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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 2048/15 – 2017 දෙසැම්බර් මස 04 වැනි සඳුදා – 2017.12.04

No. 2048/15 – MONDAY, DECEMBER 04, 2017

(Published by Authority)

PART I: SECTION (I) – GENERAL

Government Notifications

Rule No. 01 of 2017 – REGISTRATION CRITERIA

Issued under section 23 of the Microfinance Act, No.6 of 2016

- | | |
|----------------------------|---|
| 1. Eligibility | <p>1.1. To be eligible to apply for a certificate of registration as a microfinance non-governmental organization (microfinance NGO) under the Act, the applicant shall be a non-governmental organization registered under the Voluntary Social Service Organizations (Registration and Supervision) Act, No. 31 of 1980.</p> <p>1.2. Every applicant NGO shall have a track record on micro credit related activities for the minimum of three years which has to be proven by the submission of audited financial statements and a report on its microcredit related activities.</p> |
| 2. Minimum Net Worth | <p>2.1. Every applicant microfinance NGO shall have an initial minimum Net Worth of Rupees Five Million (Rs. 5,000,000/-) for National level (microfinance NGOs operating in more than one district) and Rupees Two Million (Rs. 2,000,000/-) for District level (microfinance NGOs operating in only one district) separately as specified in the Minimum Net Worth Rule No. 3 of 2017 or such higher amount as the Registrar may determine.</p> |
| 3. The Board's composition | <p>3.1. The number of directors in the board of management shall not be less than Five (5) and not more than Fifteen (15).</p> <p>3.2. The board shall have at least One Fourth (1/4) of female directors of the total number of directors.</p> <p>3.3. On any board of directors or equivalence there should not be more than 2 members of the same family. For this purpose family means spouse, children and siblings.</p> |



2A

කොටස: (I) ඡේදය - ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ අති විශේෂ ගැසට් පත්‍රය - 2017.12.04

PART I: SEC. (I) - GAZETTE EXTRAORDINARY OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA - 04.12.2017

- | | |
|------------------------------|---|
| 4. Submission of Application | 4.1. Every application for a registration shall be made in the Form "NSNGO/MFNGO/A" in Annexure I. |
| 5. Evaluation Fee | 5.1. Every applicant microfinance NGO shall pay a non-refundable evaluation fee of Rupees Twenty Thousand (Rs.20,000/-) for National level registration and Rupees Ten Thousand (Rs.10,000/-) for District level registration at the time of submitting the application to the National Secretariat for Non-Governmental Organizations. |

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

Annexure I

Form NSNGO/MFNGO/A

Confidential

APPLICATION FOR A REGISTRATION UNDER THE MICROFINANCE ACT, No. 6 OF 2016

Instructions

- (1) All applications should be type written or written in clear block letters.
- (2) If the space provided to give full details pertaining to an item of the application is not adequate, please use a separate sheet of paper wherever necessary. Such sheets should carry a cross reference to the relevant item. If an item is not applicable it must be clearly stated.
- (3) Every page of the completed application including annexures should be initialed by at least two directors.
- (4) All documents and statements referred to in Schedule I shall be submitted with the application.
- (5) Completed application signed by all Directors in the board of management of the applicant NGO along with the other required documents should be submitted to:

*Director General / Registrar
National Secretariat for Non-Governmental Organizations
Ministry of National Co-existence, Dialogue and Official Languages
3rd floor, Sethsiripaya,
Battaramulla*

[illegible]

1.6(A). Directors in the board of management

Full Name of director (Please begin with the name of the Chairman)	Residential Address	Date of Birth DD/MM/YYYY	National Identity Card (NIC) No.	Passport No.	Date of appointment as a director DD/MM/YYYY	Qualifications	Occupation a/	Contact Details
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
11.								
12.								
13.								
14.								
15.								

a/ Position held in other entity

1.7(B). Chief Executive Officer (CEO)/General Manager (GM)

Full Name of CEO/GM	Residential Address	Date of Birth DD/MM/YYYY	NIC No.	Passport No.	Date of appointment as a CEO/GM DD/MM/YYYY	Qualifications	Occupation a/	Contact Details
1.								

a/ Position held in other entity

1.7. Names and addresses of the NGO's bankers:

<i>Name of the Bank</i>	<i>Branch</i>	<i>Address</i>

1.8. Auditors (External)

1.8.1. Name of the Auditor, address and contact details:

1.8.2. Since which financial year has the said auditor audited the NGO?

1.8.3. Whether any of the partners/directors of the audit firm is a shareholder of the NGO. (If yes, give details):

1.8.4. Audit fees paid for the last three financial years :

1.8.5. Whether any financial accommodation is granted to the audit firm or a partner/director of the firm. (If yes, give details):

1.9. Auditors (Internal)

1.9.1. State whether the NGO has an internal auditor/internal audit functions:

If yes, provide the following details

(a) Name of the internal auditor:

(b) Qualifications and experience:

(c) Total staff available to the internal auditor and their qualifications:

<i>Name</i>	<i>Qualification</i>	<i>No. of Years in Service</i>
1.		
2.		
3.		
4.		
5.		

6A

I කොටස: (I) ඡේදය - ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ අති විශේෂ ගැසට් පත්‍රය - 2017.12.04

PART I: SEC. (I) - GAZETTE EXTRAORDINARY OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA - 04.12.2017

2. Net Worth of the NGO^{a/}

As at the end of the last three financial years and as at the end of the month immediately preceding the month in which the application is made.

(In Rupees '000)

<i>Item</i>		<i>20.....</i>	<i>20.....</i>	<i>20.....</i>	<i>As at</i>
(a)	Issued and fully paid ordinary shares (issued for cash)				
(b)	Grants				
(c)	General Reserves				
(d)	Statutory Reserves				
(e)	Retained profit or (loss)				
(f)	Net Worth (from (a) to (d))				

3. Details of the immovable properties (land and building)^{a/}

<i>Type of Immovable Property</i>	<i>Location</i>	<i>Cost</i>	<i>Revaluation (if any)</i>	
			<i>Date</i>	<i>Amount (Rs)</i>

a/ Refer item No. 5 of Schedule I

4. Large Exposures
 (10 largest exposures)

Name of Microfinance NGO	Nature of Relationship	Loan Type ¹	Classification ²	Loans & Advances			Collateral	
				Granted Amount (Rs. '000)	Outstanding (Rs. '000)	Amount (Rs. '000)	Amount (Rs. '000)	Type

¹ **HL** - Housing Loans **L** - Livelihood **C** - Consumption **O** - Others

² **C** - No arrears **O** - 30 to 60 days in arrears **S** - 61 to 90 days in arrears **D** - 91 to 180 days in arrears **L** - Over 180 days in arrears

[illegible]

6. Details of the borrowings as at end of the month immediately preceding the month in which the application is made.

<i>Name of the Source</i>	<i>Amount Received (Rs. '000)</i>	<i>Annual Interest Rate %</i>	<i>Date of Receipt of the Loan</i>	<i>Nature of Security</i>	<i>Amount Outstanding (Rs. '000)</i>
i.					
ii.					
iii.					
Total					

7. Current Lending Rates/Charges

<i>Category</i>	<i>Lending Rates (Range/Annual)</i>				<i>Default Charges</i>	
	<i>Less than 12 Months</i>	<i>12 Months</i>	<i>24 Months</i>	<i>Over 24 Months</i>	<i>%</i>	<i>Amount (Rs. '000)</i>
Housing Loans						
Livelihood						
Consumption						
Others						

We declare that the particulars stated in this application have been verified and are complete in all respects, and that the information is to our knowledge and belief true and accurate.

For and on behalf of
(NGO)

Names of directors	Signatures
1.
2.
3.
4.
5.
6.
7.
8.
9.
10.
11.
12.
13.
14.
15.

Date:

(Common seal of the NGO)

Schedule I

Documents to be submitted along with the application

1. A certified copy of the Certificate of Registration/Incorporation.
2. A certified copy of the Constitution, Memorandum and /or Articles of Association.
3. Affidavits and declarations of the directors in the board of management, CEO/General Manager and person selected for such appointment as per Schedule I (A) and Schedule I (B).
4. Certified copies of valuation reports of each revalued immovable property.
5. Audited financial statements of the applicant NGO and its holding NGO for the last three years.
6. Financial statements of the applicant NGO as at the end of the month immediately preceding the month in which the application is made.
7. Organization chart of the applicant NGO.
8. A copy of the manual of operations of the applicant NGO.
9. A projected financial report for the first 2 years of operation after obtaining registration.
10. Statement of the Board of directors in respect of the NGO's ability to comply with the Directions issued and Rules made under the Microfinance Act No. 6 of 2016.

Note: *In addition to the above, on receipt of the application, the Director General / Registrar of National Secretariat for Non-Governmental Organizations may, where deemed necessary, require the applicant to furnish such other documents, information or other particulars.*

Schedule I (A)

Format of the Affidavit to be Submitted by Directors, Chief Executive Officer/General Manager and Persons Selected for such Appointment

Affidavit

I, (full name) holder of National Identity Card No. / Passport No of (address) being a Buddhist/Hindu/Christian/Catholic/Muslim do hereby solemnly, sincerely and truly declare and affirm/make oath and state¹ as follows:

1. I am the affirmant / deponent above named.
2. I am a / the (designation) / I have been selected for appointment as a / the (designation) of (name of the NGO).

3. I affirm/state that I possess the following academic and /or professional qualification/s in the relevant fields:
.....
.....
4. I affirm/state that the effective experience I possess in microfinance business, banking, finance, law or administration or other relevant discipline is as follows:
.....
.....
.....
5. I affirm/ state that I am not being subjected to any investigation or inquiry in respect of a fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body, established by law, in Sri Lanka or abroad;
6. I affirm/ state that I have not been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that I have committed or have been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
7. I affirm/ state that I am not being subject to court proceedings or have been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
8. I affirm/ state that I have not been convicted by any court for an offence involving moral turpitude;
9. I affirm/ state that I have not been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;
10. I affirm/ state that I have not failed to satisfy any judgment or order of any court to repay a debt;
11. I affirm/ state that I have not been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad;
12. I affirm/ state that I have not been declared by a court of competent jurisdiction to be of unsound mind;
13. I affirm/ state that I am not a chief executive officer, director or holding any other position of authority in any licensed bank or a non-bank financial institution;
 - (i) whose licence or business has been cancelled or suspended on grounds of regulatory concerns; or
 - (ii) which has been wound up or is being wound up or which is being compulsorily liquidated whether in Sri Lanka or abroad.
14. I affirm/ state that I am not a director or an employee of another licensed microfinance company.

The averments contained herein were read over to the affirmant/ deponent who having understood the contents hereof and having accepted same as true, affirmed/ swore to and placed his/her signature before me at on this day of

}

Affix Stamps as
Applicable

Before me

**JUSTICE OF THE PEACE /
COMMISSIONER FOR OATHS**

Note:

- ¹- *Delete inapplicable words.
Christians and Catholics must make oath and state and Buddhists, Hindus, Muslims and persons following any other religion must declare and affirm.*

Schedule I (B)

Name of the NGO:

Declaration to be submitted by Directors/ Chief Executive Officer/General Manager/ Persons selected for such appointment (with enclosures as appropriate as of)

1. Personal Details

- 1.1 Full name :.....
- 1.2 National Identity Card Number :.....
- 1.3 Passport Number :.....
- 1.4 Date of birth :.....
- 1.5 Permanent address :.....
- 1.6 Present address :.....

2. Appointment to the NGO

- 2.1 Date of appointment to the board / present position :
- 2.2 Designation :.....
- 2.3 Local or expatriate :
- 2.4 Annual remuneration (If available):
- 2.5 Any other benefits received from the NGO(If available):

3. Background and Experience

Name/s of the other institutions in which he/she is or has been a director or has been employed as the Chief Executive Officer/ General Manager:

<i>Name of the institution</i>	<i>Period of office</i>	<i>Designation</i>

4. Any other explanation/information with regard to the information furnished above and other information considered relevant for assessing the suitability of the director, chief executive officer/general manager or person selected for such appointment in the applicant NGO.

DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NGO and the Director General/Registrar, National Secretariat for Non-Governmental organizations duly informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by any Statute from being appointed to the above post.

Date :

.....

*Signature of director / chief executive
officer/general manager/ person selected
for such appointment*

TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director/chief executive officer/general manager or person selected for such appointment.

Date :

.....

Signature of the Chairman of the Board of Director

12-589/1

Rule No. 02 of 2017 - REGISTRATION FEE

Issued under section 23(2) (b) of the Microfinance Act, No.6 of 2016

- | | | |
|-----------------------------|-----|---|
| 1. Initial Registration Fee | 1.1 | The registration fee payable by a Microfinance Non- Governmental Organization (MFNGO) in the year of registration shall be Rupees Twenty Thousand (Rs. 20,000/-) for National level and Rupees Ten thousand (Rs. 10,000/-) for District level shall be paid to the National Secretariat for Non-Governmental Organizations on or before the date of registration. |
| 2. Annual Renewal Fee | 2.1 | Every MFNGO shall pay and annual renewal fee for every subsequent year to the year of registration, to the National Secretariat for Non-Governmental Organizations on or before 31 st January of the respective year, as set out below, based on the total assets of the MFNGO; |

Total Assets as at end of the Previous Calendar Year	Annual Renewal Fee (Rs.)
Rs. 5 million or below	5,000
Above Rs. 5 million up to Rs. 10 million	7,500
Above Rs. 10 million up to Rs. 15 million	10,000
Above Rs. 15 million up to Rs. 20 million	12,500
Above Rs. 20 million up to Rs. 50 million	15,000
Over Rs. 50 million	20,000

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

12 – 589/2

Rule No. 03 of 2017 – MINIMUM NET WORTH

Issued under Section 23 of the Microfinance Act, No. 6 of 2016

1. Minimum Net Worth Every Registered Microfinance NGO (RMFNGO) at National level shall at all times maintain a Net Worth at a level not less than Rupees Five Million (Rs.5,000,000/-) and every Registered Microfinance NGO at District level shall at all times maintain a Net Worth at a level not less than Rupees Two Million (Rs.2,000,000/-)

2. Regulatory measures in the case of non-compliance Where a RMFNGO has failed to comply with these Rules:
 - (a) The total amount of deposit liabilities and debt shall be capped at the level as at the end of the month in which the non-compliance was confirmed.
 - (b) The MFNGO shall not pay dividends until the minimum capital requirement is complied with and is confirmed to the satisfaction of the Director General / Registrar National Secretariat for Non-Governmental Organizations

3. Net Worth of the NGO

Net worth of the NGO shall include the following;

- (a) Issued and fully paid ordinary shares (issued for cash)
- (b) Grants
- (c) General Reserves
- (d) Statutory Reserves
- (e) Retained profit or loss as shown in the last audited Statement of account
- (f) Unpublished current year's profit/ (loss)

(Net Worth = Assets - Liabilities)

SHAKYA NANAYAKKARA,
Director General/Registrar,
National Secretariat for Non-Governmental Organizations.

12-589/3

Rule No. 04 of 2017 - TYPE OF ACTIVITIES

Issued under Section 23 of the Microfinance Act, No. 6 of 2016

1. Type of Activities

Every Microfinance NGO (MFNGO) eligible to carryout following activities with prior approval form Registrar.

- (a) Provide financial accommodation, with or without collateral security, in cash or in kind;
- (b) Accept limited savings deposits only from borrowers of the Microfinance NGO;
- (c) Accept pledges, mortgages, hypothecations or assignments to it of any kind of movable or immovable property for the purpose of securing loans and advances made by it;
- (d) Invest its monies prudently;
- (e) Provide professional advice to its customers regarding investments in small businesses and self-employment projects;
- (f) Render managerial, marketing, technical and administrative advice to customers and assisting them in obtaining services in such fields;
- (g) Provide technical assistance and training to customers;
- (h) Conduct pawn brokering business after obtaining necessary license or approval from the relevant authority and subject to such rules and regulations of such authority;
- (i) Any other business which the Registrar of VSSO may authorize a registered microfinance NGO to engage in.

SHAKYA NANAYAKKARA,
Director General/Registrar,
National Secretariat for Non-Governmental Organizations.

12-589/4

Rule No. 05 of 2017 - STATUTORY RESERVE

Issued under Section 23 of the Microfinance Act, No. 6 of 2016.

1. Statutory Reserve
- 1.1. Every Registered Microfinance NGO (RMFNGO) shall maintain a statutory reserve and shall, out of the net profits,
- after the payment of tax of each year, transfer to such reserve fund a sum e equivalent to not less than Five percent(5%) of such profits.

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

12 - 589/5

Rule No. 06 of 2017 - DEPOSITS

Issued under Section 23 of the Microfinance Act, No. 6 of 2016

1. Restrictions on deposits
- 1.1 Every Microfinance NGO (MFNGO) shall only accept Limited Savings Deposits:
- “Limited savings deposits” means savings deposits obtained as a security deposit / cash collateral from borrowers against loans granted by MFNGOs.
2. Limited savings deposits
- 2.1 Maximum percentage of security deposit/cash collateral of a loan shall decide by the MFNGO to ensure that a customer will remain to be a net borrower at all times. Nevertheless, if a subsequent loan is to be obtained, this requirement may not apply to such borrowers for a maximum period of six (6) months from the date of losing the net borrower position.
- 2.2 Every MFNGO shall deposit minimum of 5% of such limited savings deposits with Licensed Commercial Banks (LCB) / Licensed Specialized Banks (LSB).
- 2.3 Total performing loans of a MFNGO shall always exceed its total limited savings deposits less any deposits with LCBs/LSBs referred in section 2.2 above, i.e.,
- Total Performing Loans > (Limited Savings Deposits - Deposits with LCBs/LSBs referred in section 2.2 above)
3. Prohibitions of incentive schemes
- 3.1. No MFNGO shall introduce any incentive scheme for soliciting deposits. For the purpose of this rule “Incentive Scheme” means an arrangement to confer a monetary or material benefit on the depositors other than by way of interest.

4. Transition period
- 4.1. Every MFNGO that had obtained savings deposits before 14/07/2016 other than limited savings deposits cease obtaining such deposits with immediate effect and shall make a declaration on such deposits to the registrar. Such declared savings deposits shall be settled in the following manner,
- i. 20% of deposits before 31.12.2018
 - ii. 40% of remaining deposits before 31.12.2019
 - iii. 40% of remaining balance deposits before 31.12.2020
 - iv. balance before 31.12.2021

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

12-589/6

Rule No. 07 of 2017 - ASSESSMENT OF FITNESS AND PROPRIETY OF DIRECTORS AND CHIEF EXECUTIVE OFFICER / GENERAL MANAGER

Issued under Section 23 of the Microfinance Act, No. 6 of 2016

1. Criteria for assessment of fitness and propriety
- No person shall be appointed and / or elected as a director or chief executive officer/ general manager of a Registered Microfinance NGO (RMFNGO) or hold such position, if that person:-
- (a) does not possess academic or professional qualifications or effective experience, in microfinance business, banking, finance, law or administration or other relevant discipline;
 - (b) is being subjected to any investigation or inquiry in respect of a fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body, established by law, in Sri Lanka or abroad;
 - (c) has been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that such person has committed or has been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued thereunder;
 - (d) is being subject to court proceedings or has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;
 - (e) has been convicted by any court for an offence involving moral turpitude;

- | | |
|--|---|
| | <ul style="list-style-type: none"> (f) has been declared an undischarged insolvent or abankrupt, by any court in Sri Lanka or abroad; (g) has failed to satisfy any judgment or order of any court to repay a debt; (h) has been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad; (i) has been declared by a court of competent jurisdiction to be of unsound mind; (j) is a chief executive officer, director or holding any other position of authority in any licensed bank or non-bank financial institution; <ul style="list-style-type: none"> (i) whose licence or business has been cancelled or suspended on grounds of regulatory concerns; or (ii) which has been wound up or is being wound up or which is being compulsorily liquidated whether in Sri Lanka or abroad (k) is a CEO or an employee of another RMFNGO. |
| 2. Procedure to be followed in assessing the fitness and propriety | <ul style="list-style-type: none"> 2.1. Each RMFNGO shall obtain from persons selected for appointment as a director or chief executive officer/general manager an affidavit and declaration as in Annexure I and II, respectively, and submit to the Registrar/National Secretariat for Non-Governmental Organizations (R/NSNGO). 2.2. In addition to the Direction 2.1, at the time of first appointment, a letter from the former employer immediately preceding the appointment regarding the level of performance of duties assigned to him/her in the particular institution shall be submitted to R/NSNGO. 2.3. In respect of every continuing director, a RMFNGO shall obtain and submit affidavits and declarations to R/NSNGO annually one month before the Annual General Meeting of the respective RMFNGO if such directors are nominated for re-appointment. |
| 3. Approval of the Director | <ul style="list-style-type: none"> 3.1. R/NSNGO may, having regard to the matters specified in Direction 1, approve or refuse to approve the appointment or continuation, as the case may be, as a director or chief executive officer/general manager of a RMFNGO. 3.2. R/NSNGO shall notify the RMFNGO of such approval or refusal (giving reasons therefore, in the case of a refusal) and it shall be the duty of the RMFNGO to communicate such notification to the director or the chief executive officer/general manager concerned and implement the same. |
| 4. Subsequent ineligibility to be notified | <ul style="list-style-type: none"> 4.1. Every RMFNGO shall notify R/NSNGO of any reasonable suspicions or findings to the effect that any director or chief executive officer/general manager is not a fit and proper person to hold office in the respective RMFNGO within fourteen days (14) of it being aware of such suspicion or findings. 4.2. If circumstances vary, change, render invalid, make inapplicable or falsify the information contained in an affidavit or declaration submitted by a director or chief executive officer/general manager, such person shall, within fourteen days (14), notify R/NSNGO. |

5. Determination by the Director at any time 5.1. Where R/NSNGO, having regard to the matters specified in Direction 1, is satisfied at any time that a person appointed or continued is not fit and proper as a director or chief executive officer/general manager for continuation, may determine that the person is not fit and proper to be a director or chief executive officer/general manager of a RMFNGO and the Direction 3.2 shall be applicable thereafter.

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

Annexure I

Affidavit to be submitted by persons selected for appointment as directors/chief executive officer/general manager

Affidavit

I, (full name) holder of National Identity Card No./
Passport No. of
(address) being a Buddhist / Hindu / Christian / Catholic / Muslim do hereby solemnly, sincerely and truly declare and affirm/
make oath and state¹ as follows:

1. I am the affirmant / deponent above named.
2. I am a / the (designation) / I have been selected for appointment
as a / the (designation)
of (name of the NGO).
3. I affirm/state that I possess the following academic and /or professional qualification/s on the relevant fields:
.....
.....
4. I affirm/state that the effective experience I possess in microfinance business, banking, finance, law or administration
or other relevant discipline is as follows:
.....
.....
.....
5. I affirm/ state that I am not being subjected to any investigation or inquiry in respect of a fraud, deceit, dishonesty
or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional
association, commission of inquiry, tribunal, or any other body, established by law, in Sri Lanka or abroad;
6. I affirm/ state that I have not been found by any regulatory or supervisory authority, professional association,
commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that I have committed
or have been connected with the commission of any act which involves of fraud, deceit, dishonesty or other similar
criminal activity or non-compliance with any statute or rules, regulations, directions or determinations issued
thereunder;
7. I affirm/ state that I am not being subject to court proceedings or have been convicted by any court for an offence
involving an act of fraud, deceit, dishonesty or other similar criminal activity;

8. I affirm/ state that I have not been convicted by any court for an offence involving moral turpitude;
9. I affirm/ state that I have not been declared an undischarged insolvent or a bankrupt, by any court in Sri Lanka or abroad;
10. I affirm/ state that I have not failed to satisfy any judgment or order of any court to repay a debt;
11. I affirm/ state that I have not been removed or suspended by a regulatory or supervisory authority from serving as a director, chief executive officer or other officer in any corporate body in Sri Lanka or abroad;
12. I affirm/ state that I have not been declared by a court of competent jurisdiction to be of unsound mind;
13. I affirm/ state that I am not a chief executive officer, director or holding any other position of authority in any licensed bank or a non-bank financial institution;
 - (i) whose licence or business has been cancelled or suspended on grounds of regulatory concerns; or
 - (ii) which has been wound up or is being wound up or which is being compulsorily liquidated whether in Sri Lanka or abroad.
14. I affirm/ state that I am not a CEO or an employee of another licensed microfinance company.

The averments contained herein were read over to the affirmant/ deponent who having understood the contents hereof and having accepted same as true, affirmed/ swore to and placed his/her signature before me at on thisday of.....

}

Affix Stamps as
Applicable

Before me

**JUSTICE OF THE PEACE /
COMMISSIONER FOR OATHS**

Note:

- ¹- Delete inapplicable words.
- Christians and Catholics must make oath and state and Buddhists, Hindus, Muslims and persons following any other religion must declare and affirm.

Annexure II**Name of Registered Micro finance NGO**

**Declaration to be submitted by Directors/ Chief Executive Officer/General Manager/
Person selected for such appointment
(with enclosures as appropriate as of)**

1. Personal Details

1.1 Full name :

1.2 National Identity Card Number :

1.3 Passport Number :

1.4 Date of birth :

1.5 Permanent address :

1.6 Present address :

2. Appointment to RMFNGO

2.1 Date of appointment to the board / present position :

2.2 Designation :

2.3 Local or expatriate :

2.4 Annual remuneration (with details) :

2.5 Any other benefits received from the NGO (If available) :

3. Background and Experience

Name/s of institutions in which he/she is or has been a director or has been employed as the chief executive officer/general manager :

<i>Name of the institution</i>	<i>Period of office</i>	<i>Designation</i>

4. Any other explanation / information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director / chief executive officer / general manager / persons selected such appointment in the RMFNGO.

DECLARATION :

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the Registered Microfinance Non-Governmental Organization and the Registrar, National Secretariat for Non-Governmental Organizations of Sri Lanka duly informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by any Statute from being appointed to the above post.

Date :

.....

*Signature of director / chief executive
officer/general manager/ person selected
for such appointment*

TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Any other explanation / information in regard to the information furnished above and other information considered relevant for assessing the suitability of the director / chief executive officer / general manager / person selected for such appointment.

Date :

.....

Signature of the Chairman of the Board of Director

Rule No. 08 of 2017 - MAINTENANCE OF MINIMUM LIQUID ASSETS RATIO

Issued under Section 23 of the Microfinance Act, No. 6 of 2016.

1. Minimum Liquid Assets Ratio (LAR)
- 1.1 Every Microfinance NGO (MFNGO) shall at all times maintain minimum average monthly liquid assets at not less than Ten percent (10 %) of its total monthly deposit liabilities.
- 1.2 The computation of the LAR shall be based on the following formula. The detailed computation of the LAR is provided in Annexure.

$$\text{LAR} = \frac{\text{Total Average Liquid Assets} * 100}{\text{Total Deposits}}$$

2. TotalAverage Liquid Assets
- 2.1. Every MFNGO shall compute total average liquid assets by aggregating the daily average of the following assets for the maintenance period.
- (a) Cash in hand
 - (b) Balance in the current account in the commercial banks free from any bankers lien or charge
 - (c) Balance in the deposit account in the commercial banks free from any bankers lien or charge
 - (d) Balance in the deposit account in the specialized banks free from any bankers lien or charge
 - (e) Sri Lanka Government Treasury Bills free from any bankers lien or charge
 - (f) Sri Lanka Government Treasury Bonds maturing within one year free from any bankers lien or charge
 - (g) Sri Lanka Government Securities maturing within one year free from any lien or charge
 - (h) Central Bank Securities maturing within one year free from any lien or charge
 - (i) Treasury bills and Treasury bonds held under reverse repurchase agreements maturing within one year free from any lien or charge.
3. Supervisory Intervention and step to secure minimum requirement
- 3.1. The NGO Secretariat of Sri Lanka shall intervene at an early stage to prevent liquidity of a MFNGO falling below the minimum requirement.
- 3.2. Where a MFNGO has failed to meet minimum liquidity requirement referred to in the Direction 1, such MFNGO shall pay to the NGO Secretariat 0.1% percent per day on the amount of the deficiency of liquidity or Rs. Ten Thousand (Rs.10,000/-), whichever is lower, until minimum requirement is effected and confirmed by the Registrar / National Secretariat for Non- Governmental Organizations (R/NSNGO)

- | | | |
|-------------------------|------|---|
| 4. Regulatory Reporting | 4.1. | Every MFNGO shall submit a report on liquid assets ratio to R/NSNGO on a quarterly basis within Fifteen (15) days from the end of each quarter as per the reporting format annexure herewith. |
|-------------------------|------|---|

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

Annexure

From :

To : Registrar of National Secretariat for Non-Governmental Organizations

Liquid Assets Ratio

Rs. '000

- | | |
|---|-------|
| 1. Total Deposits as at the last working day of the month of (Base date) | ..... |
| 2. Average statutory liquid assets for the Month of (Maintenance period) | ..... |
| (a) Cash | ..... |
| (b) Balance in the current account in the commercial bank free from any bankers lien or charge | ..... |
| (c) Balance in the deposit account in the commercial bank free from any bankers lien or charge | ..... |
| (d) Balance in the deposit account in the specialised bank free from any bankers lien or charge | ..... |
| (e) Sri Lanka Government Treasury bills free from any bankers lien or charge | ..... |
| (f) Sri Lanka Government Treasury bonds maturing within one year free from any bankers lien or charge | ..... |
| (g) Sri Lanka Government Securities maturing within one year and free from any lien or charge | ..... |
| (h) Central Bank Securities maturing within one year free from any bankers lien or charge | ..... |
| (i) Treasury bills and Treasury bonds held under reverse repurchase agreements maturing within one year free from any lien or charge. | ..... |

3. Liquid Assets Ratio [(2) as a% of (1)]

We /I hereby certify that the above statement is correct and is in accordance with the books of this NGO.

Date :

.....

Authorized officer's Signature

Note: The base date is the last working day of the previous month, e.g., Liquid assets for the month of April will be based on the deposit liabilities of end March. Liquid assets to be maintained for the period (Maintenance period) commencing from the 1st working day to last working day of the calendar month following the month in which the base date occur.

12 - 589/8

Rule No. 09 of 2017 – REGULATORY FRAMEWORK FOR ACCOMMODATIONS

Issued under Section 23 of the Microfinance Act, No. 6 of 2016

- | | |
|--|---|
| 1. Maximum Amount of Accommodation (MAA) to customer | 1.1 The Microfinance NGO (MFNGO) shall not grant accommodation in respect of the following customers in excess of the limits stipulated in Direction 1.2, based on its net worth as per the latest audited financial statements, subject to Rule 3: |
|--|---|
- (a) an individual, his close relations or to a company or firm in which he has a substantial interest;
 - (b) In the aggregate to (excluding CBO) –
 - (i) To any single company, public corporation, firm, association of persons or an individual; or
 - (ii) a company and one or more of the following :–
 - (a) its subsidiaries ;
 - (b) its parent company ;
 - (c) its associate company ;
 - (d) its joint ventures ;
 - (e) a subsidiary of its parent company ; or
 - (f) a company in which such company or its subsidiary, or its parent company, or a subsidiary of its parent company, has a substantial interest.
 - (c) To any Community Based Organization (CBO)

1.2	<i>Level</i>	<i>Net Worth in Rs. Mn</i>	<i>MAA relates to customers referred to in Direction 1.1(a), (b) In Rs.</i>	<i>MAA relates to customers referred to in Direction 1.1(c) In Rs.</i>
	I	Over Rs. 2mn and less than Rs. 5 mn	200,000	300,000
	II	Over Rs. 5mn and below Rs. 10 mn	300,000	400,000
	III	Over Rs. 10 mn and below Rs 50 mn.	400,000	600,000
	IV	Over 50 mn	500,000	750,000

2. Aggregate limit

2.1 **For all the MFNGOs;**

In case accommodations granted at any given date to any category of customers referred to Rule 1 above in maximum amounts, the sum total of the outstanding amount of accommodation granted to such customers shall not exceed forty percent (40%) of the total outstanding amount of accommodation granted by MFNGO to all customers excluding the Government of Sri Lanka as at the end of the immediately preceding month.

3. Consumption loans

Consumption loan balance of a MFNGO shall not exceed thirty percent (30%) of the total loan portfolio. (Excluding housing loans) Every MFNGO shall encourage income generation microfinance loans and every MFNGO shall provide technical assistance and capacity building training for the livelihood development programs of its borrowers.

4. Exclusions of Accommodations from maximum limits

4.1 Accommodation granted against the security of cash, gold, Government Securities, Central Bank Securities, Treasury Guarantees, and Central Bank Guarantees shall be excluded, When computing MAA under the Rule 1.

5. Classification of Credit exposures

5.1 Every MFNGO shall adopt a credit risk grading system or categorization based on repayment patterns, *i.e.*, delinquency status which must appropriately reflect the risks associated with credit facilities granted by the MFNGO. Minimum guide line for such categorization of impaired facilities of customers based on the delinquency patterns are given at Annexure 1, Table 1.

5.2 Interest of non-performing loans as classified in Rule 5.1 above shall be realized on cash basis

5.3 MFNGOs shall quantify provisions, as per the credit facilities categorized in accordance with Rule 5.1, on the amount outstanding net of realizable security value

Categories of Non-performing Credit Facilities	Minimum Specific Provisioning Requirement
Special Mention	10%
Substandard	30%
Doubtful	60%
Loss	100%

6. Regulatory Reporting
- 6.1 Every MFNGO shall submit a quarterly return to the Director General/Registrar of the National Secretariat for Non-Governmental Organizations (Registrar) within 15 days from the end of each quarter in accordance with the format given in Annexure I, Table 2 and 3.
7. Steps to secure compliance with Rules
- 7.1 Where the Registrar has determined that a MFNGO has contravened Rule 1, and the determination of such contravention has been conveyed to MFNGO, such MFNGO shall not accept Limited Saving Deposits until the contravention is rectified and such rectification is confirmed by Registrar.
8. Interpretations
- 8.1 CBO shall be a registered legal entity and be able to legally accept loans as per its statute such as its Memorandum of Association / Articles of Association, Constitution or By-Laws. The following conditions have to be fulfilled in order to be considered as a CBO ;
- A tri-party Memorandum of Understanding between the MFNGO, CBO and any organization which the CBO operates with should be signed with regard to the loan repayments.
 - The CBO should have a Board resolution with regard to borrowing money from the MFNGO.
 - The bank statements, audited financial statements and corporate governance have to be assessed in deciding to grant loans to a CBO.
 - The individual's loans repayment capacity to be assessed by the MFNGO and the CBO separately.
- 8.2 *Close relation* in relation to an individual means spouse and dependent child of such individual. Dependent child shall have the same meaning assigned to the term in the Finance Business Act, No. 42 of 2011.
- 8.3 *Substantial interest* means holding of beneficial interest by another company or an individual or his close relation whether singly or taken together, exceeding ten percent of the net worth. In relation to affirm the beneficial interest held is applicable to an individual or his close relation of such firm.
- 8.4 "*Parent*", "*Subsidiary*", "*Associate*" and "*Joint Ventures*", as defined in the Sri Lanka Accounting Standards.

8.5 *Accommodations* shall mean credit exposure and investment exposure as specified below :

- (a) Credit exposure shall include all on-balance sheet accommodations and off-balance sheet accommodations.
 - (i) On-balance sheet credit exposure shall mean term loans, pledge loans, revolving loans, hire purchase loans, leasing facilities, pawning advances and reverse repurchase agreements against debt securities and other instruments of a similar nature.
 - (ii) Off-balance sheet credit exposure shall mean a commitment to accept contingent liabilities, including guarantees and bonds.
- (b) Investments exposure shall include all financial investments excluding investments in government securities.

8.6 *Amount of accommodations* shall be the total of on-balance sheet accommodations and off-balance sheet accommodations as specified below:

- (a) Amount of on-balance sheet accommodations: The amount of on-balance sheet accommodations shall mean the total of the accommodation limits prevailing at any given date or the total outstanding amount of all accommodations, whichever is higher. In the case of fully drawn term loans, the outstanding amount of accommodations shall be reckoned as the amount of accommodations.
- (b) Amount of off-balance sheet accommodations: The amount of off-balance sheet accommodations shall mean the total of the accommodation limits prevailing at any given time or the outstanding amount of accommodations, whichever is higher.

8.7 Outstanding amount of accommodations shall be the carrying value as per the financial statements of the both on-balance sheet and off-balance sheet accommodations.

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

Annexure I

Table I

Criteria for Risk Grading - Further categorization of impaired credit exposures

<i>Classification</i>	<i>Special Mention</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Loss</i>
<i>Type of credit exposure</i>				
Credit exposures repayable in daily/weekly / bi-weekly basis, i.e., any repayment base less than one month.	The payment is in arrears for more than 30 days from the loan due date or more but less than 60 days from the due date.	The payment is in arrears for more than 60 days from the loan due date or more but less than 90 days from the due date.	The payment is in arrears for more than 90 days from the loan due date or more but less than 180 days from the due date.	The payment is in arrears for more than 180 days or more from the loan due date.
Credit exposures repayable in monthly in stallments, i.e., either interest or capital repayable in monthly installments.	3 installments or more but less than 6 installments, principal and/or interest are due and unpaid.	6 installments or more but less than 12 installments, principal and /or interest are due and unpaid.	12 installments or more but less than 18 installments, principal and / or interest are due and unpaid.	18 installments or more principal and /or interest are due and unpaid.
Credit exposures repayable in quarterly or half yearly or yearly installments.	The payments are in arrears for more than 30 days but less than 60 days from the due date.	The payments are in arrears for 60 days or more but less than 120 days from the due date.	The payments are in arrears for 120 days or more but less than 180 days from the due date.	The payments are in arrears for 180 days or more
Credit exposures repayable in one installment at the end of a specified period or on a due date (bullet payments).	The payments are in arrears for more than 30 days but less than 60 days from the due date.	The payments are in arrears for 60 days or more but less than 120 days from the due date.	The payments are in arrears for 120 days or more but less than 180 days from the due date.	The payments are in arrears for 180 days or more

Table 2
Top 20 Accommodation¹ as at dd/mm/yy

<i>Name of the customer / group</i>	<i>Loan Ref. No.</i>	<i>Facility Type</i>	<i>Limit</i>	<i>Outstanding</i>	<i>Type of Collateral</i>	<i>Remarks</i>	In Rs.

Table 3
Other Information as at dd/mm/yy

<i>Reference</i>	<i>Description</i>	<i>On-balance sheet</i>	<i>Off-balance sheet</i>	<i>Total</i>	In Rs.
(a)	Total number of loan customers				
(b)	Total outstanding value of the accommodation				
(c)	Total number of customers / group that exceeds MAA				
(d)	Total carrying value of the customers / group that exceed MAA				
(e)	(d) as a % of (b)				

¹Based on amount outstanding

Rule No. 10 of 2017 - REPORTING REQUIREMENTS**Issued under Sections 23 of the Microfinance Act, No. 6 of 2016**

1. Requirement to submit information
- 1.1. Every Microfinance NGO (MFNGO) shall submit information to the Registrar, National Secretariat for Non-Governmental Organizations (R/NSNGO) according to the formats provided.

Schedule I: Time schedule for Reporting Requirements

<i>Report</i>	<i>Periodicity</i>	<i>Due Date</i>
i Statement of Financial Position	Quarterly	By the 15th of following month
ii Statement of Comprehensive Income	Quarterly	By the 15th of following month
iii Statement of Financial Position	Annually	As required by the Microfinance Act
iv Statement of Comprehensive Income	Annually	As required by the Microfinance Act

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

12-589/10

Rule No. 11 of 2017 - SOCIAL RESPONSIBILITY**Issued under Section 23 of the Microfinance Act, No. 6 of 2016**

1. Social Responsibility
- 1.1. Every Microfinance NGO (MFNGO) shall allocate minimum 5% out of the net profits after the payment of tax of each year, for the social responsibility fund to be used for projects such as livelihood development, alcohol and drug prevention, gender justice and child development

SHAKYA NANAYAKKARA,
Director General /Registrar,
National Secretariat for Non-Governmental Organizations.

12-589/11