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**SRI LANKA**   
**Part II of February 02, 2024**

**SUPPLEMENT**

*(Issued on 06.02.2024)*



**BANKING (AMENDMENT)**

**A**

**BILL**

**to amend the Banking Act, No. 30 of 1988**

*Ordered to be published by the Minister of Finance,*

*Economic Stabilization and National Policies*

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*STATEMENT OF LEGAL EFFECT*

*Clause 2* : This clause amends section 2 of the Banking Act, No. 30 of 1988 (hereinafter referred to as the “principal enactment”) and the legal effect of the section as amended is to exclude a shell bank from the definition of “company” for the purposes of that section.

*Clause 3* : This clause inserts new section 2A to the principal enactment and the legal effect of the new section is to provide for minimum licensing requirements to be possessed by a company to apply for a licence.

*Clause 4* : This clause amends section 3 of the principal enactment and the legal effect of the section as amended is to require a company to submit an application fee and the audited financial statements for the purpose of that section.

*Clause 5* : This clause amends section 4 of the principal enactment and the legal effect of the section as amended is to assign the functions carried out by the Monitory Board to the Central Bank relating to the commencement of banking business of companies, and body corporates incorporated outside Sri Lanka, within Sri Lanka.

*Clause 6* : This clause amends section 5 of the principal enactment and the legal effect of the section as amended is to remove the reference to domestic banking business and offshore banking business considering the elimination of the demarcation between domestic banking business and the offshore banking business.

*Clause 7* : This clause amends section 8 of the principal enactment and the legal effect of the section as amended is to provide for the Director of Bank Supervision to inform the annual licence fee payable by the licensed commercial banks

*Clause 8* : This clause amends section 9 of the principal enactment and the legal effect of the section as amended is to provide for cancellation of licence of a licensed commercial bank, if it becomes insolvent and winding up proceedings have been instituted against such bank.

*Clause 9* : This clause amends section 11 of the principal enactment and the legal effect of the section as amended is to provide for the applicability of the provisions of the Banking (Special Provisions) Act, No.17 of 2023 as such Act has included the provisions relating to the compulsory liquidation of a licensed commercial bank.

*Clause 10* : This clause amends section 12 of the principal enactment and the legal effect of the section as amended is –

(*a*) to take away the requirement to obtain the concurrence of the Minister to carry out transactions specified in that section;

(*b*) to require to consult the Minister to open, close or relocate a branch or representative office of any licensed commercial bank in any place outside Sri Lanka;

(*c*) to introduce the ability for a licensed commercial bank to acquire a licensed finance company or a part of a business of a licensed finance company or to sell all or part of the bank’s business;

(*d*) to provide for an application fee as determined by the Central Bank to be paid by foreign banks which intend to open representative offices in Sri Lanka;

(*e*) to permit a licensed commercial bank or a branch thereof to merge or consolidate with a licensed finance company;

(*f*) to introduce a new paragraph (*f*) to subsection (1) of that section by enabling a licensed commercial bank or licensed specialized 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;

(*g*) to enable the Central Bank to direct the licensed commercial bank or an individual, a partnership or a body corporate, as the case may be, who has contravened the provisions of subsection (1C) of that section, to dispose of or sell such shares acquired in excess of material interest in the respective licensed commercial bank; and

(*h*) to provide for actions that can be taken by the Central Bank in cases of breaches of acquisitions of material interest.

*Clause 11* : This clause amends section 13 of the principal enactment and the legal effect of the section as amended is to take away the requirement to obtain the approval of the Minister in cases of withdrawal of approvals granted under section 12 of the principal enactment.

*Clause 12* : This clause amends section 17 of the principal enactment and the legal effect of the section as amended is to require licensed commercial banks to divest ownership in non-financial subsidiaries that do not provide services to the licensed commercial bank, or its banking group and grant a transitional period of five years for the disposal of bank’s shareholding in such non-financial subsidiaries.

*Clause 13* : This clause amends section 19 of the principal enactment and the legal effect of the section as amended is –

(*a*) to alter the period required by any licensed commercial bank to augment its equity capital to twelve months or such other period as determined by the Central Bank, and to alter the period required by every licensed commercial bank to augment its equity capital due to a variation of the capital adequacy ratio by the Central Bank to twelve months or such other period as determined by the Central Bank; and

(*b*) to require any licensed commercial bank to maintain additional capital as appropriate considering the specific risks emanating from the business of such licensed commercial bank.

*Clause 14* : This clause amends section 21of the principal enactment and the legal effect of the section as amended is –

(*a*) to provide for the requirement of maintaining liquid assets by licensed commercial banks to meet their liabilities as may be determined by the Central Bank, from time to time, having regard to development in the regulatory requirement; and

(*b*) to recognize the Central Bank’s ability to determine additional liquid assets required to be maintained by licensed commercial bank to meet its liabilities and require licensed commercial banks to maintain such assets as determined by the Central Bank.

*Clause 15* : This clause amends section 22 of the principal enactment and the legal effect of the section as amended is to enable the Central Bank to issue directions on declaration of dividends by licensed commercial banks.

*Clause 16* : This Clause inserts new section 22A in the principal enactment and the legal effect of the new section is to enable the Central Bank to designate foreign currencies for the purpose of carrying on offshore banking business.

*Clause 17* : This clause repeals Part IV of the principal enactment and is consequential to the amendment made to section 5 of the principal enactment by Clause 6.

*Clause 18* : This clause amends section 35 of the principal enactment and the legal effect of the section as amended is to require any licensed commercial bank to prepare financial statements on both solo and consolidated basis.

*Clause 19* : This Clause repeals section 36 of the principal enactment and is consequential to the amendment made to section 35 of the principal enactment by Clause 18.

*Clause 20* : This Clause repeals section 37 of the principal enactment and is consequential to the amendment made to section 35 of the principal enactment by Clause 18.

*Clause 21* : This clause amends section 38 of the principal enactment and the legal effect of the section as amended is to require any licensed commercial bank incorporated within Sri Lanka to transmit its audited financial statements in solo and consolidated basis, and to require any licensed commercial bank incorporated outside Sri Lanka to transmit its audited financial statements in respect of its business within Sri Lanka, within three months of the closure of its financial year to the Director of Bank Supervision and to publish such financial statements in the official website of the respective bank.

*Clause 22* : This clause amends section 39 of the principal enactment and the legal effect of the section as amended is to amend certain provisions relating to auditors, additional audits, audit reports and to require the licensed commercial banks to pay the cost of additional audit conducted on such banks instead of the Central Bank.

*Clause 23* : This clause amends section 41 of the principal enactment and the legal effect of that section as amended is to enable the Central Bank to cause an examination of any licensed commercial bank on a solo or consolidated basis without limiting to its subsidiaries.

*Clause 24* : This clause amends section 42 of the principal enactment and the legal effect of that section as amended is to provide for a licensed commercial bank not to appoint, elect, or nominate as a director of a licensed commercial bank, a person whose appointment, election or nomination has not been approved under subsections (5) and (6) of that section and to expand the responsibilities of the Board of directors of a licensed commercial bank.

*Clause 25* : This clause amends section 44A of the principal enactment and the legal effect of that section as amended is to require the chief executive officer and officers performing executive functions of a licensed commercial bank to be fit and proper persons for the respective positions as may be determined by the Central Bank in accordance with criteria set out in section 42(2) of the principal enactment.

*Clause 26* : This clause inserts new sections 44B and 44C in the principal enactment and the legal effect of the new section is to provide to make a person as not fit and proper even after the cessation of office of director, chief executive officer or an officer performing executive functions of a licensed commercial bank or any other financial institution, if such persons have committed or have been connected with the commission of any act involving fraud, deceit, dishonesty or other similar criminal activity or any other 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 be appointed, elected, or nominated as a director, chief executive officer or an officer performing executive functions of a licensed commercial bank or any other financial institution, subject an opportunity of being heard. Further, it provides that, the person so determined as not fit and proper under this section shall not be eligible to be appointed, elected, nominated or continued as a director, chief executive officer or an officer performing executive functions of a licensed commercial bank or any other financial institution regulated and supervised by the Central Bank. It also provides that the provisions of Part VI shall be prevailed over any other written law for the time being in force in the event of any conflict.

*Clause 27* : This clause amends section 46 of the principal enactment and the legal effect of that section as amended is to require the Central Bank to consider the asset size, scale, diversity, and complexity of operations of licensed commercial banks when issuing directions to such banks under that section, and broaden the limit on large exposures that can be granted by licensed commercial banks, to include control relationship and economic interdependence and grant a transitional period of three years or such other period to be determined by the Central Bank for such banks, to comply with the requirements specified in paragraph (*c*) of that section.

*Clause 28* : This clause repeals section 47(1) of the principal enactment and the legal effect of the section as amended is to limit the applicability of that section only to domestic banking business of licensed commercial banks and require any licensed commercial bank to deduct the amount of any accommodation granted by such bank in excess of the limits specified in subsection (4) of that section.

*Clause 29* : This clause repeals Part VIIA of the principal enactment and the legal effect is to provide for the applicability of the provisions of the Banking (Special Provisions) Act, No. 17 of 2023 as such Act has included provisions relating to vesting of banking business of a licensed commercial bank.

*Clause 30* : This clause repeals section 50 of the principal enactment and the legal effect of the section as amended is to repeal the provisions relating to the appointment of a liquidator as such provisions have been provided for in the Banking (Special Provisions) Act, No. 17 of 2023.

*Clause 31* : This clause amends section 55 of the principal enactment and the legal effect of the section as amended is to provide for the transfer of unclaimed monies and articles held in a safe deposit box of a licensed commercial bank subject to voluntary winding up, to a special account at the Central Bank or for the disposal of such monies and articles as directed by the Central Bank under the guidelines prepared to that effect.

*Clause 32* : This clause amends section 56 of the principal enactment and the legal effect of the section as amended is to provide for the procedure to be adopted regarding the cancellation of the licence of a licensed commercial bank subject to voluntary liquidation.

*Clause 33* : This clause repeals sections 57 to 69 of the principal enactment and the legal effect of the sections as amended is to provide for the applicability of the provisions of the Banking (Special Provisions) Act, No. 17 of 2023, as such Act has included the provisions relating to compulsory liquidation of licensed commercial banks.

*Clauses 34 and 35* : These clauses amend sections 70 and 72 of the principal enactment and is consequential to the amendments made to sections 63 and 68 of the principal enactment by Clause 33.

*Clause 36* : This clause repeals section 76D of the principal enactment and is consequential to the amendment made to Part IV of the principal enactment by Clause 17.

*Clause 37* : This clause amends section 76G of the principal enactment and the legal effect of the section as amended is to remove the requirement for obtaining the concurrence of the Minister for the minimum equity capital requirement to be maintained by licensed specialized banks.

*Clause 38* : This clause amends section 76H of the principal enactment and the legal effect of the section as amended is to provide for the applicability of section 21 of the principal enactment to licensed specialized banks as well.

*Clause 39* : This clause amends section 76J of the principal enactment and the legal effect of the section as amended is to expand the ability of the Central Bank to consider asset size, scale, diversity, and complexity of operations of licensed specialized banks when issuing directions to such licensed specialized banks under that section.

*Clause 40* : This clause amends section 76K of the principal enactment and the legal effect of the section as amended is to include the applicability of sections 47,48A, 49 and 49A of the principal enactment to licensed specialized banks as well.

*Clause 41* : This clause amends section 76M of the principal enactment and the legal effect of the section as amended is to provide for the applicability of provisions of the Banking (Special Provisions) Act, No. 17 of 2023 as such Act has included provisions relating to the compulsory liquidation of the licensed specialized banks.

*Clause 42* : This clause amends section 79 of the principal enactment and is consequential to the amendment made to Part IV of the principal enactment by Clause 17.

*Clause 43* : This clause inserts a new section 79B in the principal enactment and the legal effect of the new section is to enable the Central Bank to impose administrative fines for contraventions of the certain provisions of the principal enactment, and the Central Bank to determine the procedure for imposing administrative fines on a person and the amount of such fine, in proportion to the contravention so committed.

*Clause 44* : This clause amends section 83A of the principal enactment and the legal effect of the section as amended is to extend the non-applicability of provisions in the Pawn Brokers Ordinance (Chapter 99) to licensed specialized banks as well.

*Clause 45* : This clause inserts new sections 83D and 83E in the principal enactment and the legal effect of the new sections is to provide for –

(*a*) the Central Bank to delegate any of its powers, duties, and functions to certain officers holding specified designations in the Central Bank or any committee consisting of such officers; and

(*b*) the Central Bank to inform any person to furnish any information that the Central Bank may consider necessary to discharge its powers, duties and functions under the principal enactment.

*Clause 46* : This clause amends section 86 the principal enactment and the legal effect of the section as amended is to include the definitions of the Auditor General, beneficial ownership, Board of Directors of a branch of a licensed commercial bank incorporated outside Sri Lanka, control relationship, Director of Bank Supervision, economic interdependence, engagement partner, exposures, international standards, Minister, non-financial subsidiary, offshore banking business, physical presence, shareholder, shell bank and unlawful activities.

*Clause 47* : This clause amends Schedule II of the principal enactment and the legal effect is to include offshore banking business as a permissible activity for licensed commercial banks.

*Clause 48* : This clause introduces a savings provision to the principal enactment to capture the Scheme formulated by the Monetary Board under section 76M of the principal enactment to continue to be in force until the liabilities of depositors and creditors of the defaulting bank referred to in subsection (3C) of that section are fully settled, in accordance with the terms and conditions of such Scheme.

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| --- | --- |
| *Banking (Amendment)* | 1 |

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: -

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | **1.** (1) This Act may be cited as the Banking (Amendment) | | Short title |
| Act, No. of 2024. | | 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”)*.*

|  |  |  |
| --- | --- | --- |
| 10 | **2.** Section 2 of the Banking Act, No.30 of 1988 | Amendment |
| (hereinafter referred to as the “principal enactment”) is hereby | of section 2 |
| of Act, No. |
| amended in subsection (6) thereof by the substitution for |
| 30 of 1988 |
| 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”.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 15 | **3.** The following section is hereby inserted immediately | | | Insertion of |
| after section 2 of the principal enactment and shall have | | | section 2A in |
| the principal |
| 20 | effect as section 2A of that enactment:- | | |
| enactment |
| “Eligibility | 2A.The following matters shall be taken into | |
| criteria to | consideration by the Central Bank in | |
| apply for a licence | 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;

|  |  |  |
| --- | --- | --- |
| 15 | (*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;

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 5 | 2 | | *Banking (Amendment)* | | Amendment |
| (*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; | | | |
| 10 | (*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 | | | |
| 15 | 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; | | | |
| 20 |
| (*h)* | | | establishment of a licensed commercial |
| bank in Sri Lanka will be in the interest | | | |
| of the viability and stability of the | | | |
| 25 | 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 | | | |
| 30 | as follows:- | | | | of section 3 |
| of the |
| (1) | in subsection (1) thereof, by the substitution for the | | |
| principal |
| enactment |
| 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:-

*Banking (Amendment)*  3

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

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

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 10 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.

15 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.”;

|  |  |  |
| --- | --- | --- |
| 20 | (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

25 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

30 be issued with a licence to carry on banking business in Sri Lanka.

4 *Banking (Amendment)*

(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 5 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 10 adequacy and availability of liquidity subject to such terms and conditions as may be specified in such direction.”.

|  |  |  |
| --- | --- | --- |
| 15 | **6.** Section 5 of the principal enactment is hereby amended | Amendment |
| by the repeal of paragraph (a) of subsection (2) thereof and | of section 5 |
| of the |
| the substitution therefor of the following:- |
| principal |

enactment

“(*a*) whether such company is authorized to carry on banking business;”.

|  |  |  |
| --- | --- | --- |
| 20 | **7.** Section 8 of the principal enactment is hereby amended | Amendment |
| of section 8 |
| in subsection (2) thereof by the substitution for the words |
| of the |
| and figure “(2) The Monetary Board” of the words and figure |
| principal |
| “(2) The Director of Bank Supervision”. | enactment |
| **8.** Section 9 of the principal enactment is hereby amended | Amendment |
| of section 9 |
| in subsection (1) thereof by the repeal of paragraph (*c*) thereof |
| of the |
| and the substitution therefor of the following: - |
| principal |

enactment

|  |  |  |
| --- | --- | --- |
| 25 | “(*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 30 depositors and creditors; or”.

|  |  |  |
| --- | --- | --- |
| *Banking (Amendment)* | 5 | Amendment of section 11 of the |
| **9.** Section 11 of the principal enactment is hereby amended as follows: - | |

principal

|  |  |  |
| --- | --- | --- |
| (1) | in subsection (2) thereof, by the substitution for the | enactment |

words “shall commence in accordance with the 5 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.”;

|  |  |  |
| --- | --- | --- |
| 10 | (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 15 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.”;

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | (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

|  |  |  |
| --- | --- | --- |
| 25 | (*c*) | “such amalgamation:”; and |
| 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:”.

|  |  |  |
| --- | --- | --- |
| 6 | *Banking (Amendment)* | Amendment of section 12 of the |
| **10.** Section 12 of the principal enactment is hereby amended as follows:- | |

principal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5 | (1) | in subsection (1) thereof- | | enactment |
| (*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 10 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: -

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| --- | --- | --- |
| 15 | “(*c*) | for a licensed commercial bank to |

acquire the business or part of the

|  |  |  |  |
| --- | --- | --- | --- |
| business | of | another | licensed |

commercial bank, licensed specialised bank or a licensed finance company, or 20 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;”;

|  |  |  |
| --- | --- | --- |
| 25 | (*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;”;

*Banking (Amendment)*  7

(*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 5 specialised bank or a licensed finance company;”;

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

|  |  |  |
| --- | --- | --- |
| 10 | “(*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.”;

|  |  |  |
| --- | --- | --- |
| 15 | (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 20 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 25 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 30 addition to the following matters:-

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

|  |  |  |
| --- | --- | --- |
| 8 | (*b*) | *Banking (Amendment)* |
| 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 5 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;

|  |  |  |
| --- | --- | --- |
| 10 | (*e*) | and |
| transparency in ownership structure and the |

beneficial ownership.”;

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

15 “(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 20 licensed commercial bank incorporated or established within Sri Lanka by or under any written law without the prior written approval of the Central Bank.

|  |  |
| --- | --- |
| 25 | (*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 30 subsection (3), the secretary of a licensed

*Banking (Amendment)*  9

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

|  |  |
| --- | --- |
| 5 | 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 10 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 15 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 20 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 25   
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).

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

10 *Banking (Amendment)*

“acting in concert” means acting pursuant to an understanding (whether formal or informal) to actively co-operate in acquiring a material interest in a 5 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 10 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

15 or remove a director, chief executive officer or an officer performing executive functions of the licensed commercial bank or to exercise control

|  |  |  |
| --- | --- | --- |
| 20 | (4) | over the policies of such bank pursuant |
| to a contract or otherwise.”; |
| 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

|  |  |  |
| --- | --- | --- |
| 25 | (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 30 the information submitted by the licensed commercial bank or on its own findings that any individual, partnership or body corporate

*Banking (Amendment)*  11

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 5 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 10 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 15 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 20 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 25 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 30 who has contravened the provisions of subsection (1C);

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

12 *Banking (Amendment)*

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

5 (*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 10 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

|  |  |  |  |
| --- | --- | --- | --- |
| 15 | instructions to that effect is issued by the | | Amendment |
| Central Bank.”. | |
| **11.** Section 13 of the principal enactment is hereby | |
| 20 | amended as follows:- | | of section 13 |
| of the |
| (1) | in subsection (1) thereof, by the substitution for | principal |
| enactment |
| 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

|  |  |
| --- | --- |
| 25 | Monetary Board shall, with the approval of the Minister -” of the words “before the Central Bank |

under subsection (2), the Central Bank shall, –”.

|  |  |  |
| --- | --- | --- |
| 30 | **12.** Section 17 of the principal enactment is hereby | Amendment |
| amended by the insertion of the following immediately after | of section 17 |
| of the |
| subsection (4) thereof:- |
| principal |
| “(4A) Any licensed commercial bank having a non- | enactment |
| financial subsidiary that does not provide services to |

such licensed commercial bank or its banking group as

*Banking (Amendment)*  13

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 5 which such bank will discontinue the business carried out by such subsidiary.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | **13.** Section 19 of the principal enactment is hereby | | Amendment |
| amended as follows:- | | of section 19 |
| of the |
| (1) | in paragraph (*b*) of subsection (1) thereof, by the | principal |
| enactment |
| substitution for the words “and with the | |

concurrence of the Minister, determine, from time   
to time.” of the words “determine, from time to   
time.”;

|  |  |  |
| --- | --- | --- |
| 15 | (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

|  |  |
| --- | --- |
| 20 | 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.”;

|  |  |  |
| --- | --- | --- |
| 25 | (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

|  |  |
| --- | --- |
| 30 | 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.”;

|  |  |  |
| --- | --- | --- |
| 14 | (4) | *Banking (Amendment)* |
| 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 5 the Central Bank may consider appropriate having regard to the specific risks emanating from the business of such licensed commercial bank.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | **14.** Section 21 of the principal enactment is hereby | | Replacement |
| repealed and the following is substituted therefor: - | | of section 21 |
| of the |
| “Liquid | 21.(1) Every licensed commercial bank | principal |
| enactment |
| 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

|  |  |
| --- | --- |
| 15 | requirements on liquidity having regard to the developments in the regulatory |

requirements, and the Central Bank shall, as   
far as practicable, adopt international

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 20 | standards | applicable | on | liquidity |
| requirements of such licensed commercial bank. | | | |

(2) Without prejudice to the provisions of   
subsection (1), the Central Bank may, from

|  |  |
| --- | --- |
| 25 | 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

|  |  |  |
| --- | --- | --- |
| 30 | Bank.”. | Replacement |
| **15.** Section 22 of the principal enactment is hereby |
| repealed and the following is substituted therefor: - | of section 22 |
| of the |

principal   
enactment

|  |  |  |
| --- | --- | --- |
| “Payment of  dividends | *Banking (Amendment)* | 15 |
| 22.The Central Bank may, from time to time, having considered the capital or liquidity | |

levels of a licensed commercial bank, issue directions to such licensed commercial bank 5 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.”.

|  |  |  |
| --- | --- | --- |
| 10 | **16.** The following section is hereby inserted immediately | Insertion of |
| after section 22 of the principal enactment and shall have | section 22A |
| in the |
| effect as section 22A of that enactment:- |
| 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

|  |  |  |
| --- | --- | --- |
| 15 | **17.** Part IV of the principal enactment is hereby repealed. | Repeal of |
| Part IV of the |

principal   
enactment

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | **18.** Section 35 of the principal enactment is hereby | | Replacement |
| of section 35 |
| repealed and the following is substituted therefor:- | |
| of the |
| “Preparation of financial  statements by licensed | 35. Every licensed commercial bank shall maintain accounts and records and prepare financial statements in accordance with | principal |
| enactment |
| 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 25 reflect its operations and financial condition both on a solo and consolidated basis.”.

|  |  |  |
| --- | --- | --- |
| 16 | *Banking (Amendment)* | Repeal of  section 36 of the principal |
| **19.** Section 36 of the principal enactment is hereby repealed. | |

enactment

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

enactment

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | **21.** Section 38 of the principal enactment is hereby | | Replacement |
| of section 38 |
| repealed and the following is substituted therefor:- | |
| of the |
| “Publication of financial  statements by licensed | 38.(1) Every licensed commercial bank incorporated or established within Sri Lankashall- | principal |
| enactment |

commercial

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | banks | (*a*) | transmit within three months after |

the closure of its financial year,

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

Supervision, its audited financial statements in solo and 15 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

20 places of business until thesolo and consolidated financial statements for the succeeding financial year are prepared and exhibited; and

|  |  |  |
| --- | --- | --- |
| 25 | (*c*) | publish such statements at least |
| once within the period specified |

in paragraph (*a*) in at least one

*Banking (Amendment)*  17

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

|  |  |  |
| --- | --- | --- |
| 5 | (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 10 Supervision, its audited financial statements for such financial year in respect of its business in Sri Lanka;

|  |  |  |
| --- | --- | --- |
| 15 | (*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

|  |  |  |
| --- | --- | --- |
| 20 | (*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 25 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

|  |  |
| --- | --- |
| 30 | 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.

18 *Banking (Amendment)*

(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, 5 the Central Bank may, by notice in writing, require such bank –

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 10 | (*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.”.

|  |  |  |
| --- | --- | --- |
| 15 | **22.** Section 39 of the principal enactment is hereby | Amendment |
| of section 39 |
| amended as follows:- |
| of the |

principal

|  |  |  |  |
| --- | --- | --- | --- |
| (1) | in subsection (1) thereof - | | enactment |
| (*a*) | by the substitution in paragraph (*a*), for the |

words “the accounts balance sheet and profit 20 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

|  |  |  |
| --- | --- | --- |
| 25 | (2) | “financial statements”; |
| by the insertion, immediately after subsection (1) |

thereof of the following:-

*Banking (Amendment)*  19

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

|  |  |  |
| --- | --- | --- |
| 5 | (*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 10 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 15 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.”;

|  |  |  |
| --- | --- | --- |
| 20 | (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 25 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 30 a licensed commercial bank and where the auditor

20 *Banking (Amendment)*

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.*”*;

|  |  |  |
| --- | --- | --- |
| 5 | (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.”;

|  |  |  |
| --- | --- | --- |
| 10 | (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

|  |  |
| --- | --- |
| 15 | 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.

20 (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

|  |  |  |
| --- | --- | --- |
| 25 | (6) | this section.”; |
| 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

30 the Institute of Chartered Accountants of Sri Lanka

*Banking (Amendment)*  21

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 5 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 10 provisions of this section within a period of two years from the appointed date.”; and

|  |  |  |  |
| --- | --- | --- | --- |
| 15 | (7) | by the repeal of subsection (8) thereof. | Amendment |
| **23.** Section 41 of the principal enactment is hereby | |
| amended in subsection (1) thereof, by the substitution for | | of section 41 |
| of the |
| the words “or any of its subsidiaries,” of the words “on solo | |
| principal |
| and consolidated basis”. | | enactment |
| **24.** Section 42 of the principal enactment is hereby | | Amendment |
| of section 42 |
| amended as follows: - | |
| of the |

principal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 20 | (1) | in subsection (2) thereof - | | enactment |
| (*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, 25 economics, accounting, business administration, information technology, risk management, law or any other relevant discipline as may be determined by the Central Bank;”;

22 *Banking (Amendment)*

(*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

|  |  |
| --- | --- |
| 5 | 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

|  |  |
| --- | --- |
| 10 | authority, professional association, Commission of Inquiry, or any other |

body established by law, in Sri Lanka   
or outside Sri Lanka.”;

|  |  |  |
| --- | --- | --- |
| 15 | (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

|  |  |
| --- | --- |
| 20 | 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,

|  |  |  |
| --- | --- | --- |
| 25 | (*b*) | election or nomination, as the case may be; |
| 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

|  |  |  |
| --- | --- | --- |
| 30 | (3) | office as such director, within fifteen days of |
| such bank becoming aware of such facts.”; |
| by the insertion, immediately after subsection (4) |

thereof of the following: -

*Banking (Amendment)*  23

“(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

|  |  |  |
| --- | --- | --- |
| 5 | (4) | referred to in subsection (1) or (2).”; |
| 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 10 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

|  |  |  |
| --- | --- | --- |
| 15 | (5) | licensed commercial bank in any capacity.”; |
| 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 20 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 25 consistent with safe and sound banking practices.”; and

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

24 *Banking (Amendment)*

“(13) Notwithstanding anything to the contrary   
in any other written law, the Central Bank shall,   
from time to time, determine the number of members

|  |  |
| --- | --- |
| 5 | of the Board of Directors of a licensed commercial bank which number shall not be less than seven in |

any case.”.

|  |  |  |
| --- | --- | --- |
| 10 | **25.** Section 44A of the principal enactment is hereby | Amendment |
| amended by the repeal of subsection (1) thereof and the | of section |
| 44A of the |
| substitution therefor of the following:- |
| principal |
| “(1) The Chief Executive Officer and such other | enactment |

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 15 subsection (2) of section 42 shall, *mutatis mutandis*, apply in determining whether such personsare fit and proper persons.”.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 20 | **26.** The following sections are hereby inserted | | | Insertion of |
| immediately after section 44A of the principal enactment | | | sections 44B |
| and 44C in |
| and shall have effect as sections 44B and 44C of that | | |
| the principal |
| 25 | enactment: - | | |
| 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 |
| 30 | 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 | |
| 35 | 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 | |

*Banking (Amendment)*  25

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 5 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 10 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 15 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 20 officer or other officer performing executive functions of a licensed commercial bank or any other financial institution regulated and supervised by the Central Bank.

|  |  |  |
| --- | --- | --- |
| 25 | This Part of | 44C.In the event of any conflict or |
| this Act to | inconsistency between the provisions of this |
| prevail in |
| Part of this Act and the provisions of any other |
| case of |
| inconsistency | written law for the time being in force, the |

provisions of this Part shall prevail.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | **27.** Section 46 of the principal enactment is hereby | | Amendment |
| amended in subsection (1) thereof as follows:- | | of section 46 |
| of the |
| (1) | by the substitution for the words “directions to | principal |
| enactment |

licensed commercial banks” of the words

26 *Banking (Amendment)*

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

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | (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 10 including, as far as practicable, the adoption of international standards applicable on large exposures, as may be made by such bank-

|  |  |  |  |
| --- | --- | --- | --- |
| 15 | (i) | to any single company, public | |
| (ii) | corporation, firm, association of | |
| persons or an individual; or | |
| in the aggregate to- | |
| (A) | an individual, his close |

relations or to a company or 20 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 25 criteria is satisfied:-

(*a*) control relationship, a company and one or more of the followinghaving a control relationship with 30 each other:-

(i) its subsidiaries;

*Banking (Amendment)*  27

(ii) its holding company;

(iii) its associate company;

(iv) a subsidiary of its   
holding company;

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 5 | *(b*) | (v) a company in which a | | | | | |
| 10 | company referred to in | | | | | |
| item (*a*) of this sub | | | | | |
| subparagraph or its | | | | | |
| subsidiary, | | | or | | its |
| holding company, or a | | | | | |
| subsidiary | | | of | its | |
| 15 | holding company, has | | | | | |
| a substantial interest; | | | | | |
| (vi) an individual having a | | | | | |
| substantial interest in | | | | | |
| such company and the | | | | | |
| close relations of such | | | | | |
| individual; or | | | | | |
| 20 |
| (vii) any other company | | | | | |
| having | | direct | | | or |
| indirect control over | | | | | |
| such company as may | | | | | |
| be determined by the | | | | | |
| 25 |
| Central Bank; | | | | | |
| economic interdependence | | | | | |
| 30 | 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

35 date or such other period as may be

determined by the Central Bank.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | 28 | *Banking (Amendment)* | Amendment |
| **28.** Section 47 of the principal enactment is hereby | |
| amended as follows:- | | of section 47 |
| of the |
| (1) | by the repeal of subsection (1) thereof; | principal |
| enactment |
| (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:–

|  |  |  |
| --- | --- | --- |
| 10 | (*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

|  |  |
| --- | --- |
| 15 | 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;

|  |  |  |
| --- | --- | --- |
| 20 | (*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

|  |  |  |
| --- | --- | --- |
| 25 | (*e*) | of a bank incorporated outside Sri Lanka; |
| a director of a subsidiary or an associate |

company of the licensed commercial bank   
and a director of a holding company and its   
subsidiaries;

*Banking (Amendment)*  29

(*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

|  |  |  |
| --- | --- | --- |
| 5 | (*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), 10 (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 15 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 20   
 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 25 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.”.

|  |  |  |
| --- | --- | --- |
| 30 | *Banking (Amendment)* | Repeal of  Part VIIA of the principal |
| **29.** Part VIIA of the principal enactment is hereby repealed. | |

enactment

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

enactment

|  |  |  |
| --- | --- | --- |
| 5 | **31.** Section 55 of the principal enactment is hereby | Amendment |
| of section 55 |
| amended as follows:- |
| of the |

principal

|  |  |  |
| --- | --- | --- |
| (1) | by the substitution for the words and figure “in | enactment |

section 54 the name of such bank shall be removed   
from the list of licensed commercial banks and” of

|  |  |  |
| --- | --- | --- |
| 10 | (2) | the words and figure “in section 54”; |
| 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”;

|  |  |  |
| --- | --- | --- |
| 15 | (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

|  |  |
| --- | --- |
| 20 | 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.”;

|  |  |  |
| --- | --- | --- |
| 25 | (4) | by the repeal of the marginal note to that section, |

and the substitution therefor of the following:-

*Banking (Amendment)*  31

“Distribution of the outstanding   
assets among the owners of the

licensed commercial bank”.

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | **32.** Section 56 of the principal enactment is hereby | | Replacement |
| repealed and the following is substituted therefor:- | | of section 56 |
| “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 | of the |
| principal |
| enactment |
| 10 |
| 15 | the list | audited financial statements are approved by | Repeal of |
| 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 | |
| 20 | enactment are hereby repealed. | | sections 57 to |
| 69 of the |

principal   
enactment

|  |  |  |
| --- | --- | --- |
| 25 | **34.** Section 70 of the principal enactment is hereby | Amendment |
| amended in subsection (4), by the substitution for the words | of section 70 |
| and figures “with the undertaking. The provisions of sections | of the |
| 63 and 68 shall apply to the winding up of the affairs under | principal |
| enactment |
| this section.” of the words “with the undertaking.”. |
| 30 | **35.** Section 72 of the principal enactment is hereby | Amendment |
| amended in subsection (1) thereof, by the substitution for | of section 72 |
| the words and figures “(1) In addition to the articles | of the |
| principal |
| referred to in sections 63 and 68 the articles” of the words |
| enactment |
| and figure “(1) The articles”. |
| **36.** Section 76D of the principal enactment is hereby | Amendment |
| amended by the repeal of subsection (3) thereof. | of section |
| 76D of the |

principal   
enactment

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | 32 | *Banking (Amendment)* | Amendment |
| **37.** Section 76G of the principal enactment is hereby | |
| amended in subsection (1), by the substitution for the words | | of section |
| 76G of the |
| “the Monetary Board may with the concurrence of the | | principal |
| Minister,” of the words “the Central Bank may,”. | | enactment |
| **38.** Section 76H of the principal enactment is hereby | | Amendment |
| of section |
| amended by the substitution for the words and figure | |
| 76H of the |
| “provisions of Part V” of the words and figures “provisions | | principal |
| enactment |
| 10 | of section 21, Part V”. | |
| Amendment |
| **39.** Section 76J of the principal enactment is hereby | |
| amended in subsection (1) as follows:- | | of section 76J |
| of the |

principal

|  |  |  |
| --- | --- | --- |
| (1) | by the substitution for the words “regarding the | enactment |

manner in which any aspect of the business of such banks is to be conducted and in particular-” of the 15 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 20 which any aspect of the business of such banks is to be conducted and in particular -”; and

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | (2) | by the repeal of paragraph (*k*) thereof. | Amendment |
| **40.** Section 76K of the principal enactment is hereby | |
| of section |
| amended by the substitution for the words and figure | |
| 76K of the |
| “provisions of section 45 shall,” of the words and figures | | principal |
| “provisions of sections 45, 47, 48A, 49 and 49A shall,”. | | enactment |

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| 5 | *Banking (Amendment)* | | | | 33 | Amendment |
| **41.** Section 76M of the principal enactment is hereby | | | | |
| amended as follows:- | | | | | of section |
| 76M of the |
| (1) | in paragraph (*b*) of subsection (3) thereof, - | | | | principal |
| enactment |
| (*a*) | | by the repeal of subparagraph (i), and the | | |
| 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 10 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

|  |  |  |
| --- | --- | --- |
| 15 | (*b*) | in Sri Lanka.”; |
| 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 20 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

25 specifically provides for the winding up of the licensed commercial banks and licensed specialised banks in Sri Lanka.”; and

|  |  |  |
| --- | --- | --- |
| 30 | (2) | by the repeal of subsections (3A), (3B), (3C), (3D), |
| (3E), (3F) and (3G) thereof. |

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| --- | --- | --- | --- |
| 5 | 34 | *Banking (Amendment)* | Amendment |
| **42.** Section 79 of the principal enactment is hereby | |
| amended in subsection (1), by the substitution for the words | | of section 79 |
| and figures “subsection (3) of section 33, subsection (3) of | | of the |
| principal |
| section 41” of the words and figures “subsection (3) of section | |
| enactment |
| 41”. | |
| 10 | **43.** The following new section is hereby inserted | | Insertion of |
| immediately after section 79A of the principal enactment | | new section |
| 79B in the |
| and shall have effect as section 79B of that enactment:- | |
| principal |
| “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 | enactment |
| 15 | 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.

|  |  |
| --- | --- |
| 20 | (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;

|  |  |  |
| --- | --- | --- |
| 25 | (*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

|  |  |  |
| --- | --- | --- |
| 30 | (*e*) | benefitted from such contravention; |
| the financial resources of such |

person;

*Banking (Amendment)*  35

(*f*) any mitigating factors; and

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

(3) The Central Bank shall determine the

5 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | **44.** Section 83A of the principal enactment is hereby | | Amendment |
| of section |
| amended by the substitution for the words “and such bank” | |
| 83A of the |
| 15 | of the words “licensed specialised bank and such bank”. | | principal |
| enactment |
| **45.** The following new sections are hereby inserted | |
| Insertion of |
| new sections |
| immediately after section 83C of the principal enactment | |
| 83D and 83E |
| and shall have effect as sections 83D and 83E of that | | in the |
| principal |
| enactment:- | |
| enactment |
| 20 |
| “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,

25 duties and functions under this Act.

|  |  |  |
| --- | --- | --- |
| 5 | 36 | *Banking (Amendment)* |
| Central | 83E. (1) The Central Bank may, by notice |
| Bank to | in writing, inform any person other than a |
| inform any |
| licensed commercial bank, a licensed |
| person to |
| 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 10 may consider necessary for the exercise, performance and discharge of the powers, duties and functions under this Act.

(2) Notwithstanding anything to the

|  |  |
| --- | --- |
| 15 | 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | **46.** Section 86 of the principal enactment is hereby | | Amendment |
| amended as follows:- | | of section 86 |
| of the |
| (1) | by the insertion immediately after the definition of | principal |
| enactment |

the expression “accommodation”, of the following:-

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

|  |  |  |
| --- | --- | --- |
| 25 | (2) | Constitution;”; |
| by the insertion immediately after the definition of |

the expression “banking business”, of the   
following:-

““beneficial owner” means a natural person who 30 ultimately owns or controls ten *per centum*  or more of a company, in whole or in part,

*Banking (Amendment)*  37

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 5 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 10 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 15 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:-

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

|  |  |  |
| --- | --- | --- |
| 25 | (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 30 which is entrusted with the regulation and supervision of the licensed commercial banks and licensed specialised banks in Sri Lanka;”;

|  |  |  |
| --- | --- | --- |
| 38 | (5) | *Banking (Amendment)* |
| by the repeal of the definition of the expression |

“domestic banking business”, and the substitution   
therefor of the following:-

|  |  |
| --- | --- |
| 5 | ““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 10 of the first mentioned borrower;

“engagement partner” means the partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor’s report that is issued 15 on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body;

“exposures” means accommodation and all

|  |  |  |
| --- | --- | --- |
| 20 | (6) | financial investments;”; |
| by the insertion immediately after the definition of |

the expression “head office of a commercial bank”  
of the following:-

““international standards” means the standards 25 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

|  |  |
| --- | --- |
| 30 | including the Basel Committee on Banking Supervision, the Financial |

Stability Board and such other similar   
standard setting institution;”;

*Banking (Amendment)*  39

(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

|  |  |  |
| --- | --- | --- |
| 5 | (8) | or 45 of the Constitution;”; |
| by the insertion immediately after the definition of |

the expression “Monetary Board” of the following:-

““non-financial subsidiary” means a subsidiary

|  |  |
| --- | --- |
| 10 | 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;”;

|  |  |  |
| --- | --- | --- |
| 15 | (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 20 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 25 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; ”;

|  |  |  |
| --- | --- | --- |
| 30 | (10) | by the insertion immediately after the definition |
| “resident” of the following: - |

40 *Banking (Amendment)*

““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 5 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;”;

|  |  |  |
| --- | --- | --- |
| 10 | (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

|  |  |  |
| --- | --- | --- |
| 15 | (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.”

|  |  |  |
| --- | --- | --- |
| 20 | **47.** Schedule II of the principal enactment is hereby | Amendment |
| amended as follows:- | of Schedule |
| II of the |

principal

|  |  |  |
| --- | --- | --- |
| (1) | in item (*z*) thereof, by the substitution for the words | enactment |

“to the buyer.” of the words “to the buyer;”; and

|  |  |  |
| --- | --- | --- |
| 25 | (2) | by the addition immediately after item (*z*), the |
| following:- |

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

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | *Banking (Amendment)* | 41 | Special |
| **48.** Notwithstanding the repeal of subsection (3C) of | |
| section 76M of the principal enactment by this Act, any | | provision |
| relating to |
| Scheme formulated by the Monetary Board under subsection | |
| the Schemes |
| (3C) of that section shall continue to be in force until the | | formulated |
| liabilities of depositors and creditors of the defaulting bank | | by the |
| Monetary |
| referred to in that subsection are settled in full in accordance | |
| Board under |
| with the terms and conditions of such Scheme. | | section 76M |
| Sinhala text |
| **49.** In the event of any inconsistency between the Sinhala | |
| and Tamil texts of this Act, the Sinhala text shall prevail. | | to prevail in |
| case of |

inconsistency

|  |  |
| --- | --- |
| 42 | *Banking (Amendment)* |

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