to time; | | |
| (*b*) | | the nature and adequacy of the financial |
| resources as a means of continuing financial support for the licensed commercial bank to be established in | | |

Sri Lanka;

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| Amendment of section 3 of the principal  enactment | 2 | *Banking (Amendment) Act, No. 24 of 2024* | |
| (*c*) | | the capital and other funding sources |
| shall not derive from unlawful activities; | | |
| (*d*) | | suitability of material shareholders in |
| terms of subsection (1B) of section 12; | | |
| (*e*) | | fitness and propriety of directors, chief |
| executive officer and officers performing executive functions or any other person proposed to be appointed to any of the above positions, as the case may be, in terms of the criteria set out in subsection (2) of section 42; | | |
| (*f*) | | track record for operating in a manner |
| consistent with the standards of good governance and integrity; | | |
| (*g*) | | transparency in ownership structure and |
| the beneficial ownership; | | |
| (*h)* | | establishment of a licensed commercial |
| bank in Sri Lanka will be in the interest of the viability and stability of the banking system and the interest of the national economy; and | | |
| (*i*) | | compliance with any other requirements |
| under this Act or any other written law in Sri Lanka or outside Sri Lanka.”.  **4.** Section 3 of the principal enactment is hereby amended as follows:- | | |
| (1) | in subsection (1) thereof, by the substitution for the | |
| words “in such manner” of the words “in such manner along with the application fee”; and | | |
| (2) | in subsection (2) thereof, by the repeal of | |

subparagraph (iii) of paragraph (*b*) and the   
substitution therefor, of the following:-

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

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| **5.** Section 4 of the principal enactment is hereby amended as follows:- | | Amendment of section 4 of the principal  enactment |
| (1) | by the repeal of subsection (1) thereof and the |

substitution therefor of the following:-

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

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

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

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(5) where a commercial bank incorporated   
outside Sri Lanka is operating as a branch in Sri   
Lanka immediately preceding the appointed date,   
the Central Bank may direct such bank to establish   
a subsidiary of a parent company or principal body   
corporate of such commercial bank to carry on   
banking business in Sri Lanka, having regard to   
the soundness of the financial position, risk   
management, governance structure, capital   
adequacy and availability of liquidity subject to   
such terms and conditions as may be specified in   
such direction.”.

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| Amendment of section 5 of the principal  enactment | **6.** Section 5 of the principal enactment is hereby amended by the repeal of paragraph (*a*) of subsection (2) thereof and the substitution therefor of the following:- | |
| “(*a*) | whether such company is authorized to carry on |

banking business;”.

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| Amendment of section 8 of the principal  enactment | **7.** Section 8 of the principal enactment is hereby amended in subsection (2) thereof by the substitution for the words and figure “(2) The Monetary Board” of the words and figure |

“(2) The Director of Bank Supervision”.

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| Amendment of section 9 of the principal  enactment | **8.** Section 9 of the principal enactment is hereby amended in subsection (1) thereof by the repeal of paragraph (*c*) thereof and the substitution therefor of the following: - | |
| “(*c*) | become insolvent and winding up proceedings |

have been instituted under any other written law   
for the time being in force, whether in or outside Sri   
Lanka and a liquidator or receiver has been   
appointed for such bank in the interest of its   
depositors and creditors; or”.

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| *Banking (Amendment) Act, No. 24 of 2024* | 5 | Amendment of  section 11 of the principal |
| **9.** Section 11 of the principal enactment is hereby amended as follows: - | |

enactment (1) in subsection (2) thereof, by the substitution for the   
 words “shall commence in accordance with the   
 provisions of Part VIII of this Act.” of the words  
 “shall commence in accordance with the provisions   
 of any other written law for the time being in force   
 which specifically provides for the winding up of   
 any licenced commercial bank in Sri Lanka.”;

(2) in subsection (3) thereof, by the substitution for the   
 words “close down the business of such bank in   
 and with respect to Sri Lanka, in accordance with   
 the provisions of Part VIII of this Act.” of the words  
 “close down the business of such bank in accordance   
 with the provisions of any other written law for the   
 time being in force which specifically provides for   
 the winding up of any licensed commercial bank in   
 Sri Lanka.”;

(3) in subsection (4) thereof-

(*a*) by the substitution, in paragraph (*g*), for the   
 words “such measures;” of the words “such   
 measures; and”;

(*b*) by the substitution in paragraph (*h*), for the   
 words “such amalgamation; and” of the words  
 “such amalgamation:”; and

(*c*) by the repeal of all the words commencing   
 from “(i) vesting the business of the licensed   
 commercial bank” and ending with the words  
 “an acquiring bank:”.

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| Amendment of  section 12 of the principal | 6 | *Banking (Amendment) Act, No. 24 of 2024* |
| **10.** Section 12 of the principal enactment is hereby amended as follows:- | |

enactment   
 (1) in subsection (1) thereof,-

(*a*) by the substitution for the words “written   
 approval of the Monetary Board given with   
 the concurrence of the Minister,” of the words  
 “written approval of the Central Bank,”;

(*b*) in paragraph (*b*) thereof, by the substitution   
for the words “(*b*) for a licensed commercial   
bank” of the words “(*b*) in consultation with   
the Minister, for a licensed commercial   
bank”;

(*c*) by the repeal of paragraph (*c*) thereof, and the   
 substitution therefor of the following: -

“(*c*) for a licensed commercial bank to   
 acquire the business or part of the

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| business | of | another | licensed |

commercial bank, licensed specialised   
bank or a licensed finance company, or   
a branch of such licensed commercial   
bank, licensed specialised bank or   
licensed finance company, as the case   
may be, or to sell all or part of its   
business;”;

(*d*) in paragraph (*d*) thereof, by the substitution   
for the words “within Sri Lanka:” of the words  
“within Sri Lanka subject to an application   
fee as may be determined by the Central Bank,   
from time time;”;

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(*e*) in paragraph (*e*) thereof, by the substitution   
for the words “licensed commercial bank or a   
licensed specialised bank.” of the words  
“licensed commercial bank, a licensed   
specialised bank or a licensed finance   
company;”;

(*f*) by the addition, immediately after paragraph   
 (*e*) thereof, of the following:-

“(*f*) for a licensed commercial bank or a   
licensed specialised bank to acquire the   
business or part of the business of   
another financial institution which is   
subject to the regulation or supervision   
of the Central Bank.”;

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

“(1B) An approval under paragraphs (*c*), (*e*) or (*f*)   
of subsection (1) or subsection (1C) shall not be   
granted, unless the Central Bank is satisfied that   
such acquisition or merger or consolidation is in   
the interest of promotion of a safe, sound and stable   
banking system, and the fair competition prevailing   
in the banking industry. When granting approval   
for an acquisition under subsection (1C) to an   
individual or a body corporate, the Central Bank   
shall, in determining whether such individual or   
the directors of such body corporate, as the case   
may be, are fit and proper persons, have regard to   
the criteria set out in subsection (2) of section 42 in   
addition to the following matters:-

(*a*) track record of the individual or the directors   
 of the body corporate;

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(*b*) soundness and feasibility of the business   
 plans of the individual or body corporate;

(*c*) the nature and sufficiency of the financial   
 resources of the individual or body corporate   
 as a source of continuing financial support to   
 the licensed commercial bank and the   
 legitimacy of such sources of funding;

(*d*) the business record and experience of the   
 body corporate for the preceding three years;   
 and

(*e*) transparency in ownership structure and the   
 beneficial ownership.”;

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

“(1C) (*a*) An individual, partnership or body   
corporate shall not, either directly or indirectly   
or through a nominee or acting in concert with   
any other individual, partnership or body   
corporate, acquire a material interest in a   
licensed commercial bank incorporated or   
established within Sri Lanka by or under any   
written law without the prior written approval   
of the Central Bank.

(*b*) Without prejudice to the generality of   
subsection (2), approval under paragraph (*a*) of   
this subsection may be granted subject to terms   
and conditions as the Central Bank may deem   
fit.

(*c*) Without prejudice to the provisions of   
subsection (3), the secretary of a licensed

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commercial bank shall not enter in the share register,   
the index of shareholders or in any other register   
maintained to keep records of shareholders of such   
licensed commercial bank, the name of an   
individual, an entity (whether corporate or   
unincorporate) or a nominee of such individual or   
entity who has acquired the material interest in   
contravention of paragraph (*a*) and such person shall   
not be recognized as a shareholder or a person to be   
deemed as a shareholder of such licensed   
commercial bank.

(*d*) Without prejudice to the provisions of   
subsection (3), where the contravention of   
subsection (1C) has been committed by an existing   
shareholder of the licensed commercial bank, it shall   
be lawful for the Central Bank to direct such licensed   
commercial bank to remove the name of such   
shareholder from the share register, index of   
shareholders or any other register maintained to   
keep records of shareholders of such licensed   
commercial bank, as the case may be, within the   
period of time as may be specified in such directions.   
It shall be the duty of such licensed commercial   
bank to comply with such direction with effect from   
the date of such direction for removal, and the said   
shareholder shall not be considered or deemed as a   
shareholder of such licensed commercial bank until   
such shareholder complies with the provisions of   
subsection (1C).

(*e*) For the purposes of this subsection,-

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“acting in concert” means acting pursuant   
to an understanding (whether formal   
or informal) to actively co-operate in   
acquiring a material interest in a   
licensed commercial bank so as to   
obtain or consolidate the control of   
that licensed commercial bank;

“material interest” means the holding of over   
ten *per centum* of the issued capital of   
a licensed commercial bank carrying   
voting rights or, if the Central Bank   
determines that there exists a   
significant influence over the licensed   
commercial bank to nominate, appoint   
or remove a director, chief executive   
officer or an officer performing   
executive functions of the licensed   
commercial bank or to exercise control   
over the policies of such bank pursuant   
to a contract or otherwise.”;

(4) in subsection (2) thereof, by the substitution for the   
words “by the Monetary Board with the concurrence   
of the Minister.” of the words “by the Central Bank.”;   
and

(5) by the addition, immediately after subsection (2)   
thereof, of the following:-

“(3) Notwithstanding anything to the contrary   
in the provisions in this Act or any other written   
law, where the Central Bank is satisfied based on   
the information submitted by the licensed   
commercial bank or on its own findings that any   
individual, partnership or body corporate

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specified in subsection (1C) has acquired the   
material interest of such bank in contravention of   
subsection (1C) or any terms or conditions of the   
approval granted thereunder, it shall be lawful for   
the Central Bank to direct such licensed commercial   
bank or such individual, partnership or body   
corporate, as the case may be, to dispose of such   
material interest subject to such terms and   
conditions as the Central Bank may consider   
necessaryand after giving such bank or individual,   
partnership or body corporate an opportunity of   
being heard.

(4) Until the disposal is effected under   
subsection (3), the Central Bank may direct the   
licensed commercial bank whose material interest   
has been acquired or the individual, partnership or   
body corporate who has contravened the provisions   
of this section, or both such bank and the individual,   
partnership and the body corporate, as the case may   
be, to give effect to, one or more of the following:-

(*a*) suspend the exercise of voting rights entitled   
 to such shareholding or part thereof;

(*b*) notwithstanding to the contrary in any other   
written law, prohibit such licensed commercial   
bank accruing any distribution rights   
pertaining to such shareholding or part thereof;

(*c*) prohibit the licensed commercial bank issuing   
further shares to or pursue any offer made by   
the individual, partnership or body corporate   
who has contravened the provisions of   
subsection (1C);

(*d*) except in a liquidation, prohibit the licensed   
commercial bank paying any sums due,

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including any form of distribution, to such   
individual, partnership or body corporate who   
has contravened the provisions of subsection   
(1C);

(*e*) provide further details of such shareholding   
acquired in contravention of subsection (1C)   
to the Central Bank, in such manner as the   
Central Bank may determine; or

(*f*) request a licensed stock exchange or Central   
Depository System to impose a restriction on   
trading of shares held in excess of material   
interest, by any shareholder as a locked   
balance of his share account, until further   
instructions to that effect is issued by the   
Central Bank.”.

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| Amendment of  section 13 of the principal  enactment | **11.** Section 13 of the principal enactment is hereby amended as follows:- | |
| (1) | in subsection (1) thereof, by the substitution for |

the words and figure “(1) The Monetary Board may,   
with the approval of the Minister,” of the words   
and figure “(1) The Central Bank may,”; and

(2) in subsection (3) thereof, by the substitution for the   
words “before the Board under subsection (2), the   
Monetary Board shall, with the approval of the   
Minister -” of the words “before the Central Bank   
under subsection (2), the Central Bank shall, –”.

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| Amendment of  section 17 of the principal  enactment | **12.** Section 17 of the principal enactment is hereby amended by the insertion of the following, immediately after subsection (4) thereof:- |

“(4A) Any licensed commercial bank having a non-  
financial subsidiary that does not provide services to   
such licensed commercial bank or its banking group as

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at the appointed date, shall divest its ownership in the   
equity share capital of such subsidiary within a period   
of five years from the appointed date, after notifying   
the Central Bank of such decision and the manner in   
which such bank will discontinue the business carried   
out by such subsidiary.”.

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| **13.** Section 19 of the principal enactment is hereby amended as follows:- | | Amendment of  section 19 of the principal  enactment |
| (1) | in paragraph (*b*) of subsection (1) thereof, by the |

substitution for the words “and with the   
concurrence of the Minister, determine, from time   
to time.” of the words “determine, from time to   
time.”;

(2) by the repeal of paragraph (*d*) of subsection (3)   
 thereof, and the substitution therefor of the   
 following:-

“(*d*) Where any licensed commercial bank is   
required by such variation to augment its equity   
capital, it shall upon application to the Central   
Bank, be afforded a period of twelve months, or   
such other period as may be granted by the Central   
Bank, in which to comply with that requirement.”;

(3) by the repeal of paragraph (*b*) of subsection (7)   
 thereof, and the substitution therefor of the   
 following:-

“(*b*) Any variation in the capital adequacy ratio   
referred to in paragraph (*a*) shall be communicated   
to every licensed commercial bank by the Central   
Bank in writing, provided that every licensed   
commercial bank which is required by such   
variation to augment its capital, shall be afforded a   
period of twelve months or such other period as   
may be granted by the Central Bank, in which to   
comply with such requirement.”;

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| 14 | (4) | *Banking (Amendment) Act, No. 24 of 2024* |
| by the addition, immediately after subsection (9) |

thereof, of the following:-

“(10) The Central Bank may require a licensed   
commercial bank to maintain additional capital as   
the Central Bank may consider appropriate having   
regard to the specific risks emanating from the   
business of such licensed commercial bank.”.

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| Replacement of section 21 of the principal  enactment | **14.** Section 21 of the principal enactment is hereby repealed and the following is substituted therefor: - | |
| “Liquid | 21.(1) Every licensed commercial bank |
| Assets | shall, at all times maintain liquid assets that |

are required to meet its liabilities as may,   
from time to time, be determined by the   
Central Bank and comply with the   
requirements on liquidity having regard to   
the developments in the regulatory   
requirements, and the Central Bank shall, as   
far as practicable, adopt international

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| standards | applicable | on | liquidity |

requirements of such licensed commercial   
bank.

(2) Without prejudice to the provisions of   
subsection (1), the Central Bank may, from   
time to time, determine additional liquid   
assets required to be maintained by any   
licensed commercial bank to meet liabilities   
and it shall be the duty of every licensed   
commercial bank to maintain such assets in   
such ratios as may be directed by the Central   
Bank.”.

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| Replacement of section 22 of the principal | **15.** Section 22 of the principal enactment is hereby repealed and the following is substituted therefor: - |

enactment

*Banking (Amendment) Act, No. 24 of 2024*  15

“Payment of 22.The Central Bank may, from time to dividends time, having considered the capital or liquidity levels of a licensed commercial bank, issue directions to such licensed commercial bank imposing conditions to be met by such bank prior to declaring or paying dividends, whether scrip or otherwise, or transfer of profits earned in Sri Lanka, outside Sri Lanka.”.

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| **16.** The following section is hereby inserted immediately after section 22 of the principal enactment and shall have effect as section 22A of that enactment:- | | Insertion of  section 22A in the principal enactment |
| “Central  Bank to  designate  foreign | 22A. The Central Bank may, by Order designate any foreign currency for the purpose of carrying on offshore banking business.”. |

currency to   
be used in   
offshore   
banking

business

|  |  |
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| **17.** Part IV of the principal enactment is hereby repealed. | Repeal of Part IV of the |

principal   
enactment

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| **18.** Section 35 of the principal enactment is hereby repealed and the following is substituted therefor:- | | Replacement of section 35 of the principal  enactment |
| “Preparation of financial  statements by licensed | 35. Every licensed commercial bank shall maintain accounts and records and prepare financial statements in accordance with |
| commercial  banks | applicable accounting standards. The financial statements of a licensed |

commercial bank shall represent a true and   
accurate assessment of the bank’s affairs and   
reflect its operations and financial condition   
both on a solo and consolidated basis.”.

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| Repeal of  section 36 of the principal | 16 | *Banking (Amendment) Act, No. 24 of 2024* |
| **19.** Section 36 of the principal enactment is hereby repealed. | |

enactment

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| Repeal of  section 37 of the principal | **20.** Section 37 of the principal enactment is hereby repealed. |

enactment

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| Replacement of section 38 of the principal  enactment | **21.** Section 38 of the principal enactment is hereby repealed and the following is substituted therefor:- | |
| “Publication of financial  statements by licensed | 38.(1) Every licensed commercial bank incorporated or established within Sri Lankashall,- |

commercial

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| banks | (*a*) | transmit within three months after |

the closure of its financial year,

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| --- | --- | --- | --- | --- |
| to | the | Director | of | Bank |

Supervision, its audited financial

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| --- | --- | --- | --- |
| statements | in | solo | and |

consolidated basisfor such   
financial year in respect of its   
business in and outside Sri Lanka;

(*b*) exhibit such statements in a   
 conspicuous place at each of its   
 places of business until thesolo

|  |  |  |
| --- | --- | --- |
| and | consolidated | financial |

statements for the succeeding   
financial year are prepared and   
exhibited; and

(*c*) publish such statements at least   
 once within the period specified   
 in paragraph (*a*) in at least one

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Sinhala, Tamil and English daily   
newspaper circulating in Sri   
Lanka,and in the official website   
of the respective bank.

(2) Every licensed commercial bank   
incorporated outside Sri Lankashall,-

(*a*) transmit within three months after   
 the closure of its financial year,

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| to | the | Director | of | Bank |

Supervision, its audited financial   
statements for such financial year   
in respect of its business in Sri   
Lanka;

(*b*) exhibit such statements in a   
 conspicuous place at each of its   
 places of business until the   
 financial statements for the   
 succeeding financial year are   
 prepared and exhibited; and

(*c*) publish such statements at least   
 once within the period specified   
 in paragraph (*a*) in at least one   
 Sinhala, Tamil and English daily   
 newspaper circulating in Sri   
 Lanka,and in the official website   
 of the respective bank.

(3) The Central Bank may specify the form   
of the financial statements referred to in   
subsections (1) and (2) including any   
disclosure requirements to be made and where   
such form is specified, the financial statements   
of every licensed commercial bank shall be   
prepared in such form.

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(4) Where the Central Bank determines   
that a disclosure made under subsection (3)   
does not contain information which is required   
to contain or is otherwise false or misleading,   
the Central Bank may, by notice in writing,   
require such bank –

(*a*) to publish a disclosure statement   
 including the information that was   
 previously omitted;

(*b*) to publish a disclosure statement   
 without including false or   
 misleading information; or

(*c*) to take such other corrective action   
 as may be specified in the notice.”.

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| Amendment of  section 39 of the principal | **22.** Section 39 of the principal enactment is hereby amended as follows:- |

enactment   
 (1) in subsection (1) thereof, -

(*a*) by the substitution in paragraph (*a*), for the   
 words “the accounts balance sheet and profit   
 and loss account” of the words “financial   
 statements”;

(*b*) by the substitution in paragraph (*b*), for the   
 words “the accounts, balance sheet and the   
 profit and loss account” of the words  
 “financial statements”;

(2) by the insertion, immediately after subsection (1)   
thereof, of the following:-

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“(1A) Where there are findings which to the   
knowledge of the auditor in the performance of his   
duties under this Act, that-

(*a*) losses have been incurred or likely to incur   
 which may materially reduce the capital   
 of any licensed commercial bank;

(*b*) irregularities have been occurred in such   
 bank, including the engagement of such   
 bank in unsound or unsafe practices in   
 carrying on of its business which is likely   
 to jeopardize the interests of its depositors   
 and creditors; or

(*c*) the obligations to the depositors and   
creditors of such bank are not sufficiently   
covered by the assets of such bank,

the auditor shall immediately report such findings   
or any other matter that can materially affect the   
safety and soundness of the licensed commercial   
bank to the Director of Bank Supervision.”;

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

“(2) Every report specified in subsection (1)   
which shall be completed within two months of the   
end of the financial year, shall contain a statement   
by the auditor as to whether in his opinion the   
financial statements contain a true and fair view of   
the bank’s financial position including the   
compliance with the provisions relating to issuing   
of financial statements and making disclosures by   
a licensed commercial bank and where the auditor

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

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

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

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

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

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

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

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

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

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

|  |  |  |
| --- | --- | --- |
| (7) | by the repeal of subsection (8) thereof. | Amendment of  section 41 of the principal  enactment  Amendment of  section 42 of the principal |
| **23.** Section 41 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution for the words “or any of its subsidiaries,” of the words “on solo and consolidated basis”.  **24.** Section 42 of the principal enactment is hereby amended as follows: - | |

enactment (1) in subsection (2) thereof, -

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

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

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

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

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

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

(*a*) each person proposed to be appointed, elected   
or nominated as a director of such licensed   
commercial bank, before such appointment,   
election or nomination, as the case may be;

(*b*) any director of such licensed commercial   
bank, if such bank is aware that such person   
is not a fit and proper person or where such   
director becomes otherwise ineligible to hold   
office as such director, within fifteen days of   
such bank becoming aware of such facts.”;

(3) by the insertion, immediately after subsection (4)

thereof, of the following: -

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

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

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

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

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

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

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“(13) Notwithstanding anything to the contrary   
in any other written law, the Central Bank shall,   
from time to time, determine the number of members   
of the Board of Directors of a licensed commercial   
bank which number shall not be less than seven in   
any case.”.

|  |  |
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| Amendment of section 44A of the principal  enactment | **25.** Section 44A of the principal enactment is hereby amended by the repeal of subsection (1) thereof, and the substitution therefor of the following:- |

“(1) The Chief Executive Officer and such other   
officers of a licensed commercial bank performing   
executive functions as may be determined by the   
Central Bank shall be fit and proper persons to hold   
such respective positions, and the provisions of   
subsection (2) of section 42 shall, *mutatis mutandis*,   
apply in determining whether such personsare fit   
and proper persons.”.

|  |  |  |  |
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| Insertion of  sections 44B and 44C in the  principal  enactment | **26.** The following sections are hereby inserted immediately after section 44A of the principal enactment and shall have effect as sections 44B and 44C of that enactment: - | | |
| “Disqualification of a  director, the chief  executive | | 44B.(1)(*a*) Wherethe Central Bank, in pursuance to findings of any examination or investigation conducted on affairs of a licensed commercial bank, is satisfied at any |
| officer or an | time that a person who previously held office | |
| officer  performing executive  functions of | as a director, the chief executive officer or an officer performing executive functions of such bank has committed or has been | |
| a licensed | connected with the commission of any act | |
| commercial bank who  previously | involving fraud, deceit, dishonesty or other similar criminal activity or any other | |
| held such  positions in such bank | improper conduct during the period in which he served in such office which may disqualify such person to be a fit and proper person to | |

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be appointed, elected or nominated as a   
director, the chief executive officer or officer   
performing executive functions of a licensed   
commercial bank, or any other financial   
institution regulated and supervised by the   
Central Bank, it shall be lawful for the   
Central Bank to determine that such person   
is not fit and proper, notwithstanding the fact   
that whether such person no longer holds such   
office at the time of making such   
determination.

(*b*) The Central Bank shall, prior to   
making such determination ensure that such   
person has been offered an opportunity of   
being heard.

(2) The person so determined as not fit   
and proper under subsection (1) shall not be   
eligible to be appointed, elected, nominated   
or continued as a director, chief executive   
officer or other officer performing executive   
functions of a licensed commercial bank or   
any other financial institution regulated and   
supervised by the Central Bank.

|  |  |
| --- | --- |
| This Part of  this Act to  prevail in  case of  inconsistency | 44C.In the event of any conflict or inconsistency between the provisions of this Part of this Act and the provisions of any other written law for the time being in force, the |

provisions of this Part shall prevail.”.

|  |  |  |
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| **27.** Section 46 of the principal enactment is hereby amended in subsection (1) thereof, as follows:- | | Amendment of  section 46 of the principal  enactment |
| (1) | by the substitution for the words “directions to |

licensed commercial banks” of the words

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“directions to licensed commercial banks   
considering the asset size, scale, diversity and   
complexity of operations of such banks”;

(2) by the repeal of paragraph (*c*) thereof and the   
substitution therefor, of the following:-

“(*c*) the limit on large exposures which, having   
regard to the equity capital, reserves and   
deposits of such licensed commercial bank   
and other relevant considerations   
including, as far as practicable, the   
adoption of international standards   
applicable on large exposures, as may be   
made by such bank-

(i) to any single company, public   
corporation, firm, association of   
persons or an individual; or

(ii) in the aggregate to-

(A) an individual, his close   
relations or to a company or   
firm in which he or his close   
relations have a substantial   
interest; or

(B) a group of connected borrowers   
if at least one of the following   
criteria is satisfied:-

(*a*) control relationship, a   
 company and one or more   
 of the followinghaving a   
 control relationship with   
 each other:-

(i) its subsidiaries;

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(ii) its holding company;

(iii) its associate company;

(iv) a subsidiary of its   
holding company;

(v) a company in which a   
company referred to in   
item (*a*) of this sub   
subparagraph or its   
subsidiary, or its   
holding company, or a   
subsidiary of its   
holding company, has   
a substantial interest;

(vi) an individual having a   
substantial interest in   
such company and the   
close relations of such   
individual; or

|  |  |  |  |  |
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| *(b*) | (vii) any other company | | | |
| having | | direct | or |
| indirect control over  such company as may  be determined by the  Central Bank;  economic interdependence | | | |
| between | connected | | |
| borrowers as may be determined by the Central | | | |
| Bank | based | | on |
| predetermined criteria: | | | |

Provided that, it shall be lawful for a   
licensed commercial bank to comply with   
the provisions of this paragraph within a   
period of three years from the appointed

date or such other period as may be

determined by the Central Bank.”.

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| Amendment of  section 47 of the principal  enactment | 28 | *Banking (Amendment) Act, No. 24 of 2024* |
| **28.** Section 47 of the principal enactment is hereby amended as follows:- | |
| (1) | by the repeal of subsection (1) thereof; |
| (2) | by the insertion, immediately after subsection (11A) |

thereof, of the following:-

“(11B) The provisions of subsections (3), (4), (5),   
(6), (7), (11) and (11A) shall apply to the following   
persons, and such persons shall comply with such   
provisions:–

(*a*) a chief executive officer or an officer   
 performing executive functions of a licensed   
 commercial bank in respect of any   
 accommodation granted other than an   
 accommodation granted to such officer under   
 a scheme applicable to the employees of such   
 bank;

(*b*) a shareholder of a licensed commercial bank   
 having material interest, whether individual   
 or a concern;

(*c*) a subsidiary or an associate company of the   
 licensed commercial bank;

(*d*) a holding company of the licensed   
 commercial bank including its subsidiaries,   
 excluding the parent bank and subsidiaries   
 of a bank incorporated outside Sri Lanka;

(*e*) a director of a subsidiary or an associate   
 company of the licensed commercial bank   
 and a director of a holding company and its   
 subsidiaries;

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(*f*) a close relation of a person specified in   
 paragraphs (*a*) and (*b*);

(*g*) a concern, whose director or partner is a   
 director of such bank; and

(*h*) a concern in which a material shareholder of   
 a licensed commercial bank or any of his close   
 relations has substantial interest.

(11C) Any person referred to in subsection (11B)   
who contravenes the provisions of subsection (3),   
(4), (5), (6), (7), (11) or (11A) commits an offence   
under this Act.”;

(3) by the insertion, immediately after subsection (13)   
 of the following:-

“(14) (*a*) The Central Bank may require a licensed   
commercial bank to deduct the amount of any   
accommodation granted by such bank in excess of   
the limits specified in subsection (4), to any related   
party for the purposes of calculating the regulatory   
capital ratios under subsection (7) of section 19 or   
require such excess to be secured by such security   
as directed by the Central Bank.

(*b*) The minimum period of time that the Central   
Bank may afford to a licensed commercial bank to   
comply with the provisions of paragraph (*a*) shall   
be a period of twelve months or such other period   
as may be determined by the Central Bank, which   
in any case shall not exceed a period of three years.”.

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| Repeal of Part VIIA of the  principal | 30 | *Banking (Amendment) Act, No. 24 of 2024* |
| **29.** Part VIIA of the principal enactment is hereby repealed. | |

enactment

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| Repeal of  section 50 of the principal | **30.** Section 50 of the principal enactment is hereby repealed. |

enactment

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| Amendment of  section 55 of the principal | **31.** Section 55 of the principal enactment is hereby amended as follows:- |

enactment   
 (1) by the substitution for the words and figure “in section 54 the name of such bank shall be removed from the list of licensed commercial banks and” of the words and figure “in section 54”;

(2) in paragraph (*c*) thereof, by the substitution for the   
words and figure “in accordance with section 72.”  
of the words and figure “in accordance with section   
72; and”;

(3) by the addition immediately after paragraph (*c*)   
thereof, of the following:-

“(*d*) all monies or other articles held in a safe   
deposit box which have not been paid or   
returned to the rightful owners under section   
54, have been transferred to a special account   
of the Central Bank or are disposed in   
accordance with the directions issued by the   
Central Bank for such purpose, as the case   
may be.”;

(4) by the repeal of the marginal note to that section,   
and the substitution therefor of the following:-

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“Distribution of the outstanding   
assets among the owners of the

licensed commercial bank”.

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| **32.** Section 56 of the principal enactment is hereby repealed and the following is substituted therefor:- | | Replacement of section 56 of the principal  enactment  Repeal of  sections 57 to 69 of the principal |
| “Cancellation of the licence issued to a  licensed  commercial  bank and to  remove the  name from | 56. Once all outstanding assets have been distributed in accordance with the provisions of section 55, the Director of Bank Supervision shall direct such licensed commercial bank subject to voluntary winding up to submit the audited financial statements of such bank to the Central Bank for its approval. Once the |
| the list | audited financial statements are approved by |
| the Central Bank, the Central Bank shall cancel the licence issued to such licensed commercial bank and the name of such bank shall be removed from the list of licensed commercial banks.”.  **33.** Sections 57 to 69 (both inclusive) of the principal enactment are hereby repealed. | |

enactment

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| **34.** Section 70 of the principal enactment is hereby amended in subsection (4), by the substitution for the words and figures “with the undertaking. The provisions of sections 63 and 68 shall apply to the winding up of the affairs under this section.” of the words “with the undertaking.”.  **35.** Section 72 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution for the words and figures “(1) In addition to the articles referred to in sections 63 and 68 the articles” of the words and figure “(1) The articles”.  **36.** Section 76D of the principal enactment is hereby  amended by the repeal of subsection (3) thereof. | Amendment of  section 70 of the principal  enactment  Amendment of  section 72 of the principal  enactment  Amendment of section 76D of the principal |

enactment

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| Amendment of  section 76G of the principal  enactment | 32 | *Banking (Amendment) Act, No. 24 of 2024* |
| **37.** Section 76G of the principal enactment is hereby amended in subsection (1), by the substitution for the words“the Monetary Board may with the concurrence of the | |

Minister,” of the words “the Central Bank may,”.

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| Amendment of section 76H of the principal  enactment | **38.** Section 76H of the principal enactment is hereby amended by the substitution for the words and figure“provisions of Part V” of the words and figures “provisions |

of section 21, Part V”.

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| Amendment of section 76J of the principal | **39.** Section 76J of the principal enactment is hereby amended in subsection (1) as follows:- |

enactment

(1) by the substitution for the words “regarding the   
manner in which any aspect of the business of such   
banks is to be conducted and in particular-” of the   
following:-

“considering the asset size, scale, diversity   
and complexity of operations of such banks   
or for reasons to be stated in writing to any   
one or more of them, regarding the manner in   
which any aspect of the business of such   
banks is to be conducted and in particular -”;   
and

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| --- | --- | --- |
| Amendment of section 76K of the principal  enactment | (2) | by the repeal of paragraph (*k*) thereof. |
| **40.** Section 76K of the principal enactment is hereby amended by the substitution for the words and figure“provisions of section 45 shall,” of the words and figures | |

“provisions of sections 45, 47, 48A, 49 and 49A shall,”.

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| *Banking (Amendment) Act, No. 24 of 2024* | | | | 33 | Amendment of section 76M of the principal  enactment |
| **41.** Section 76M of the principal enactment is hereby amended as follows:- | | | | |
| (1) | in paragraph (*b*) of subsection (3) thereof, - | | | |
| (*a*) | | by the repeal of subparagraph (i), and the | | |
| 5 | substitution therefor of the following:- | | | |
| “(i) | | | where the bank is incorporated or | |

established within Sri Lanka by or   
under any written law, proceedings for   
the winding up of the bank shall   
commence under the provisions of any   
written law for the time being in force,   
which specifically provides for the   
winding up of the licensed commercial   
banks and licensed specialised banks   
in Sri Lanka.”;

(*b*) by the repeal of subparagraph (ii) thereof, and   
 the substitution therefor of the following:-

“(ii) where the bank is incorporated outside   
Sri Lanka, the business of such bank   
authorized under the licence issued   
under section 76A shall be closed down   
and its affairs shall be wound up under   
the provisions of any written law for   
the time being in force, which   
specifically provides for the winding   
up of the licensed commercial banks   
and licensed specialised banks in Sri   
Lanka.”; and

(2) by the repeal of subsections (3A), (3B), (3C), (3D),   
 (3E), (3F) and (3G) thereof.

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| Amendment of  section 79 of the principal  enactment | 34 | *Banking (Amendment) Act, No. 24 of 2024* |
| **42.** Section 79 of the principal enactment is hereby amended in subsection (1), by the substitution for the words and figures “subsection (3) of section 33, subsection (3) of section 41” of the words and figures “subsection (3) of section | |

41”.

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| Insertion of new section 79B in  the principal  enactment | **43.** The following new section is hereby inserted immediately after section 79A of the principal enactment and shall have effect as section 79B of that enactment:- | |
| “Central  Bank to  impose  administrative fine | 79B.(1) Without prejudice to any of the provisions of this Act or any other written law for the time being in force, it shall be lawful for the Central Bank, after affording an opportunity of being heard, to impose an |

administrative fine on any person who   
contravenes the provisions of subsections (1C),   
(3) and (4) of section 12, section 19, section   
21, subsection (1) of section 38 or paragraph   
(*c*) of subsection (1) of section 46 of this Act.

(2) The Central Bank shall, in determining   
to impose an administrative fine, take into   
consideration-

(*a*) the gravity of such contravention;

(*b*) whether there is any recurrence of   
 such contravention;

(*c*) whether any loss or damage is caused   
 to the depositors or any other person   
 consequent of such contravention;

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

(*e*) the financial resources of such

person;

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(*f*) any mitigating factors; and

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

(3) The Central Bank shall determine the   
procedure and manner for imposing an   
administrative fine on a person under subsection   
(1) and the amount of such fine, in proportion to   
the contravention so committed.”.

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| --- | --- | --- |
| **44.** Section 83A of the principal enactment is hereby amended by the substitution for the words “and such bank”of the words “licensed specialised bank and such bank”.  **45.** The following new sections are hereby inserted immediately after section 83C of the principal enactment and shall have effect as sections 83D and 83E of that enactment:- | | Amendment of section 83A of the principal  enactment  Insertion of new sections 83D and 83E in the  principal  enactment |
| “Delegation | 83D. The Central Bank may, if it considers |
| of its powers, duties and | necessary, delegate any of its powers, duties |
| functions by the Central  Bank | and functions under this Act to the Governor, Deputy Governor, Assistant Governor, Director |

of Bank Supervision or any other officer of the   
Central Bank who shall not be below the rank   
of a Head of the Department, or any committee   
consisting of such officers of the Central Bank,   
as the case may be, to carry on any such powers,   
duties and functions under this Act.

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Central 83E. (1) The Central Bank may, by notice Bank to in writing, inform any person other than a inform any   
person to licensed commercial bank, a licensed

furnish any specialised bank, a director, Chief Executive information Officer or an officer performing executive & c.

functions of such bank, to furnish, within such   
period as specified in the notice, any   
information or produce any document as   
specified in such notice and as the Central Bank   
may consider necessary for the exercise,   
performance and discharge of the powers,   
duties and functions under this Act.

(2) Notwithstanding anything to the   
contrary in any other written law, it shall be   
the duty of any person who receives a notice   
under subsection (1) to comply with the   
requirements of such notice within the period   
specified therein.”.

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| Amendment of  section 86 of the principal  enactment | **46.** Section 86 of the principal enactment is hereby amended as follows:- | |
| (1) | by the insertion immediately after the definition of |

the expression “accommodation”, of the following:-

““Auditor General” means the Auditor General   
appointed under Article 153 of the   
Constitution;”;

(2) by the insertion immediately after the definition of   
the expression “banking business”, of the   
following:-

““beneficial owner” means a natural person who   
ultimately owns or controls ten *per centum*   
or more of a company, in whole or in part,

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through direct or indirect ownership or   
control of shares or voting rights or other   
ownership interest in that company, and   
also includes a natural person who   
exercises effective control through other   
means, and beneficial ownership is to be   
construed accordingly;

“Board of Directors of a branch of a licensed   
commercial bank incorporated outside Sri   
Lanka” means the Head Office or Regional   
Office of such licensed commercial bank   
that supervises the respective branch or a   
management committee for which powers   
on overseeing the management have been   
delegated by such Head Office or the   
Regional Office, as the case may be, to act   
as the Board of Directors of such branch;”;

(3) by the insertion immediately after the definition  
 “concern” of the following:-

““control relationship” means the ability of one   
borrower of a licensed commercial bank   
to influence over the activities of other   
borrowers of such bank;”;

(4) by the repeal of the definition of the expression  
 “Director of Bank Supervision” and the substitution   
 therefor of the following:-

““Director of Bank Supervision” means an   
employee of the Central Bank who is the   
head of the department of the Central Bank   
which is entrusted with the regulation and   
supervision of the licensed commercial   
banks and licensed specialised banks in   
Sri Lanka;”;

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(5) by the repeal of the definition of the expression  
“domestic banking business”, and the substitution   
therefor of the following:-

““economic interdependence” means the   
dependence of one borrower of a licensed   
commercial bank on a business of any   
other borrower of such bank where it is   
likely that the financial difficulties of the   
latter may impair the repayment capacity   
of the first mentioned borrower;

“engagement partner” means the partner or other   
person in the audit firm who is responsible   
for the audit engagement and its   
performance, and for the auditor’s report   
that is issued on behalf of the audit firm,   
and who, where required, has the   
appropriate authority from a professional,   
legal or regulatory body;

“exposures” means accommodation and all   
 financial investments;”;

(6) by the insertion immediately after the definition of   
the expression “head office of a commercial bank”  
of the following:-

““international standards” means the standards   
that comprise of principles, guidelines,   
processes, or characteristics, that have been   
developed through the consensus of   
experts from many countries and published   
by a globally recognized institution   
including the Basel Committee on   
Banking Supervision, the Financial   
Stability Board and such other similar   
standard setting institution;”;

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(7) by the insertion immediately after the definition of   
 the expression “local authority” of the following:-

““Minister” means the Minister assigned the   
subject of Finance in terms of Article 44   
or 45 of the Constitution;”;

(8) by the insertion immediately after the definition of   
 the expression “Monetary Board” of the following:-

““non-financial subsidiary” means a subsidiary   
of a licensed commercial bank or a licensed   
specialised bank which carries out the   
business other than the business of a  
‘financial sector participant’ as defined in   
the Central Bank of Sri Lanka Act, No.16   
of 2023;”;

(9) by the insertion immediately after the definition of   
 the expression “non-resident” of the following:-

““offshore banking business” means the   
provision of banking business by a   
licensed commercial bank in any   
designated foreign currency to non-  
residents, and to certain residents as may   
be determined by the Central Bank, from   
time to time;

“physical presence” means meaningful mind   
and management located within a country   
and does not include simple or mere   
existence of a local agent or low-level staff   
of such country; ”;

(10) by the insertion immediately after the definition“resident” of the following: -

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““shareholder” shall have the same meaning as   
given in the Companies Act, No. 07 of   
2007;

“shell bank” means a bank that has no physical   
presence in the country in which it is   
incorporated and licensed, and which is   
unaffiliated with a financial group that is   
subject to effective consolidated   
supervision;”;

(11) in the definition of the expression “substantial interest” by the substitution for the words “on behalf of such firm.” of the words “on behalf of such firm;”; and

(12) by the addition immediately after the definition of the expression “substantial interest” of the following: -

““unlawful activity” shall have the same   
meaning as given in the Prevention of   
Money Laundering Act, No. 5 of 2006.”

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| Amendment of Schedule II of the principal | **47.** Schedule II of the principal enactment is hereby amended as follows:- |

enactment   
 (1) in item (*z*) thereof, by the substitution for the words “to the buyer.” of the words “to the buyer;”; and

(2) by the addition immediately after item (*z*), the   
following:-

“(*aa*) conducting offshore banking business.”.

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| *Banking (Amendment) Act, No. 24 of 2024* | 41 | Special  provision  relating to the Schemes  formulated by the Monetary Board under  section 76M |
| **48.** Notwithstanding the repeal of subsection (3C) of section 76M of the principal enactment by this Act, any Scheme formulated by the Monetary Board under subsection (3C) of that section shall continue to be in force until the liabilities of depositors and creditors of the defaulting bank referred to in that subsection are settled in full in accordance | |

with the terms and conditions of such Scheme.

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| **49.** In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail. | Sinhala text to  prevail in case of inconsistency |

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| 42 | *Banking (Amendment) Act, No. 24 of 2024* |
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