

CENTRAL BANK OF SRI LANKA



ANNUAL REPORT (Volume II)

**OF THE MONETARY BOARD TO THE
HON. MINISTER OF FINANCE**

FOR THE YEAR

2021

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PART II

PART II

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1. ACCOUNTS AND FINANCE

Activity Report of the Monetary Board Advisory Audit Committee during and relating to the Financial Year 2021

1. Introduction

Monetary Board Advisory Audit Committee (AAC) is a sub-committee of the Monetary Board. AAC advises the Monetary Board on policies and matters relating to financial reporting, internal controls, internal audit, external audit and any other matters assigned to it by the Monetary Board. AAC reports its recommendations to the Monetary Board regularly.

2. Composition of AAC

AAC is chaired by an appointed member of the Monetary Board and comprised of two other audit professionals.

Composition of AAC during the year 2021 was as follows:

- i. Dr. Ranees Jayamaha - Chairperson
- ii. Mr. H M A Jayasinghe - Member (till 30.09.2021)
- iii. Mrs. A I Mohotti - Member
- iv. Mr. A I Fernando - Member (w.e.f. 22.12.2021)

Secretary to the Monetary Board is the Secretary to the AAC, and the Director of Internal Audit Department (IAD) is the Assistant Secretary to the AAC. IAD provides secretarial facilitation to AAC. Assistant Governor in-charge of Finance Department, Compliance Officer, Chief Accountant and Chief Risk Officer of CBSL, Audit Superintendent of the National Audit Office who is in-charge of the external audit of the CBSL attend AAC Meetings as Observers. As and when necessary, AAC invites CBSL Heads of Department for discussions and to respond to audit queries. The engagement partner of the Audit Firm appointed by the Auditor General to carry out the external audit of the CBSL also attends AAC meetings by invitation when the financial statements of the CBSL are discussed.

AAC is required to meet at least six (06) times a year. Meetings of the Committee shall be called by the Secretary to the Committee with the approval of the Chairperson, at the request of the Monetary Board, External Auditors or Director of the Internal Audit Department. A quorum for a meeting is two (02) including the Chairperson.

3. Activities carried out during 2021 and those relating to the Financial Year 2021

AAC held fourteen (14) meetings in 2021. Major activities performed by AAC during and relating to the year are indicated below.

a) Financial Reporting and External Audit:

The AAC reviewed,

- i. Interim Management Letter and the Final Management Letter submitted by M/s. KPMG relating to the audit of the Financial Statements of the CBSL for the year ended 31.12.2020 and the management comments.
- ii. Financial Statements of the CBSL for the year ended 31.12.2020.
- iii. Report of the Auditor General on the affairs of the CBSL including the Financial Statements for the year ended 31.12.2020 in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka and management comments.
- iv. Financial Statements of EPF for the year ended 31.12.2020.
- v. Report of the Auditor General on the Financial Statements of the EPF for the year ended 31.12.2020.
- vi. Financial Statements of five (05) Pension Funds (Pension Fund, Widows' and Orphans' Pension Fund, Widowers' and Orphans' Pension Fund, New Pension Fund, New Widows' and Orphans' and Widowers' and Orphans' Pension Fund) of the CBSL as at 31.12.2020.
- vii. Financial Statements of the CBSL Provident Fund for the year ended 31.12.2020.
- viii. Audit Plan of M/s. KPMG with regard to the audit of the Financial Statements of the CBSL for the year 2021.

- ix. Interim Management Letter for the year ended 31.12.2021 issued by M/s. KPMG.
- x. Financial Statements of EPF for the year ended 31.12.2021.
- xi. Financial Statements of the CBSL for the year ended 31.12.2021

b) Internal Controls;

AAC,

- i. Reviewed and advised on internal controls and processes of the CBSL reported to AAC
- ii. Reviewed the progress of implementation of AAC recommendations by respective stakeholders.

c) Internal Audit;

AAC reviewed,

- i. Internal audit observations and recommendations.
- ii. Internal audit observations with regard to the implementation of New Reserve Management System.
- iii. Implementation status of audit recommendations by process owners.
- iv. Strategic Audit Plan for 2022 – 2024 and the Annual Audit Plan for 2022.

Activity Report of the Board Risk Oversight Committee during the Financial Year 2021

1. Introduction

The Board Risk Oversight Committee (BROC) is a sub-committee appointed by the Monetary Board (MB), overseeing the overall Risk Management and Compliance Functions of the Central Bank through a formal delegation from MB. BROC is responsible for setting the broad strategy and policies for the Risk Management and Compliance Functions of the Central Bank, ensuring a dedicated focus on risk management and compliance.

2. Composition of BROC

BROC is chaired by an Appointed Member of MB and comprises two other Independent External Experts with relevant expertise who have not been involved in the Financial Services Sector for at least one year prior to their appointments.

The composition of BROC during the year 2021 was as follows:

- i. Mr. Sanjeeva Jayawardena, President's Counsel - Appointed Member of MB (Chairman)
- ii. Mr. Naomal Goonewardena (Independent External Member)
- iii. Mr. Susantha Ratnayake (Independent External Member from 01.01.2021 to 09.08.2021)

The Secretary to MB is the Secretary to BROC and the Director - Risk Management Department (Chief Risk Officer of the Central Bank) is the Assistant Secretary to BROC. The Risk Management Department (RMD) provides secretarial facilitation to BROC.

All Deputy Governors, the Chairman of the Business Continuity Planning Committee, Chief Compliance Officer of the Central Bank (Director - Legal and Compliance Department), and the Director – Internal Audit Department of the Central Bank attend BROC meetings in the capacity of Observers.

BROC is required to meet at least once every quarter or more frequently as may be decided by the Chairman or as directed by MB. Meetings of BROC are convened by the Secretary to the Committee. A quorum for a meeting is two (02) members including the Chairman.

3. Activities Carried Out During the Financial Year 2021

BROC held 04 meetings in 2021 and the major activities carried out are as follows:

- i. Reviewed the Departmental Risk Registers and made recommendations to MB in order to expedite the mitigation of operational risks highlighted.
- ii. Made recommendations to mitigate pandemic related risks including business continuity risk, health and safety risk confronted in order to ensure that the Central Bank operations are carried out in an uninterrupted manner.
- iii. Reviewed the revised Operational Risk Taxonomy and approved the same to be incorporated into the Operational Risk Management Guidelines of the Central Bank.
- iv. Reviewed the observations made by Internal Audit Department on the implementation of the Enterprise-wide Risk Management Framework and made relevant recommendations in this regard.
- v. Reviewed and assessed the risk management and compliance updates pertaining to the funds managed by the Central Bank (the International Reserves (IR), the Internal Investment Funds (IIF) and the Employees' Provident Fund (EPF)), to ensure that such funds are managed within the stipulated parameters.
- vi. Reviewed and recommended improvements to the Investment Guidelines for IIF and EPF and Investment Policy Statement of EPF, from a risk management perspective.
- vii. Reviewed the Strategic Asset Allocation for IR and recommended the same for approval of MB.

Central Bank of Sri Lanka
Management Statement
For the period ended 31 December 2021

Accountability and the Financial Performance of the Central Bank of Sri Lanka in relation to the Objectives

The Central Bank was established as the authority responsible for the administration, supervision and regulation of the monetary, financial and payment systems of Sri Lanka under the Monetary Law Act. In accordance with this Act, the Bank is charged with the responsibility of securing the core objectives of economic and price stability and financial system stability.

The basis of accountability for the Central Bank and the success of its operations therefore would be the effectiveness of its policies and operations leading towards the achievement of its core objectives and not necessarily its profitability. These statutory objectives are the fundamental features that distinguish the Central Bank from any other entity, private or public. Accordingly, profitability related approach, if adopted by the Central Bank, could result in the Bank pursuing profits while compromising its core objectives, since it has the unique ability to create its own profits through its monetary policy activities, which could influence interest rates and exchange rates. It therefore

follows that the Central Bank's objectives of economic and price stability and financial system stability need to be distinguished and detached from the pure profitability objective which should essentially be incidental or academic only.

In this background, the Central Bank's financial statements record gains and/or deficits in the implementation of its monetary policy operations, exchange rate management, issuing of currency, etc. at the values as realized and hence, the financial performance as reported in these statements needs to be interpreted and understood in that context.

The Bank is subject to an external audit by the Auditor General under the Monetary Law Act sections 42 & 43. The Auditor General in turn has obtained the services of a firm of Chartered Accountants, M/s KPMG, to carry out an audit under International Standards of Auditing to ensure compliance with the International Financial Reporting Standards.



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NATIONAL AUDIT OFFICE



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Your No.

දිනය
ත්‍රික්‍රම
Date
25 March 2022

The Honorable Minister of Finance

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Bank of Sri Lanka for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Central Bank of Sri Lanka (the “Bank”), which comprise the statement of financial position as at 31 December 2021, and the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018, Section 13(1) of the Finance Act, No. 38 of 1971 and Section 42(2) of the Monetary Law Act (Chapter 422). My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course. To carry out this audit, I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

1.2 Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.





1.3 Responsibilities of Monetary Board and Those Charged with Governance for the Financial statements

Monetary Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Monetary Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Monetary Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Bank.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Monetary Board.



- Conclude on the appropriateness of Monetary Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018, includes specific provisions for following requirements:

2.1.1 I have obtained all the information and explanation that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 12(a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of the section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

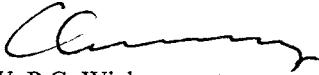
2.1.3 The financial statements presented includes all material recommendations made by me in the previous year as per the requirement of the section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention:

2.2.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered in to by the Bank which are out of the normal course of business as per the requirement of section 12 (d) of the National audit Act, No. 19 of 2018;



- 2.2.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of the section 12 (f) of the National Audit Act, No. 19 of 2018;
- 2.2.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;
- 2.2.4 to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of the section 12 (h) of the National Audit Act, No. 19 of 2018.



W. P.C. Wickramaratne

Auditor General

Central Bank of Sri Lanka

Statement of Financial Position

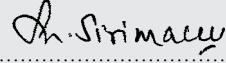
As at 31 December	Note	2021 Rs. 000	2020 Rs. 000
Assets			
Foreign Currency Financial Assets			
Cash & Cash Equivalents	8	512,762,452	403,307,304
Securities at Fair Value through Profit or Loss	9	-	40,564,323
Securities at Fair Value through Other Comprehensive Income	9	8,818,244	703,435,463
Derivative Financial Instruments	10	54,022,836	3,370,353
IMF Related Assets	11	188,045,837	158,958,185
Other Receivables		-	1,702,247
Total Foreign Currency Financial Assets		763,649,369	1,311,337,875
Local Currency Financial Assets			
Sri Lanka Government Securities	12	1,377,820,347	714,531,527
Securities Purchased under Resale Agreements	13	567,532,312	2,728,412
Provisional Advances to Government	14	150,128,800	153,061,900
Equity Investments in Financial and Other Institutions	15	1,671,218	1,615,356
Loans to Banks	16	90,572,746	111,487,526
Other Assets	17	34,063,770	23,097,189
Total Local Currency Financial Assets		2,221,789,193	1,006,521,910
Total Financial Assets		2,985,438,562	2,317,859,785
Foreign Currency Non-Financial Assets			
Gold	18	35,151,981	76,220,055
Non-Financial Assets			
Inventories	19	4,928,533	6,301,819
Other Receivables and Prepayments		961,456	651,804
Property, Plant and Equipment	20	19,235,994	20,455,452
Intangible Assets	21	561,632	108,252
Total Non-Financial Assets		60,839,596	103,737,382
Total Assets		3,046,278,158	2,421,597,167
Liabilities and Equity			
Foreign Currency Financial Liabilities			
Banks and Financial Institutions	22	13,701	208,337,221
Derivative Financial Instruments	10	1,139,323	574,182
Asian Clearing Union	23	104,764,616	63,864,652
International Monetary Fund	24	670,065,243	509,925,278
Others	25	357,295,676	74,870,325
Total Foreign Currency Financial Liabilities		1,133,278,559	857,571,658
Local Currency Financial Liabilities			
Deposits of Banks and Financial Institutions	26	300,704,162	129,601,521
Deposits of Government and Governmental Entities	27	1,392,301	1,460,512
Securities Sold Under Repurchase Agreements	28	101,062,880	209,507,898
Currency in Circulation	29	1,005,099,066	834,807,859
Other Payables	30	19,163,882	14,742,792
Total Local Currency Financial Liabilities		1,427,422,291	1,190,120,582
Total Financial Liabilities		2,560,700,850	2,047,692,240
Other Liabilities			
Deferred Grants	31	1,178	789
Pension and Other Post - Employment Benefit Plans	32	17,929,737	25,385,193
Miscellaneous Liabilities and Accruals	33	4,027,349	1,353,373
Total Other Liabilities		21,958,264	26,739,355
Total Liabilities		2,582,659,114	2,074,431,595
Equity			
Capital Funds		50,000,000	50,000,000
Other Reserves	34	315,128,226	282,012,023
Retained Earnings		98,490,818	15,153,549
Total Equity		463,619,044	347,165,572
Total Liabilities and Equity		3,046,278,158	2,421,597,167

The accounting policies and notes on pages 13 to 76 form an integral part of these Financial Statements.

The Governor and the Chief Accountant of the Central Bank of Sri Lanka authorised these Financial Statements for issue on 23 March 2022 and signed on behalf of the Monetary Board.


.....

Ajith Nivard Cabraal – Governor


.....

D. S. L. Sirimanne - Chief Accountant

Central Bank of Sri Lanka

Statement of Income

For the year ended 31 December	Note	2021 Rs. 000	2020 Rs. 000
Operating Income :			
Income from Foreign Currency Financial Assets			
Interest Income	36	11,815,701	26,254,216
Gain from Unrealized Price Revaluations	37	41,859,703	23,524,861
Gain from Realized Price Changes		14,855,788	6,524,368
Total Income from Foreign Currency Financial Assets		68,531,192	56,303,445
Expenses on Foreign Currency Financial Liabilities			
Interest Expense	38	(5,609,176)	(5,293,852)
Reversal/(Charge) of Expected Credit Losses on Foreign Currency Financial Assets	39	2,282,695	(2,046,205)
Total Expenses on Foreign Currency Financial Liabilities		(3,326,481)	(7,340,057)
Net Foreign Exchange Revaluation Gain		34,041,805	7,123,733
Foreign Currency Investment Income		99,246,516	56,087,121
Net Income from Local Currency Financial Assets			
Interest Income	36	68,612,928	25,342,029
Gain/(Loss) from Realised Price Changes		(387,202)	197,559
Interest Expense	38	(8,469,897)	(8,320,294)
Charge of Expected Credit Losses on Local Currency Financial Assets	39	(808,696)	(259,194)
Net Income from Local Currency Financial Assets		58,947,133	16,960,100
Other Income	40	16,280,370	1,589,329
Total Net Operating Income		174,474,019	74,636,550
Operating Expenses:			
Personnel Expenses:	41		
- Salaries and Wages		(7,116,223)	(5,298,938)
- Defined Contribution Plan Costs		(1,717,811)	(707,129)
- Post Employment Benefit Plan Costs		(1,891,272)	(851,435)
		(10,725,306)	(6,857,502)
Depreciation and Amortization		(526,675)	(452,353)
Cost of Inventory (Cost of New Currency Issue)		(2,780,250)	(2,396,894)
Administration and Other Expenses	42	(2,279,122)	(1,497,040)
Total Operating Expenses		(16,311,353)	(11,203,789)
Profit Before Tax		158,162,666	63,432,761
Tax	43	-	-
Profit for the Year		158,162,666	63,432,761

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 76 form an integral part of these Financial Statements.

Central Bank of Sri Lanka

Statement of Other Comprehensive Income

For the year ended 31 December

Profit for the Year

Other Comprehensive Income (OCI)

Items that are or may be re-classified subsequently to Profit/(Loss)

Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income

Net Fair Value Gain/(Loss) on Government Securities at Fair Value through Other Comprehensive Income

Items that will not be re-classified subsequently to Profit/(Loss)

Gain on Revaluation of Property, Plant & Equipment

Post-Employment Benefit Plan (Cost)/Income Recognized in Other Comprehensive Income

Net Fair Value Gain on Equity Investments at Fair Value through Other Comprehensive Income

Other Comprehensive Income/(Expense)

Total Comprehensive Income

Note	2021 Rs. 000	2020 Rs. 000
	158,162,666	63,432,761
34	(16,108,192)	9,910,943
34	(11,641,542)	3,547,766
	(27,749,734)	13,458,709
32	1,293,721	3,671,689
34	55,862	(13,394,058)
		108,379
	1,349,583	(9,613,990)
	(26,400,151)	3,844,719
	131,762,515	67,277,480

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 76 form an integral part of these Financial Statements.

Central Bank of Sri Lanka

Statement of Changes In Equity

For the year ended 31 December

Balance as at 1 January 2020

Net Profit for the year

Transfer to RTGS Sinking Fund

Post Employment Benefit Plans cost recognized in Other Comprehensive Income

Transfer of Net Foreign Exchange Revaluation Gain (IRR)

Transfer to CBSL Internal Funds

Net Fair Value Gain on Securities at Fair Value through Other Comprehensive Income

Transfer of Funds from Retained Earnings to Market Revaluation Reserve

Transfer of Funds to General Reserve

Profit appropriation for the year 2019 - Recovery of outstanding GOSL obligations from 2019 profit

Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund

Transfer to Reserve for funding purposes of Post-Employment Benefits

Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income

Gain on Market Valuation of Government Securities Classified at Fair Value

through Other Comprehensive Income

Gain on Revaluation of Property, Plant and Equipment

Balance as at 31 December 2020

Balance as at 1 January 2021

Net Profit for the year

Transfer to RTGS Sinking Fund

Post Employment Benefit Plans cost recognized in Other Comprehensive Income

Transfer of Net Foreign Exchange Revaluation Gain (IRR)

Transfer to CBSL Internal Funds

Net Fair Value Loss on Securities at Fair Value through Other Comprehensive Income

Transfer of Funds from Retained Earnings to Market Revaluation Reserve

Transfer of Funds to General Reserve

Profit appropriation for the year 2020 - Recovery of outstanding GOSL obligations from 2020 profit

Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund

Transfer to Reserve for funding purposes of Post-Employment Benefits

Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income

Loss on Market Valuation of Government Securities Classified at Fair Value

through Other Comprehensive Income

Realized Revaluation Gains on Disposals

Balance as at 31 December 2021

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 76 form an integral part of these Financial Statements.

Central Bank of Sri Lanka

Statement of Cash Flows

For the year ended 31 December	Note	2021 Rs. 000	2020 Rs. 000
Cash Flows from Operating Activities			
Receipts:			
Interest Received - Foreign Currency		16,510,461	29,058,738
Interest Received - Local Currency - Others		2,433,655	1,448,144
Liquidity Management and Trading Income		14,468,586	6,721,927
Realised Exchange Loss		(13,003,097)	(10,303,437)
Other Income Received		1,572,512	1,445,544
		21,982,117	28,370,916
Disbursements:			
Interest Paid - Foreign Currency		5,841,243	5,574,007
Interest Paid - Local Currency		6,571,438	6,863,137
Payments to Employees		8,295,030	6,476,946
Payments to Suppliers		498,361	2,631,670
		21,206,072	21,545,760
Net Cash Flows generated from Operating Activities	44	776,045	6,825,156
Cash Flows from Investing Activities			
Receipts:			
Net Increase in Other Local Currency Financial Assets		(3,542,041)	(3,068,543)
Principal Recoveries from Loans and Advances to Other Institutions		5,534	5,767
Proceeds on disposal of Property, Plant and Equipment		338,246	134
Net Increase/(Decrease) in Securities Purchased under Resale Agreements		(108,445,017)	166,209,573
		(111,643,278)	163,146,931
Disbursements:			
Net Decrease in Foreign Currency Securities		(755,979,008)	(57,023,608)
Net Increase/(Decrease) in Other Foreign Currency Financial Assets		22,242,111	(901,434)
Net (Increase)/Decrease in Other Foreign Currency Financial Liabilities		218,313,967	(202,532,008)
Net (Increase)/Decrease in Other Local Deposits and Payables		489	(1,590)
Purchase of Property, Plant and Equipment, net of Grants		686,469	348,150
Purchase of Intangible Assets		72,928	126
Purchase of Leasehold Assets		9,113	4,838
Net Decrease in Gold Inventory		(38,743,707)	(121,876,566)
Investments in Financial and Other Institutions		-	6,489
Net Loans and Advances Granted to/(Recovered from) Other Institutions		(30,118,054)	111,353,276
		(583,515,692)	(270,622,327)
Net Cash Flows generated from Investing Activities		471,872,414	433,769,258
Cash Flows from Financing Activities			
Receipts :			
Issue of Circulating Currency		390,975,631	697,310,625
Withdrawal of Circulating Currency		(220,684,424)	(540,469,916)
Net Issue of Circulating Currency		170,291,207	156,840,709
Disbursements:			
Net Issues of Circulating Currency on Government Transactions	45	1,172,364,801	479,681,618
Net Issues/(Withdrawals) of Circulating Currency on Transactions with Banks and Financial Institutions	46	(171,102,641)	124,980,099
Net Issues of Circulating Currency		1,001,262,160	604,661,717
Net Decrease in Circulating Currency		(830,970,953)	(447,821,008)
Disbursements:			
Grant/(Repayment) of Foreign Currency Term Liabilities		(145,925,443)	2,658,806
Payments to Other Funds		72	141
Payments to Pension Fund		7,547,179	329,689
Transfer of Profits to Consolidated Fund		15,000,000	24,000,000
		(123,378,192)	26,988,636
Net Cash Flows used in Financing Activities		(707,592,761)	(474,809,644)
Net Increase/(Decrease) in Cash and Cash Equivalents		(234,944,302)	(34,215,230)
Exchange Rate Effect on Cash and Cash Equivalents		28,871,146	16,861,445
Cash and Cash Equivalents at the Beginning of the Year		403,577,642	420,931,427
Cash and Cash Equivalents as at 31 December	8	197,504,486	403,577,642

Figures in brackets indicate deductions

The accounting policies and notes on pages 13 to 76 form an integral part of these Financial Statements.

Central Bank of Sri Lanka
Notes to the Financial Statements
For the year ended 31 December 2021

1. REPORTING ENTITY AND STATUTORY BASE

The Central Bank of Sri Lanka ("Bank" or "CBSL") is an institution established under the Monetary Law Act No. 58 of 1949 of Sri Lanka as amended ("MLA"), as the authority responsible for the administration, supervision and regulation of monetary, financial and payment system of Sri Lanka. The Bank is domiciled in the Democratic Socialist Republic of Sri Lanka and situated at No: 30, Janadhipathi Mawatha, Colombo 01.

These financial statements were authorized for issue by the Governor and Chief Accountant for and on behalf of the Monetary Board on 23 March 2022.

1.1 Principal Activities

The Monetary Board of the CBSL is, in addition to determining the policies or measures authorized to be adopted or taken under Monetary Law Act No. 58 of 1949 of Sri Lanka as amended, vested with the powers, duties and functions of the CBSL and are generally responsible for the management, operations and administration of the Bank. The Bank is primarily responsible for the administration, supervision, regulation of monetary, financial and payment system of Sri Lanka and also acts as the fiscal agent of the Government. The activities of the Bank mainly include:

- Implementing monetary and exchange rate policies.
- Issuing of currency.
- Management of the official international reserves.
- Oversight of the financial system.
- Licensing, regulating and supervising of Banks and selected Non-Bank Financial Institutions.
- Provision of settlement facilities and the regulation of the payment system.
- Compilation, dissemination and analysis of economic data and statistics.
- Providing loans and advances to the Government, bank and financial institutions under various facilities.
- Banker to the Government and its agencies, and provision of current account facilities to LCBs and non-commercial bank primary dealers for Government securities.

The activities carried out in order to achieve its objective of economic, price and financial system stability with a view to encouraging and promoting the development of the productive resources of Sri Lanka can be broadly segregated into foreign currency and local currency

activities. Results of these activities are taken to Operating Activities in the context of the Statement of Income.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

These financial statements of the Bank for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Basis of Measurement

The financial statements are prepared on the historical cost basis, except for the following,

- Gold is measured at fair value through profit or loss (FVTPL).
- Derivative financial instruments and non-derivative financial instruments held at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) are measured at fair value.
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Liability for defined benefit obligations is measured as the present value of the defined benefit obligation less the fair value of the plan assets.

2.3 Reporting Format

The Bank presents financial assets and financial liabilities, and their associated income and expense streams, by distinguishing between foreign currency and local currency operations. In the Statement of Financial Position, assets and liabilities are presented broadly in order of liquidity within such distinguished categories. The Bank considers that this reporting approach provides appropriate reporting of the Bank's activities which are more fully described in Note 7.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Bank's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand. There was no change in the Bank's presentation and functional currency during the year under review.

2.5 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature

or function are presented separately unless they are immaterial.

2.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in Statement of Financial Position when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.7 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the Financial Statements are described in the following notes.

3.1 Classification and Impairment of Financial Assets

The Bank used judgements when assessing of the business model within which the assets are held and whether the contractual terms of the financial assets are solely-payment-of-principal-and-interest (SPPI) on the principal amount of the outstanding. The Bank also used judgements when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL. The implications of COVID-19 on the use of estimates and judgments in the computation of Bank's expected credit losses are explained in Note 3.4.

3.2 Pensions and Other Post Employment Benefit Plans

The cost of defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future

compensation increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used in the actuarial valuation are disclosed in Note 32 to the Financial Statements.

3.3 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives. The implications of COVID-19 on the use of estimates and judgments in fair valuing the loan schemes granted to support the revival of the economy affected by the pandemic are explained in Note 3.4.

3.4 General Implications of COVID-19

The Bank considered the impact of COVID-19 in preparing the financial statements. While the specific areas of judgement have not changed, the impact of COVID-19 resulted in application of additional judgement and estimates mainly in relation to loans to bank and the expected credit loss assessment in the financial statements.

CBSL implemented a range of relief and policy measures to revive the economy which was affected by the COVID-19 outbreak. Among those, the most significant relief measure which had financial implication on the Bank's financial statements were the loan schemes implemented to support the revival of the economy. Accordingly, the Bank launched refinance and credit schemes through LCBs and LSBs under the names Saubagya COVID-19 Renaissance Facility Phase I, II, III and Liquidity Facility to the Construction Sector at concessionary interest rates with maturity terms ranging from 6 months to 2 years with the condition of lending by LCBs and LSBs to businesses affected by the pandemic. The fair value is determined by using valuation techniques that involve use of unobservable inputs and judgment, particularly with respect to ensuring that the valuation techniques and inputs are relevant and appropriate. As such, critical judgments were used in the determination of the repayment terms and the market interest rate used in arriving at the initial recognition of fair value of the said loan schemes.

Though the fundamental credit loss model mechanics and methodology underpinning the Bank's calculation of expected credit losses have remained consistent with prior periods, the Bank has captured the impact of COVID-19 through the expected credit loss model inputs, assumptions and forward-looking macroeconomic

variables used in the computation process. In addition, the Bank used calibrations in the forward looking macro-economic data used in the expected credit loss model to avoid unprecedented statistical variations caused by the movements in the macro-economic data resulting from COVID-19.

However, for non-financial assets, the Bank's assessment is that COVID-19 related conditions had no impact on the carrying values and was appropriately assessed in the financial statements for the year ended 31 December 2021.

4. CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

There were no changes to the accounting policies and accounting policies adopted are consistent with those of the previous financial year.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Foreign Currency Translations and Balances

Transactions in foreign currencies are translated to Sri Lankan Rupees at the rate of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the rate of exchange prevailing at the reporting date. The foreign currency translation gain or loss on monetary items are taken to the Statement of Income. For the purposes of retranslation, as at the reporting date, the following Sri Lankan Rupee exchange rates for major currencies were used:

Currency	2021 Rs.	2020 Rs.
1 Australian Dollar	145.5851	143.4225
1 Canadian Dollar	158.6150	146.4840
1 Euro	227.8832	227.7256
1 Japanese Yen	1.7417	1.8055
1 Special Drawing Rights (SDR)	280.9312	272.6200
1 Sterling Pound	271.2270	254.8200
1 United States Dollar	200.4338	186.4082
1 Chinese Yuan (Offshore)	31.5294	28.6661

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

5.2 Fair Value Measurement

The Bank measures financial instruments, such as, foreign securities, derivatives, and non-financial assets such as gold, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in Note 50.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.3 Financial Assets and Financial Liabilities

The Bank presents financial assets and liabilities, and the associated income and expense streams, by distinguishing between foreign currency and local currency activities.

Foreign currency activities mainly arise from the Bank's foreign reserves management function. Local currency activities mainly reflect the assets and liabilities associated with monetary policy implementation, issuing currency and banking activities.

The separate reporting of these activities is considered to provide a better presentation of the Bank's financial position, financial performance and risk profile. The Bank considers that the combined reporting of foreign and local currency activities would weaken the informational value of the financial statements.

5.3.1 Recognition and Initial Measurement

All financial assets and liabilities are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. All regular way purchases and sales of financial assets and liabilities are recognised on the trade date respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.3.2 Classification

Financial Assets

On initial recognition, Bank classifies the financial assets as measured at;

- Amortized Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cashflows that are Solely Payment of Principle and Interest.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cashflows that are Solely Payment of Principle and Interest.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. All other financial assets are classified as measured at FVTPL.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes but not limited to:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest

The Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purpose of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition and "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

<p>Reclassifications</p> <p>Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.</p>	<ul style="list-style-type: none"> • Financial assets at Fair Value through Other Comprehensive Income • Financial Assets at Amortized Cost • Credit guarantee contracts of Regional Development Department
<p>5.3.3 Derecognition</p>	<p>No impairment loss is recognized on equity investments.</p>
<p>Financial Assets</p>	<p>The Bank measures loss allowances at an amount equal to 12 months ECL for investments which are in investment grade (rated Baa3/BBB- and above). Majority of the investments of the Bank which are classified as Fair value through other comprehensive income and Amortized cost are above Baa3/BBB- rate. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".</p>
<p>Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.</p>	<p>Life time ECL is calculated for those instruments which are below the investment grade at initial recognition or whose credit risk deteriorates below Baa3/BBB- or when a doubling of the probability of default has occurred after initial recognition. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments". Life time ECL would also be computed for credit impaired assets which would be referred to as "Stage 3 financial instruments".</p>
<p>On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.</p>	<p>Measurement of ECL</p>
<p>Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.</p>	<p>The mechanism of the ECL calculations are outlined below with the key elements.</p>
<p>The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions. In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.</p>	<p>Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The Bank uses specific equity PD's of issuers/counterparties from Bloomberg for all its foreign investments at FVOCI and amortized cost and in the absence of equity PDs, the PD's applicable to the rating of the specific issuer/counterparty from the Bloomberg common PD table at a given reporting date.</p>
<p>Financial Liabilities</p>	<p>Exposure at Default: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.</p>
<p>The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.</p>	<p>Loss Given Default (LGD): The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Bank has an approved internal policy in applying the LGD for different types</p>
<p>5.3.4 Impairment of Financial Assets</p>	
<p>The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:</p>	

of Financial Assets based on their risk exposure to the Bank.

Economic Factor Adjustment: Bank uses the Economic Factor Adjustment for the conversion of through the cycle PD to point in time PD and the Bank mainly uses GDP data as the main economic factor in stimulating the PD.

Assessing the Significant Increase in Credit Risk (SICR)

Bank will consider that the financial instruments have Significant Increase in Credit Risk (SICR) when doubling of PD has occurred from initial recognition and any rating downgrade below BBB- after initial recognition. This is based on the observation that all ratings downgrades from an investment grade rating to a non-investment grade rating, including the marginal one notch downgrade from Baa3 to Ba1, results in a two-fold or greater increase of PD.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, at FVOCI, and credit guarantees are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Investments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in Other Comprehensive Income.
- Credit guarantee contracts: generally, as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank

determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the Statement of Income and OCI.

5.4 Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held for trading are included in the category "securities at fair value through profit or loss". Upon initial recognition, attributable transaction cost are recognized in profit or loss as incurred. These securities are subsequently valued at quoted market prices. Changes in market values are recognised as an increase or decrease in the value of the securities in the Statement of Financial Position while resulting gains and losses are recognised in the Statement of Income.

Where the security is still owned, the gain or loss is reported as "Gain/(Loss) from Unrealised Price Revaluations". Where the gain or loss has been realised (through selling the security), it is reported as "Gain/(Loss) from Realised Price Revaluations".

5.5 Financial Assets at Fair Value through Other Comprehensive Income

Investments at Fair Value through Other Comprehensive Income are non-derivative investments that are designated as Fair Value through Other Comprehensive Income or are not classified as another category of financial assets. Investments at Fair Value through Other Comprehensive Income comprise of equity securities and debt securities.

Foreign Currency debt securities at Fair Value through Other Comprehensive Income are subsequently valued at quoted market prices. Changes in market value are recognized as an increase or decrease in the value of the Investments at Fair Value through Other Comprehensive Income in the Statement of Financial Position.

The equity investments at Fair Value through Other Comprehensive Income are subsequently valued based on the Net Assets of the respective institutions due to the non-availability of quoted prices.

Gains and losses arising from changes in the market value of Foreign and Local Currency debt securities and Equity Investments at Fair Value through Other Comprehensive Income are recognised directly in equity (Other Comprehensive Income) which is shown under Other Reserves in the Statement of Financial Position until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as equity is included in Statement of Income with the exception of fair value changes in equity investments

which will not be recycled to Statement of Income upon derecognition. Interest income is recognised in Statement of Income using the effective interest method.

5.6 Instruments held at Amortized Cost

The items that are held within the business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms give rise to cash flows on specific dates that are solely principle and interest are classified as instruments held at amortized cost. These instruments are subsequently measured at amortized cost using the effective interest method.

5.7 Derivative Instruments

The Bank uses derivatives such as cross currency swaps and forward foreign exchange contracts for risk management purposes and not for speculative purposes. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Gain/(Loss) from Unrealized Price Revaluations".

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 difference) in "Gain/(Loss) from Unrealized Price Revaluations". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Income when inputs become observable, or when the instrument is derecognised.

5.8 International Monetary Fund (IMF) Related Balances

The Bank transacts with the International Monetary Fund (IMF) in its own right rather than as the depository of the Government of Sri Lanka. All transactions by the bank with the IMF have been included in these financial statements on that basis.

The Bank records the quota with the IMF as an asset and the amount payable to the IMF for quota is recorded as a liability of the Bank. The cumulative allocation of SDRs by the IMF is treated as a liability. The IMF quota asset and the SDR holding is classified as FVTPL while other IMF related assets and liabilities are recognized at amortised cost using the effective interest method. Exchange gains and losses arising on revaluation of IMF assets and liabilities at the exchange rate applying at reporting date as published by the IMF are recognised in the Statement of Income.

All other charges and interest pertaining to balances with the IMF are recorded immediately in the Statement of Income.

5.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at foreign banks and financial institutions, short-term deposits and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments and cash equivalents are carried at amortized cost in the Statement of Financial Position.

As a part of local currency activities CBSL generates certain income and incurs expenses, which do not involve in movement of cash. Those activities result in certain assets and liabilities and mainly comprise of the transactions with the Government of Sri Lanka (GOSL) and transactions with domestic banks and financial institutions. Transactions with GOSL include the purchase of Treasury bills and bonds that are issued by the Government as a monetary policy mechanism. Such purchases, disposals or interest thereon are reflected as mere book entries in the records of CBSL. These are disclosed separately in Note 45 and Note 46 to the Financial Statements.

As the sole statutory authority, CBSL issues currency to the public in line with Monetary Law Act. Currency issued by CBSL represents a claim on the bank in favor of the holder. This is a liability on the part of the CBSL while it is an item of cash in the hands of the holder.

Movement in circulation currency is included as part of financing activities in line with prevailing industry practices among those central banks which present cash flow statements.

CBSL through the cash/pay order process disburses cash in the form of notes and coins or cheques drawn on CBSL, to various drawees including suppliers and employees for goods and services obtained, which is either added to the currency in circulation liability or deposits by banks and financial institutions. Such forms of utilization of currency for the purposes of CBSL's payments form part of cash outflows of CBSL.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of cash/pay order outflows.

5.10 Repurchase and Reverse-Repurchase Transactions

Securities sold under agreements to repurchase continue to be recorded as assets in the Statement of Financial Position. The obligation to repurchase (Securities Sold under Agreements to Repurchase) is recognised as a liability. The difference between the sale and repurchase price in repurchase transactions and the purchase price and sale price in reverse-repurchase transactions represents an expense and income respectively and recognised in the Statement of Income.

Securities held under reverse-repurchase agreements are recorded as an asset in the Statement of Financial Position (Securities Purchased under Resale Agreements). Both repurchase and reverse-repurchase transactions are reported at amortized cost inclusive of any accrued income or expense.

5.11 Standing Deposit and Lending Facilities

With effect from 1 February 2014, Standing Deposit Facility (former Standing Repurchase (Repo) Facility) was converted in to a 'clean deposit' with no allocation of collateral. Hence, participating institutions invest their excess funds in the Standing Deposit Facility as a clean deposit on daily basis at standing deposit facility rate.

The procedures of Standing Lending Facility (Formerly Standing Reverse Repurchase (Reverse Repo) Facility) are identical to the Standing Reverse Repurchase Facility and both are recognized at amortized cost in the Statement of Financial Position.

5.12 CBSL Securities

The Bank issues CBSL Securities from time to time under its Monetary Policy operations to absorb excess liquidity in the market. The securities issued are recorded as a liability.

5.13 Sri Lanka Government Securities

Sri Lanka Government Securities consists of Treasury Bills and Bonds purchased from GOSL. Investments in Sri Lanka Government Securities is recorded in the Statement of Financial Position at Fair Value through Other Comprehensive Income.

5.14 Provisional Advances to Government

Advances to Government represents direct provisional advances made to GOSL under Section 89 of the Monetary Law Act No.58 of 1949 of Sri Lanka, as amended. These advances are subsequently measured at amortized cost.

5.15 Loans to Other Institutions

Loans granted to Other Institutions are recognized and carried at amortized cost.

5.16 Securities Borrowings and Securities Lending

Bank borrows Government Securities from time to time under its monetary policy operations from major institutional investors. The borrowed securities are used by the bank for repurchase operations to absorb excess liquidity in the market.

The securities borrowings is an unconditional blanket guarantee from the Bank for return of securities, payment of agreed fee and on compensation at market rate (as per the market rates communicated to the primary market

participants by the Public Debt Department of the Bank) in the events of any failure in delivery.

The market values of the securities borrowed and not used for the repurchase operations at a particular time are recorded as a contingent liability. The commission paid is expensed on accrual basis.

Transfer of securities to counterparties under lending transactions is only reflected on the Statement of Financial Position if the risks and rewards of ownership are also transferred.

5.17 Staff Loans

Bank employees are entitled to loan facilities under concessionary interest rates. These loans which were granted from 2008 onwards are fair valued as per IFRS 9 "Financial Instruments" using discounted cash flows.

Discount rate - The rate compiled by the Economic Research Department of CBSL (ERD) based on the long term inflation target and the expected real interest rate over the respective time horizons plus 1 per cent added for the risk premium as agreed by the Advisory Audit Committee of the Bank is used as the discount rate and it varies with the period of the loans.

The difference between the present value of the staff loan as at the end of a year and beginning of the year have been amortized yearly to record the expense incurred by the Bank in providing these loans at concessionary rates and equivalent amount is recorded as other income to record the income that would have been earned by the bank if these loans were granted at market rates.

Assumptions used for computation of fair valuation

- The date of staff loan granted is considered as 1 January.
- There were no amendments or early settlements.

5.18 Gold

Section 67 (1) of the Monetary Law Act which specifies the composition of the International Reserve indicates that gold may be held by the CBSL as part of this Reserve. According to Section 67 (2), Monetary Board is required to endeavor to hold at least a nuclear reserve in gold or currencies freely convertible by the Central Bank, whether directly or indirectly, in to gold as per the MLA. As this gold is part of the International Reserve and not used as a commodity which is traded during the normal course of business, gold is fair valued and the gains or losses are transferred to the Statement of Income. Prior to appropriation of profits, the unrealised gains from gold are transferred to the relevant reserve account.

5.19 Currency Inventory

Inventories of the Bank include new currencies that are not yet issued to the circulation. Cost related to production and design of new currency notes and coins are initially

recognized at cost. Cost of new currency notes and coins which are issued to the circulation is determined on a weighted average basis and at the time of issue it is charged to Statement of Income. Allowance is made for slow moving inventories.

5.20 Other Inventories

Other inventories are carried at lower of cost and net realisable value. Cost is determined on a weighted average basis.

5.21 Property, Plant and Equipment

Property, Plant and Equipment excluding land and buildings are stated at cost, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such Property, Plant and Equipment when that cost is incurred if the recognition criteria are met.

Land and buildings are measured at revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Except for the freehold land, depreciation is calculated on a straight-line method over the following estimated useful lives.

Class of Asset	Useful Life
Buildings on Freehold Lands	Over 50 Years
Buildings on Leasehold Land	Lower of 50 Years or over the lease term
Plant & Plant Integrals	20 Years
Furniture & Equipment	10 Years
Motor Vehicles	5 Years
Motor Vehicles acquired 2014 onwards	10 Years
Computer Hardware	4 Years
Others	3 Years

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Policy for revaluation of land and buildings of the Bank is at least once in three years or at any shorter interval when a significant valuation adjustment becomes evident. Any revaluation surplus is credited to the Revaluation Reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in Statement of Income, in which case the increase is recognized in Statement of Income. A revaluation deficit is recognized in Statement of Income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the Revaluation Reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

An item of Property, Plant and Equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Income in the year the asset is de-recognized. The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, regularly.

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

5.22 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Bank acting as a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the lands or office premises.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicated in the lease or if that rate cannot be determined, the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

- Exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise an extension option, and penalties for early termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in Statement of Income if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in "Property, Plant and Equipment" (Note 20) and lease liabilities in "Miscellaneous Liabilities and Accruals" (Note 33) in the Statement of Financial Position.

5.23 Intangible Assets

Computer software not integral to computer hardware are shown as intangible assets and recognized at cost. Following initial recognition these intangible assets are carried at cost less any accumulated amortization and accumulated impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in Statement of Income on a straight-line basis over the useful life of 4 years, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

5.24 Other Assets

Other assets are carried at expected realisable values.

5.25 Impairment of Non-Financial Assets

The Bank assesses at each end of reporting period if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in Statement of Income.

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether

there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.26 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

5.27 Currency in Circulation

Currency issued by the Bank represents a claim on the bank in favour of the holder. The liability for Currency in Circulation is recorded at face value in the Statement of Financial Position.

5.28 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Bank operates defined benefit schemes for Pension, Widows' and Orphans' Pensions (W&OP), Widowers' and Orphans' Pensions (WR&OP), Retirement Gratuity and Post Employment Medical Benefits. The Bank and eligible beneficiaries make contributions, to separately administered funds in respect of the first three schemes.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The Bank's obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the valuation date on Government Bonds that have

maturity dates approximating to the average remaining years of service. All principal actuarial assumptions disclosed in Note 32 are revised annually.

5.29 Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The bank contributes 24% and 3% of employees' gross emoluments to Employees' Provident Fund and Employees' Trust Fund respectively which are separately administered defined contribution plans.

Obligations for contributions to defined contribution plans are recognized as expense in the Statement of Income as and when they are due.

5.30 Grants

Grants recognised at their fair value (where there is a reasonable assurance that the grant will be received and all attaching conditions, if any, will be complied with) are shown under equity. When the grant relates to an expense item it is recognised in the Statement of Income over the periods necessary to match them to the expenses it is intended to compensate on a systematic basis. Where the grant relates to an asset, the fair value is credited to a deferred government grant account and is released to the Statement of Income over the expected useful life of the relevant asset on a systematic basis consistent with the depreciation policy of the related asset.

5.31 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. All guarantees of indebtedness, forward foreign exchange transactions and other commitments, which are not recognized in Statement of Financial Position, are shown under respective headings disclosed as Contingent Liabilities and Capital Commitments items. Where applicable, such amounts are measured at best estimates.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

5.32 Revenue and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expenses are recognised in the Statement of Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the result for the year.

The following specific recognition criteria must also be met before revenue and expenses are recognised:

5.32.1 Interest Income and Expenses

Interest income and expense are recognised in the Statement of Income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price unless collectability is in doubt. Interest income includes coupons earned on fixed income investments and securities and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection. Such income is excluded from interest income until received.

5.32.2 Dividends

Dividend income is recognized when the Bank's right to receive the payment is established.

5.32.3 Miscellaneous Income and Expenses

Miscellaneous income and expenses are recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant and Equipment have been accounted for in the Statement of Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

5.32.4 Personnel Expenses

Personnel expenses include the full cost of all staff benefits. Salaries and related expenses due at year-end are included in other local payables.

5.32.5 Income Tax Expense

The income of the Bank is exempted from tax under section 118 of the Monetary Law Act No. 58 of 1949 as amended and as per section 9 (1) of Inland Revenue Act No. 24 of 2017 and subsequent amendment as per Inland Revenue (Amendment) Act No. 10 of 2021. In terms of the Economic Service Charge (Amendment) Act No. 07 of 2017, the Bank is liable for ESC commencing from 01.04.2017. However, unrealized gain on exchange rate and unrealized marked to market gain on foreign currency financial assets are exempted from ESC with effect from October 2018 as per the ESC (Amendment) Act, No. 33 of 2018. Further, the Bank is exempted from Value Added Tax on supply of financial services as per Value Added Tax (Amendment) Act No.17 of 2013.

ESC was abolished with effect from 1 January 2020.

5.33 Events Occurring after the Reporting Date

All material subsequent events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

STATEMENT OF CASH FLOWS

The cash flow statement has been prepared by using the "Direct Method" of preparing of cash flow statement in accordance with the IAS 7 - Statement of Cash Flow.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of cash/pay order outflows.

6. NEW ACCOUNTING STANDARD AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AS AT REPORTING DATE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements. Further, the Bank does not expect that these standard amendments and interpretations will have a material impact on the Bank's financial statements.

6.1 Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify that the 'costs of fulfilling a contract' comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

This clarification is unlikely to affect companies that already apply the 'full cost' approach, but those that apply the 'incremental cost' approach will need to recognise bigger and potentially more provisions.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

6.2 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of PPE is available for use; and
- costs associated with making the item of PPE available for its intended use.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the Bank first applies the amendments.

6.3 Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023 but may be applied earlier.

6.4 Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that the Bank develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Bank applies the amendments.

6.5 Annual Improvements to IFRS Standards 2018–2020

6.6 COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

7. NATURE AND EXTENT OF ACTIVITIES

7.1 Foreign Currency Activities

Foreign currency activities result mainly from the CBSL's holdings of foreign currency assets under its foreign reserves management function. The foreign reserves management portfolio comprises of foreign currency assets held for foreign exchange intervention purposes and other foreign currency assets held for trading purposes.

The foreign currency assets are held in various currencies. The majorities are denominated in United States Dollars, Australian Dollars, Euros, Sterling Pounds, Japanese Yen and New Zealand Dollars. The financial instruments held within these foreign currency portfolios consist mainly of sovereign securities, securities held under reverse-repurchase transactions or balances held with other central banks, commercial banks and custodial institutions.

The Bank also holds, from time-to-time, foreign currency assets and liabilities that arise from international market operations.

7.2 Local Currency Activities

Local currency activities arise as follows:

- (i) Liquidity management operations: Liquidity management largely involves the CBSL offsetting the daily net flows to or from government or market by advancing funds to or withdrawing funds from the banking system. Most of this business is undertaken through daily open market operations.
- (ii) Holding an investment portfolio comprising of Sri Lanka government securities to support the liability for currency in circulation. The Bank's policy is to hold these investments for monetary operations and not for trading.

7.3 Trust and Custodial Activities

Amounts administered by the CBSL under custodial and administration arrangements are not included in these financial statements, as they do not form part of elements of financial statements of the Bank.

8. CASH AND CASH EQUIVALENTS

	2021 Rs. 000	2020 Rs. 000
Cash Balances with Banks	23,385,534	93,379,318
Time Deposits with Banks	49,430,045	270,722,623
Overnight Placements	124,669,823	39,462,616
Interest Receivable on Cash and Cash Equivalents	19,084	13,085
Cash and Cash Equivalents for Cash Flow Purpose	197,504,486	403,577,642
Cash and Cash Equivalents available for Restricted Use (Note 8.1)	315,343,334	-
Less: Expected Credit Losses on Cash and Cash Equivalents (Note 8.2)	(85,368)	(270,338)
Total	512,762,452	403,307,304

8.1 The cash balance available for restricted use represents the CNY 10 billion received under the bilateral currency swap agreement between CBSL and the PBoC as explained in Note 25.6. The amount received under this agreement can be used to finance trade and direct investment between the two countries and for other purposes agreed upon by both parties.

8.2 Movement in Expected Credit Losses on Cash and Cash Equivalents

	2021			2020		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	Rs. 000	Rs. 000				
Balance as at 1 January	90,277	180,061	270,338	219,331	2,627	221,958
Charge/ (Reversal) during the year	(38,268)	(146,702)	(184,970)	(129,054)	177,434	48,380
Balance as at 31 December	52,009	33,359	85,368	90,277	180,061	270,338

9. INVESTMENTS IN FOREIGN SECURITIES

	2021 Rs. 000	2020 Rs. 000
Securities at Fair Value through Profit or Loss		
-Investment in Foreign Securities (Note 9.1)	-	40,564,323
	-	40,564,323
Securities at Fair Value through Other Comprehensive Income		
-Investment in Foreign Securities	8,818,244	703,435,463
	8,818,244	703,435,463
Total Investment in Foreign Securities	8,818,244	743,999,786
Expected Credit Loss on Securities at Fair Value through Other Comprehensive Income (Note 9.2)	995	2,098,721

9.1 Investment in foreign securities classified as securities at fair value through profit or loss includes the investments made by the Bank in the Reserve Advisory Management Program (RAMP) managed by the World Bank.

9.2 Movement in Expected Credit Losses on Securities at Fair Value through Other Comprehensive Income

	2021			2020		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1 January	36,546	2,062,175	2,098,721	81,259	19,635	100,894
Charge/ (Reversal) during the Year	(35,551)	(2,062,175)	(2,097,726)	(44,713)	2,042,540	1,997,827
Balance as at 31 December	995	-	995	36,546	2,062,175	2,098,721

10. DERIVATIVE FINANCIAL INSTRUMENTS

10.1 The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

	2021			2020		
	Assets Rs. 000	Liabilities Rs. 000	Notional Amount Rs. 000	Assets Rs. 000	Liabilities Rs. 000	Notional Amount Rs. 000
Currency SWAPS	54,022,803	1,130,519	197,002,554	3,368,784	573,774	281,690,071
Forex Forward	33	8,804	229,487	1,569	408	1,025,245
Total	54,022,836	1,139,323	197,232,041	3,370,353	574,182	282,715,316

10.2 The above derivatives consisting of Currency Swaps and Foreign Exchange Forward Contracts that were used for the purpose of managing market and liquidity risks in foreign reserves held by the Bank in line with the statutory objectives of maintenance of foreign reserves. The Bank entered into swap transactions and forward contracts with Licensed Banks, Foreign Central Banks, Foreign Banks and Financial Institutions in order to maintain international stability of the Sri Lankan rupee, to strengthen the financial system stability of the country, to enhance the economic and financial cooperation among regional countries and to improve foreign exchange inflows to the country.

10.3 Derivatives are financial contracts that derive their value in response to changes in interest rates, financial instruments prices, commodity prices, foreign exchange rates, credit risk and indices.

10.4 A significant part of derivatives portfolio of the Bank consists of currency swaps entered into as a strategy to manage exchange rate risk and the short term liquidity requirements. In a currency swap, the Bank pays/ receives a specified amount of a currency on an agreed date in exchange of another currency at agreed rates.

10.5 From Foreign Exchange Forward contracts, the Bank gets the obligation to buy or sell specific amount of foreign currency on an agreed future date at an agreed rate.

10.6 The Bank's exposure to derivative contracts is closely monitored as part of the overall risk management of the Bank to ensure expected benefits from such derivatives are crystalized to the Bank.

11. IMF RELATED ASSETS

	2021 Rs. 000	2020 Rs. 000
Measured at Fair Value through Profit or Loss		
IMF Quota (Note 11.1)	162,603,548	157,793,346
	162,603,548	157,793,346
Measured at Amortized Cost		
Holding of Special Drawing Rights (Note 11.2)	24,800,563	491,874
Deposits with IMF (Note 11.3)	216,785	208,077
Prepaid Charges - IMF Loans	424,944	464,890
Less: Expected Credit Losses on IMF Related Assets (Note 11.4)	(3)	(2)
	25,442,289	1,164,839
	188,045,837	158,958,185

11.1 IMF Quota

The IMF Quotas (capital subscriptions) are the primary source of IMF resources received from its member countries. Each country's quota is determined broadly on the basis of the relative economic size of the country. Upon joining the IMF, a country must pay 25 per cent of its quota in widely accepted foreign currencies or SDRs, and the remaining 75 per cent in its own currency. The IMF quota represents an asset of the Bank as it transacts with the IMF on its own account on behalf of the Government as per Articles of the IMF.

The IMF, based on the General Quota Review Agreement, decided to increase the quotas of each of the IMF's 189 members in January 2016 (Currently there are 190 IMF member countries). As a result, Sri Lanka's IMF quota increased to SDR 578.80 Mn on 17 February 2016 from the previous quota amount of SDR 413.40 Mn.

The amounts payable in respect of the IMF Quota is shown under the heading Quota Liability in Note 24. A member's quota determines that country's financial and organizational relationship with IMF, including:

(i) Subscriptions: A member's subscription to IMF resources is equal to its quota and determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full; up to 25 per cent must be paid in reserve assets specified by the IMF (SDRs or usable currencies), and the rest in the member's own currency.

(ii) Voting power: The quota defines a member's voting power in IMF decisions. IMF member's votes comprise basic votes plus one additional vote for each SDR 100,000 of quota. The 2008 reform fixed the number of basic vote at 5.50 per cent of total votes.

(iii) Access to financing: The amount of financing a member can obtain from the IMF (access limits) is based on its quota. Under Stand-By and Extended Arrangements, for instance, a member can currently borrow up to 145 per cent of its quota annually (temporarily increased to 245 percent of quota through end 2021 as part of the Fund's COVID-19 response) and 435 per cent cumulatively. Access to finance may be higher in exceptional circumstances.

(iv) SDR allocations: Members' shares of SDR allocations are established in proportion to their quotas. A general SDR allocation equivalent to about US dollars 650 billion was made to IMF members that are participants in the SDR Department in proportion to their existing quotas in the IMF, which became effective on 23 August 2021. Of this general SDR allocation Sri Lanka's share amounted to SDR 554.8 million.

11.2 Holding of Special Drawing Rights

Holding of Special Drawing Rights (SDR) is potentially a claim on the freely usable currencies of IMF members in which holders of SDRs can exchange their SDRs for these currencies. The SDRs value as a reserve asset derives from the commitments of members to hold and accept SDRs, and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on freely usable currencies is being honored in two ways: by designating IMF members with a strong external position to purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market. The amount shown above represents the total holding of the Bank as at the respective reporting dates.

11.3 Deposits with IMF – PRGF – HIPC Trust Deposit

The PRGF – HIPC (Poverty Reduction and Growth Facility for the Heavily Indebted Poor Countries) Trust Deposit was made under the agreement between the GOSL and the IMF on 21 April 2000 by transferring SDR 788,783 from Sri Lanka's deposit in the post SCA-2 (Special Contingent Account) administered account with the IMF. This account was created under the guidance of the IMF by transferring the balance held in SCA-2 against Sri Lanka when it was decided to wind up SCA-2 by the IMF. The IMF requested the countries that had balances in the Post SCA-2 account to consider providing the balances in that account to the PRGF/HIPC Trust either as outright grant or as a means of providing a subsidy for PRGF/HIPC Loan. Accordingly GOSL agreed to transfer the funds from Post SCA-2 accounts to PRGF/HIPC Trust account, not as an outright grant, but as an interest free deposit until 2018. This was later extended until 2024.

11.4 Movement in Expected Credit Losses on IMF Related Assets

Stage 1	2021 Rs. 000	2020 Rs. 000
Balance as at 1 January	2	4
Charge/(Reversal) for the Year	1	(2)
Balance as at 31 December	3	2

12. SRI LANKA GOVERNMENT SECURITIES

Portfolio of government securities is acquired and maintained as per Section 90 (2) of the Monetary Law Act for the purpose of open market operations to be carried out in the conduct of the monetary policy.

	2021 Rs. 000	2020 Rs. 000
Treasury Bills	1,351,378,149	637,959,075
Treasury Bonds	25,876,232	74,904,469
Interest Receivable	565,966	1,667,983
	1,377,820,347	714,531,527

13. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2021 Rs. 000	2020 Rs. 000
Securities Purchased under Resale Agreements	567,297,000	2,728,000
Interest Receivable on Securities Purchased under Resale Agreements	235,312	412
	567,532,312	2,728,412

14. PROVISIONAL ADVANCES TO GOVERNMENT

These represent advances granted to the Government of Sri Lanka (GOSL) under Section 89 of the Monetary Law Act subject to the conditions stated in provision of advances to finance expenditures authorised to be incurred out of the Consolidated Fund.

15. EQUITY INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS

These investments are made in terms of Section 105 A of the Monetary Law Act. Under this Section, the Bank is empowered to acquire and hold shares in any company which, in the opinion of the Monetary Board, was formed for the advancement and promotion of human resources and technological development in the banking and financial sector or to facilitate clearance of transactions among commercial banks operating in Sri Lanka.

15.1 Investment position

Company	Nature of the Business	2021		2020		Medium & Long Term Credit Scheme	2021 Rs. 000	2020 Rs. 000
		No. of Shares	Fair Value Rs. 000	No. of Shares	Fair Value Rs. 000			
Lanka Clear (Private) Limited	Automated Clearing	2,986,824	653,414	2,986,824	597,246	- Related Parties	20,368	22,563
Lanka Financial Services Bureau Limited	Automated Fund Transfers	500,000	-	500,000	-	- Related Parties	89,707	10,994
Credit Information Bureau of Sri Lanka Limited	Provision of Credit Information	48,244	1,017,804	48,244	1,018,110	Liquidity Facility to the Construction Sector (Note 16.1.2)		
						- Related Parties		4,934,335
						- Others		11,185
						Saubagya COVID-19 Renaissance Facility (Note 16.1.3)		
						- Related Parties	60,373,446	72,901,250
						- Others	9,245,265	10,701,621
						Saubagya COVID-19 Renaissance Refinance Facility (Note 16.1.4)		
						- Related Parties	8,644,208	16,277,700
						- Others	3,173,742	6,782,246
						Saubagya Loan Scheme (Note 16.1.1)		
						- Related Parties	6,850,588	-
						- Others	2,211,334	-
						Loans Recognized under Credit Guarantee Scheme of CBSL		
						- Related Parties	13,016	-
							90,621,674	111,641,894

15.2 The equity investments were carried at fair value as at 31 December 2021 based on Net Assets per share basis as per the latest available unaudited financial statements of those Companies at the time of preparation of the Bank's financial statements. Accordingly, the Net Asset per share as at the following dates were used.

Lanka Clear (Private) Limited - 31 December 2021 - Net Asset Value per Share Rs. 218.77

Lanka Financial Services Bureau Limited - 30 November 2021 - Net Asset Value per Share Rs. -4.82

Credit Information Bureau of Sri Lanka Limited - 31 December 2021 - Net Asset Value per Share Rs. 21,097.00

16. LOANS TO BANKS

	2021		2020	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Loans to Banks (Note 16.1)	90,621,674		111,641,894	
Less: Expected Credit Loss on Loans to Banks (Note 16.2)	(48,928)		(154,368)	
	90,572,746		111,487,526	

16.1 Loans To Banks

These are the loans granted in terms of Part IIIA of Chapter V of the Monetary Law Act to facilitate lending for productive purposes.

16.1.1 Loan balances amounting to Rs. 82.05 Mn from Repair of Damaged Houses North & East and Rs. 9,061.92 Mn from Saubagya Loan Scheme was recorded in the financial statements of the Bank from the incorporation of schemes operated by the Regional Development Department.

16.1.2 Liquidity facility to the construction sector: In order to provide funds to commercial banks in satisfying funding needs of the contractors/ suppliers who had outstanding dues from government this facility was introduced by the Central bank as a dedicated credit scheme under the Section 83 of the Monetary Law Act No.58 of 1949. This loan facility has been completed as of 31 December 2021.

16.1.3 Saubagya Covid-19 Renaissance Facility : To support the revival of the economy affected by COVID-19 outbreak, the Central bank introduced this new credit scheme under the Section 83 of the Monetary Law Act No.58 of 1949 on the condition that Licensed Commercial Banks lend to businesses adversely affected by COVID-19 outbreak.

16.1.4 Saubaya Covid-19 Renaissance Refinance Facility : In order to revive the Micro, Small and Medium Sector enterprises adversely affected by the COVID-19 outbreak and to promote economic activity in the country, the Central Bank launched a new refinance facility under the Saubaya Loan scheme.

16.2 Movement in Expected Credit Losses on Loans to Banks

	2021				2020		
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Total Rs. 000
Balance as at 1 January	6,215	148,153	-	154,368	-	35	35
Charge/ (Reversal) during the year	8,220	(126,676)	13,016	(105,440)	6,215	148,118	154,333
Balance as at 31 December	14,435	21,477	13,016	48,928	6,215	148,153	154,368

17. OTHER ASSETS

	2021 Rs. 000	2020 Rs. 000
Financial Assets		
Investments by Internal Funds	16,490,667	13,319,452
Less: Expected Credit Loss on Investments by Internal Funds (Note 17.1)	(280)	(79,572)
Net Investment by Internal Funds	16,490,387	13,239,880
Investments of Schemes operated by RDD	5,380,169	-
Less: Expected Credit Loss on Investments of RDD (Note 17.2)	(150)	-
Staff Loans at Amortized Cost	5,380,019	-
Receivable from Treasury and Other Ministries	5,592,375	5,569,225
Other Receivables	4,087,983	597,774
Less: Expected Credit Loss on Other Receivables (Note 17.3)	2,258,932	1,649,540
	(2,226,887)	(183,276)
	9,712,403	7,633,263
Non Financial Assets	31,582,809	20,873,143
Deffered Asset on Staff Loan	2,480,961	2,224,046
	34,063,770	23,097,189

17.1 Movement in Expected Credit Loss on Investments by Internal Funds

	2021			2020		
	Stage 1 Rs. 000	Stage 2 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Total Rs. 000
Balance as at 1 January	48	79,524	79,572	15,617	16	15,633
Charge/ (Reversal) during the Year	(9)	(79,283)	(79,292)	(15,569)	79,508	63,939
Balance as at 31 December	39	241	280	48	79,524	79,572

17.2 Movement in Expected Credit Losses on Investment Schemes Operated by RDD

	2021 Stage 1 Rs. 000	2020 Stage 1 Rs. 000
Balance as at 1 January	-	-
Charge during the year	150	-
Balance as at 31 December	150	-

17.3 Movement in Expected Credit Losses on Other Receivables

	2021 Stage 3 Rs. 000	2020 Stage 3 Rs. 000
Balance as at 1 January	183,276	175,275
Charge during the year	-	8,001
Transferred from schemes operated by RDD	2,043,611	-
Balance as at 31 December	2,226,887	183,276

18. GOLD

This is the value of physical gold held as required under Section 67 (1) and Section 67(2) of the Monetary Law Act (MLA) as part of the International Reserve of the Bank. As per Section 67(2) of MLA, Monetary Board is required to endeavor to hold at least a nuclear reserve in gold or currencies freely convertible by the Bank, whether directly or indirectly, in to gold as per the MLA.

19. INVENTORIES

	2021 Rs. 000	2020 Rs. 000
Notes for Circulation	1,788,014	2,294,967
Coins for Circulation	2,821,514	3,519,159
Coins in Transit from the Supplier	-	31,876
Notes in Transit from the Supplier	253,168	440,203
	4,862,696	6,286,205
Less: Provision for Slow Moving Items	(2,446)	(45,000)
	4,860,250	6,241,205
Stationery and Sundry Inventory	68,124	60,306
Medical Center Stock	159	308
Total Inventories	4,928,533	6,301,819

In 2021, inventories of Rs. 2,780.25 Mn (2020 Rs. 2,396.89 Mn) were recognized as an expense during the year and included in "Cost of Inventory (Cost of New Currency Issue)" in the Statement of Income.

20. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and	Plant &	Furniture	Vehicles	Computers	Right	Others	Construction	2021	2020
	Buildings	Plant Integrals	& Equipment	Rs.000	Rs.000	of use Assets	Rs.000	In progress	Total	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 1 January	19,166,963	1,584,031	1,383,500	561,293	1,073,355	71,125	57,490	129,010	24,026,767	20,698,837
Additions during the Year	-	51,196	25,984	50,500	74,548	9,114	247	82,234	293,823	264,225
Disposals during the Year	(992,900)	(58,508)	(31,985)	-	(6,363)	-	(320)	(1,262)	(1,091,338)	(641)
Transfers during the Year	-	38,759	17,181	-	-	-	-	(55,940)	-	-
Transfer of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-	-	(754,570)
Revaluation gain during the Year	-	-	-	-	-	-	-	-	-	3,814,078
Remeasurement of Right of Use Asset	-	-	-	-	-	-	-	-	-	4,838
Retirement of Right of Use Asset	-	-	-	-	-	(11,190)	-	-	(11,190)	-
As at 31 December	18,174,063	1,615,478	1,394,680	611,793	1,141,540	69,049	57,417	154,042	23,218,062	24,026,767

Accumulated Depreciation	Land and	Plant &	Furniture	Vehicles	Computers	Right	Others	Construction	2021	2020
	Buildings	Plant Integrals	& Equipment	Rs.000	Rs.000	of use Assets	Rs.000	In progress	Total	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 1 January	-	1,095,846	1,085,491	434,939	902,948	12,883	39,208	-	3,571,315	3,888,146
Depreciation for the Year	230,320	81,044	79,412	28,447	77,745	6,501	376	-	503,845	438,256
Disposals during the Year	(11,221)	(33,291)	(31,443)	-	(5,947)	-	-	-	(81,902)	(517)
Transfer of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-	-	(754,570)
Retirement of Right of Use Asset	-	-	-	-	-	(11,190)	-	-	(11,190)	-
As at 31 December	219,099	1,143,599	1,133,460	463,386	974,746	8,194	39,584	-	3,982,068	3,571,315
Net Book Value	17,954,964	471,879	261,220	148,407	166,794	60,855	17,833	154,042	19,235,994	20,455,452

The carrying values of Land and Buildings are recorded at fair value. The latest independent valuation was performed as at 31 December 2020 by Mr. A. A. M. Fathihu, Chartered Valuer, which was recorded as at 31 December 2020. The Bank is of the view that the carrying amounts of these lands and buildings as of 31 December 2021 have not changed significantly compared to the fair values as at 31 December 2020.

During the financial year, the Bank has acquired property, plant and equipment by means of cash with an aggregated cost of Rs. 680.89 Mn (2020 - Rs. 348.15 Mn).

The value of the fully depreciated assets which are still in use as at 31 December 2021 was Rs. 1,929.55 Mn. (2020 - Rs. 1,753.86 Mn).

Valuation Approach and Significant Unobservable Inputs used in the Valuation of Freehold Land and Buildings and Buildings on Leasehold Land of the Bank

Property	Name of the chartered valuation surveyor	Valuation approach	Estimated price per perch (Rs.)	Estimated price per square foot (Rs.)	Estimated rent per month (Rs.)	Outgoing expenses	Years Purchase	Fair Value as at 31 December 2020 (Rs. 000)
Land & Building								
Head Office - Colombo 01	A. A. M. Fathihu	Market Approach & Cost Approach	15,750,000	11,000 - 18,500	-	-	-	10,437,567
Whiteaways Building - Colombo 01	-do-	Market Approach & Income Approach	13,200,000	-	7,000,000	35%	16.66	783,407
Central Point Building - Colombo 01	-do-	Market Approach & Income Approach	14,400,000	-	10,000,000	35%	16.66	1,077,180
Centre for Banking Studies - Rajagiriya	-do-	Market Approach & Cost Approach	3,600,000	3,000 - 12,000	-	-	-	2,660,026
Bank House - Colombo 07	-do-	Market Approach & Cost Approach	10,000,000	4,000 - 11,000	-	-	-	1,709,163
Regional Office - Matara	-do-	Market Approach & Cost Approach	2,000,000 - 4,000,000	4,000 - 9,500	-	-	-	360,397
Regional Office - Matale	-do-	Market Approach & Cost Approach	150,000 - 750,000	3,000 - 9,500	-	-	-	222,786
Holiday Home - Nuwara Eliya	-do-	Market Approach & Cost Approach	1,350,000	5,000 - 8,750	-	-	-	334,193
Holiday Home - Kataragama	-do-	Market Approach & Cost Approach	270,000	5,000 - 12,500	-	-	-	231,605
Building on Leasehold Land								
Regional Office - Anuradhapura	A. A. M. Fathihu	Cost Approach	-	4,500 - 9,500	-	-	-	90,783
Holiday Home - Anuradhapura	-do-	Cost Approach	-	7,000	-	-	-	21,960
Regional Office - Kilinochchi	-do-	Cost Approach	-	2,000 - 8,500	-	-	-	199,050
Holiday Home - Somawathiya	-do-	Cost Approach	-	11,750 - 12,000	-	-	-	45,946

Composition of Land and Buildings

	Carrying Value 2021 Rs. 000	Carrying Value 2020 Rs. 000
Freehold Land	10,855,725	11,334,725
Buildings on Freehold Land	6,798,976	7,520,445
Buildings on Leasehold Land	300,263	311,793
	17,954,964	19,166,963

The carrying amount of revalued land and buildings that would have been included in the financial statements had they been carried at cost less depreciation is Rs. 7,273.50 Mn (2020 - Rs. 7,607.42 Mn).

21. INTANGIBLE ASSETS

Computer Software: Cost:	2021			2020 Rs. 000
	Intangible Assets Rs. 000	Intangible Assets - WIP Rs. 000	Total Rs. 000	
As at 1 January	1,005,040	83,925	1,088,965	1,004,915
Additions during the Year	72,928	403,023	475,951	84,050
Transfers during the Year	5,573	(5,573)	-	
As at 31 December	1,083,541	481,375	1,564,916	1,088,965
Amortization:				
As at 1 January	980,713	-	980,713	966,869
Amortization Charge for the Year	22,571	-	22,571	13,844
As at 31 December	1,003,284	-	1,003,284	980,713
Net Book Value:				
As at 31 December	80,257	481,375	561,632	108,252

The Bank has acquired intangible assets by means of cash with an aggregated cost of Rs. 78.50 Mn during the year (2020 - Rs. 0.13 Mn).

The value of fully amortized intangible assets which are still in use as at 31 December 2021 was Rs. 957.20 Mn. (2020 - Rs. 952.13 Mn).

22. BANKS AND FINANCIAL INSTITUTIONS

	2021 Rs. 000	2020 Rs. 000
Payable to Foreign Banks	7,380	208,322,721
Payable to Other Foreign Financial Institutions	6,321	14,500
	13,701	208,337,221

23. ASIAN CLEARING UNION

The Asian Clearing Union (ACU) was established in 1974 at the initiative of the United Nations Economic and Social Commission for Asian and the Pacific (ESCAP) as a mechanism to settle, on a multilateral basis of payments for intra-regional transactions among participating Central Banks. The participants of ACU are Sri Lanka, Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal and Pakistan. Net settlement position of each ACU participant is calculated based on the daily outstanding balance held over the two months period and settlement will take place within four working days of the following month. Interest rate was spread between 0.09% and 0.15% during the year 2021, (2020 - 0.15% and 1.62%).

24. INTERNATIONAL MONETARY FUND

	2021 Rs. 000	2020 Rs. 000
Interest bearing Loans (Note 24.1)	253,476,993	256,873,113
Allocation of Special Drawing Rights (Note 24.2)	266,944,782	107,810,345
Quota Liability (Note 24.3)	75,425,522	73,194,079
Other Amounts Payable to IMF (Note 24.4)	74,217,946	72,047,741
	670,065,243	509,925,278

24.1 Interest bearing Loans consist of the Extended Fund Facility (EFF) obtained from the IMF. Extended Fund Facility (EFF) is a three year facility provided by the IMF to support the Balance of Payments and Government's economic reform agenda. The IMF approved the EFF of SDR 1.10 Bn (approximately USD 1.50 Bn) in June 2016. This amount is equivalent to 185 per cent of the country's current quota with the IMF. The first tranche under the EFF amounting to SDR 119.89 Mn (approximately USD 168.10 Mn) was made available in June 2016. The second tranche to the value of SDR 119.89 Mn (approximately USD 162.56 Mn), third tranche to the value of SDR 119.89 Mn (approximately USD 167.20 Mn), fourth tranche to the value of SDR 177.77 Mn (approximately USD 251.40 Mn), the fifth tranche to the value of SDR 177.77 Mn (approximately USD 252.00 Mn), the sixth tranche to the value of SDR 118.50 Mn (approximately USD 164.10 Mn) and the seventh tranche to the value of SDR 118.50 Mn (approximately USD 164.00 Mn) were disbursed in November 2016, July 2017, December 2017, June 2018, May 2019 and November 2019 respectively. With the disbursement of the seventh tranche, a total of USD 1.31 Bn has been received by Sri Lanka on account of EFF. The interest rate applicable on the EFF comprise of the basic rate of charge, which is equivalent to the SDR interest rate (currently stands at 0.05 per cent per annum) plus 100 basis points.

	Effective interest rate %	2021 Rs. 000	2020 Rs. 000
Extended Fund Facility	0.077	2029	253,476,993
Total Interest bearing Loans		253,476,993	256,873,113

24.2 The Special Drawing Rights (SDR) is a reserve asset created by the IMF in order to meet a long-term global need to supplement existing reserve assets. SDRs are allocated to member countries in proportion to their IMF quotas. SDR allocations can only be made to countries that participate in the IMF's SDR Department (an accounting unit within the IMF). The IMF created SDRs to supplement existing official reserve assets such as gold holdings, foreign exchange and reserve

positions in the IMF. Under certain conditions, which are set in the Articles of Agreement signed on behalf of the Government of Sri Lanka by the Bank, the IMF may allocate SDRs to members in proportion to their IMF quotas. An allocation of SDRs by the IMF provides each member with a costless asset on which interest is neither earned nor paid. The Articles of Agreement also allow for cancellations of SDRs, but to date, this provision has not been used. Increases in Allocation of SDR represents increases in holding of SDR as described in Note 11. Members of IMF are obligated to pay to the IMF an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Rights Department at the point of termination or liquidation of IMF's SDR Department.

24.3 Quota Liability The amounts payable in respect of the IMF Quota as described in Note 11.1.

24.4 Other Payable to IMF represent amounts owed by the Bank to IMF on account of operational and administrative transactions.

25. OTHERS

	2021 Rs. 000	2020 Rs. 000
DST - PRP III under Escrow Agreement (Note 25.1)	99	92
DST - PRP III Phase II under Escrow Agreement (Note 25.2)	16,599	15,437
Amount due to Reserve Bank of India (RBI) under SAARC swap facility (Note 25.3)	-	74,803,653
DST Special Dollar A/C 2 (Note 25.4)	1,484,824	-
Amount due to Bangladesh Bank (BB) under swap facility (Note 25.5)	40,161,167	-
Amount due to People's Bank of China (PBoC) under swap facility (Note 25.6)	315,452,000	-
Other Foreign Liabilities	180,987	51,143
	357,295,676	74,870,325

25.1 Priority Road Project III under Escrow Agreement

This Facility Agreement was signed between the China Development Bank (CDB) and the Government of Sri Lanka on 11 March 2014 for USD 300.00 Mn. The purpose of this loan is to finance the cost of improvement and rehabilitation of Priority Road Project III-Phase I. As per the Facility Agreement, the Bank has been appointed as the Banker to the Government of Sri Lanka. Accordingly, an account has been opened in its books of account for the sole purpose of depositing the loan and disbursing such received funds to the Road Project. During the year 2019, USD 19.13 Mn was disbursed. Several disbursements were made using these funds during 2020 resulting only USD 0.0004 Mn as the balance at 31 December 2020. There was no transaction during 2021 and thus, the balance remains as USD 0.0004 Mn as at 31 December 2021.

25.2 Priority Road Project III Phase II under Escrow Agreement

The Phase II of this agreement was received on 24 November 2014 for USD 100.00 Mn. During the year 2019, USD 20.24 Mn was disbursed. The disbursements amounting to USD 13.83 Mn were made during 2020. There was no disbursements during 2021 and the balance as at 31 December 2021 is USD 0.082 Mn.

25.3 Amount settled to the Reserve Bank of India (RBI) under SAARC swap facility

The Central Bank of Sri Lanka (CBSL) and the Reserve Bank of India (RBI) entered into a Bilateral Currency Swap Agreement (BCSA) on 24 July 2020 under the Framework on Currency Swap Arrangement for South Asian Association for Regional Cooperation (SAARC) countries for 2019-2022.

Under the swap agreement, USD 400 million was received by Sri Lanka on 31 July 2020, initially for a period of 3 months and this was rolled-over for another 3 months period on 2 November 2020, subject to agreement on terms and conditions of the existing SAARC Framework. The interest rates applicable for the drawing and rolling-over are at 3 months USD LIBOR rate prevailing on the date of drawal/roll over plus 200 basis points. Drawing may be allowed in multiple tranches over the validity period of the agreement.

This swap facility was fully settled on 2 February 2021.

25.4 DST Special Dollar A/C 2

This is a dollar account maintained on behalf of the Treasury Operations Department in order to credit the proceeds received on behalf of Treasury in USD. During the year 2021, the proceeds of SLDB, and Foreign Currency Term Financing Facility (FTFF) provided CDB have been credited and utilized for repayment of loans on behalf of Government. The balance as at 31 December 2021 is USD 1.48 Bn.

25.5 Amount due to the Bangladesh Bank (BB) under the Bilateral Currency Swap Agreement (BCSA) signed between the BB and the CBSL

The CBSL and the BB entered into a BCSA on 3 August 2021. Under this swap agreement, the total amount of USD 200 million was received in three tranches during the months of August 2021 and September 2021 in exchange of an equivalent amount of LKR, initially for a period of three months with the possibility of rolling-over twice for similar tenors. Accordingly, after the first 3-months period, the first roll-over was performed in November 2021 and December 2021, with the mutual consent of the two central banks under the terms agreed upon at the

signing of the BCSA. The interest rates applicable for the drawings and rolling-overs are at 6 months USD LIBOR rate prevailing on the date of each drawal/roll-over plus 200 basis points.

Outstanding balance as at 31 December 2021 represents the rolled-over of USD 200 million on November and December 2021 and the second roll-over is due in February and March 2022, subject to the mutual consent of the two central banks.

25.6 Amount due to the People's Bank of China (PBoC) under the Bilateral Currency Swap Agreement (BCSA) signed between the PBoC and the CBSL

The CBSL and the PBoC entered into a BCSA on 19 March 2021. Under this agreement, in December 2021, CNY 10 billion (equivalent to USD 1.5 billion) was received from the PBoC, which can be utilized for restricted use (Note 8.1) in exchange of an equivalent amount of LKR for a period of one year.

Outstanding balance as of 31 December 2021 represents CNY 10 billion swap in December 2021 for a period of one year, and the first roll-over is due in December 2022, subject to the mutual consent of the PBoC and the CBSL.

26. DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

These are the deposits maintained by LCBs for the purpose of meeting Statutory Reserve Requirement under section 93 of the Monetary Law Act and deposits maintained by LCBs, Primary Dealers and the Employee Provident Fund as participants of Real Time Gross Settlement System (RTGS) for honoring payments under the RTGS operated by the Bank as per the provisions of the Monetary Law Act. Under the scheme, an interest free intra-day liquidity facility, fully collateralized by Government securities is available to participants to meet payment obligations within the day to facilitate smooth functioning of the settlement system. Although these deposits are classified as related parties (i.e., State owned Banks and institutions) and others for the purpose of accounting disclosure requirements, such deposits are maintained in terms of relevant statutory provisions and not because of specific business relationship of the Bank with those state institutions.

	2021 Rs. 000	2020 Rs. 000
Deposits by Banks :		
- Related Parties	221,738,927	81,586,946
- Others	67,657,247	37,099,649
	289,396,174	118,686,595
Deposits by Financial Institutions :		
- Related Parties	21	27
- Others	11,307,967	10,914,899
	11,307,988	10,914,926
Total Deposits by Banks and Other Financial Institutions	300,704,162	129,601,521

27. DEPOSITS OF GOVERNMENT AND GOVERNMENTAL ENTITIES

	2021 Rs. 000	2020 Rs. 000
Government Deposits	160,511	160,469
Government Agencies and Funds	1,231,790	1,300,043
	<u>1,392,301</u>	<u>1,460,512</u>

These are the deposits maintained in terms of Section 106(1) of the Monetary Law Act since the Bank is the official depository of the Government and/ or government agencies or institutions.

28. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	2021 Rs. 000	2020 Rs. 000
Standing Deposit Facility	101,062,880	209,507,898
	<u>101,062,880</u>	<u>209,507,898</u>

Repurchase agreements are undertaken for Open Market Operations (OMO) to regulate liquidity in the money market under Sections 90 and 91 of Monetary Law Act as part of conducting of the monetary policy. These repurchase agreements were engaged only in Government securities on over-night basis or term basis depending on the market liquidity management policies of the Bank, decided from time to time.

Standing Deposit Facility (SDF) is also undertaken for OMO to regulate liquidity in the money market. This facility is available for those participating institutions which are unable to obtain their liquidity requirements at the daily Repo auctions. This is an uncollateralized facility which is only provided on over-night basis.

29. CURRENCY IN CIRCULATION

The Bank as the sole currency issuing authority in Sri Lanka continued to perform the function of issuing legal tender currency. The amount of currency issued by the Bank and in circulation at respective reporting dates are as follows:

Denomination	2021 Rs. 000	2020 Rs. 000
Coins:		
1 cent	3,631	3,631
2 cent	5,709	5,709
5 cent	23,267	23,267
10 cent	39,236	39,236
25 cent	121,246	121,246
50 cent	185,147	185,147
1 rupee	1,023,087	989,834
2 rupee	1,587,838	1,524,255
5 rupee	5,168,455	4,902,340
10 rupee	7,673,980	7,122,933
20 rupee	40,955	-
Commemorative coins	598,953	591,807
	<u>16,471,504</u>	<u>15,509,405</u>

Notes:

1	rupee	4,981	4,981
2	rupee	26,694	26,694
5	rupee	37,191	37,191
10	rupee	1,249,128	1,253,137
20	rupee	7,235,137	6,264,415
50	rupee	7,086,604	5,954,707
100	rupee	27,472,139	24,351,138
200	rupee	126,412	127,051
500	rupee	52,284,157	45,522,962
1000	rupee	160,770,610	150,266,367
2000	rupee	2,950,509	3,327,026
5000	rupee	729,384,000	582,162,785
		988,627,562	819,298,454
	Total Currency in Circulation	1,005,099,066	834,807,859

30. OTHER PAYABLES

	2021 Rs. 000	2020 Rs. 000
Provision and Charges	3,791,015	1,230,135
Deposits by RDD	-	2,905,314
Payable to Commercial Banks	431,145	-
Liability against Abandoned Property Transfers Received (Note 30.1)	11,592,360	9,852,650
Payable to Contributory Banks under Viskam Scheme	1,683,468	-
Balances of Employee Benefit Plans (Note 30.2)	8,701	9,189
Other Payables	1,657,193	745,504
	19,163,882	14,742,792

30.1 Payable in respect of Abandoned Properties represents the amounts collected from the Licensed Banks under the Banking Act Direction No.05 of 2009 - Identifying, Reporting, Transferring & Maintaining Abandoned Property of Licensed Commercial Banks. In the event of any further claims on Abandoned Properties, Bank is liable to pay deposits so collected with interest. Hence, the total deposit collected with the interest calculated on weighted average Treasury Bill interest rate is recorded as a liability of the Bank.

30.2 Balances of Employee Benefit Plans

The Bank, as a part of normal activities, provides current account facilities for its Employee Benefit Plans. The amounts held in credit of these separately administered current accounts and inter entity accounts of Employee Benefit Plans of the Bank, are as follows:

Balances in CBSL Provident fund, Pension schemes and Widows' / Widowers' & Orphans' Pension Schemes	<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">2021</td><td style="text-align: center;">2020</td></tr> <tr> <td style="text-align: center;">Rs. 000</td><td style="text-align: center;">Rs. 000</td></tr> <tr> <td style="text-align: center;">8,701</td><td style="text-align: center;">9,189</td></tr> <tr> <td style="text-align: center;"><hr/></td><td style="text-align: center;"><hr/></td></tr> <tr> <td style="text-align: center;">8,701</td><td style="text-align: center;">9,189</td></tr> </table>	2021	2020	Rs. 000	Rs. 000	8,701	9,189	<hr/>	<hr/>	8,701	9,189	<p>Orphans and Widowers' and Orphans' Pension Scheme is open for employees of the Bank who joined after 1 January 1998. Eligible Employees under the Widows' and Orphans Pension Scheme (old) and Widowers' and Orphans' Pension Scheme (old) plans who were recruited before 1 August 1994 contribute 5% of the monthly basic salary & employees who were recruited on or after 01 August 1994 contribute 10% of the monthly basic salary whereas the eligible employees under the new Widows' and Orphans and Widowers' and Orphans' Pension Scheme contribute 5.5% of the monthly basic salary.</p> <p>The Bank also provides gratuity benefits to employees who have completed five years of service in the Bank and who are not eligible for a monthly pension payment under the Employees' Retirement Pension Schemes. In order to meet this liability, a provision is carried forward in the Statement of Financial Position, equivalent to the liability calculated using the actuarial valuation.</p> <p>The Bank has a Post-Employment Medical Benefit Scheme which provides reimbursement of certain medical expenses incurred by retired employees on account of themselves, their spouses, their parents and by widows/ widowers.</p> <p>The Bank employed an Independent Actuary M/s K. A. Pandit, Consultant & Actuary (Mumbai) to re-assess the defined benefit obligations and the current service costs attributable to the Employees' Retirement Pension Schemes, Widows' and Orphans' Pension Scheme, Widowers' and Orphans' Pension Scheme, new Widows' and Orphans' and Widowers' and Orphans' Pension scheme, Gratuity Scheme and Medical Benefit Scheme during the year.</p> <p>Funds of the Employee Retirement Pension Schemes, Widows' and Orphans' Pension Scheme, Widowers' and Orphans' Pension Scheme are managed separately and separate books are maintained. However, Gratuity Scheme and Medical Benefit Scheme are not separated from the books of accounts of the Bank. Further, investments and investment income are recorded separately for these funds in the Bank books and the income earned from the investments are transferred back to these funds and reinvested without being distributed.</p> <p>The total present value of all benefit obligations of Rs. 66,279.21 Mn (2020 – Rs. 70,241.23 Mn) exceeds the total fair value of plan assets/investments of Rs. 53,334.41 Mn (2020 – Rs. 48,961.82 Mn) at the end of the reporting period resulting in a deficit of Rs. 12,944.80 Mn (2020 – Rs. 21,279.42 Mn).</p>						
2021	2020																	
Rs. 000	Rs. 000																	
8,701	9,189																	
<hr/>	<hr/>																	
8,701	9,189																	
31. DEFERRED GRANTS																		
As at 1 January	<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">2021</td> <td style="text-align: center;">2020</td> </tr> <tr> <td style="text-align: center;">Rs. 000</td> <td style="text-align: center;">Rs. 000</td> </tr> <tr> <td style="text-align: center;">789</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;"><hr/></td> <td style="text-align: center;"><hr/></td> </tr> <tr> <td style="text-align: center;">3,089</td> <td style="text-align: center;">785</td> </tr> <tr> <td style="text-align: center;">(2,700)</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td style="text-align: center;"><hr/></td> <td style="text-align: center;"><hr/></td> </tr> <tr> <td style="text-align: center;">1,178</td> <td style="text-align: center;">789</td> </tr> </table>	2021	2020	Rs. 000	Rs. 000	789	5	<hr/>	<hr/>	3,089	785	(2,700)	(1)	<hr/>	<hr/>	1,178	789	
2021	2020																	
Rs. 000	Rs. 000																	
789	5																	
<hr/>	<hr/>																	
3,089	785																	
(2,700)	(1)																	
<hr/>	<hr/>																	
1,178	789																	
Additions during the Year																		
Amortization during the Year																		
As at 31 December	789																	
Deferred grant is amortized over the period that matches with the depreciation policy of such assets. This includes the assets received by the Bank without any consideration. The fair value of the assets have been credited to a deferred grant account and taken to other income over the useful life of the relevant asset consistent with the depreciation policy of the related asset.																		
This includes two research grants received from the Knowledge Partnership Programme of the Bank of Korea amounting to Rs. 0.66 Mn (2020 – Rs. 0.78 Mn) which will be utilized to cover the cost of local training programmes of CBSL staff and from the United Nations Development Programme amounting to Rs. 2.32 Mn which has been utilized for awareness programmes on sustainable finance.																		
32. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS																		
The Bank operates seven defined benefit plans which cover all eligible employees. Under the Employees' Retirement Pension Scheme (old), employees who joined the Bank prior to 1 January 1998 and complete 10 years of service become eligible to the scheme. The employees who have joined the Bank after 1 January 1998 and complete 10 years of service become eligible for the new pension scheme. These Pension Schemes are non-contributory pension schemes where the cost of benefits is wholly borne by the Bank. The Widows' and Orphans' Pension Scheme for male employees and Widowers' and Orphans' Pension Scheme for female employees are open to employees of the Bank who had joined prior to 1 January 1998 whereas the new Widows' and																		

As at 31 December 2021								Total
Benefit (Asset)/Liability	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Present Value of Benefit Obligation	47,559,244	2,047,071	10,151,236	1,537,384	801,139	379,276	3,803,864	66,279,214
Fair Value of Plan Assets/ Investments	(32,417,106)	(5,636,082)	(7,502,019)	(2,685,027)	(1,256,886)	(325,318)	(3,511,976)	(53,334,414)
Net Benefit Liability/ (Asset)	15,142,138	(3,589,011)	2,649,217	(1,147,643)	(455,747)	53,958	291,888	12,944,800

The balance shown under Pension and Other Post Employment Benefit Plans in Statement of Financial Position differs from the net liability as per the actuary due to the following reasons:

- The net asset position of the Widowers' and Orphans' Pension Scheme is not reflected in the financial statements due to remote possibility of distributing any residual balance of the fund to the Bank.
- For both gratuity and medical benefit schemes, the financial statements represent the gross liability position and not the net liability as per actuary, since the Bank does not keep relevant assets in a separate fund (internally maintained).

	2021 Rs. 000	2020 Rs. 000
Employee Retirement Pension Scheme	15,142,138	16,989,328
Employee Retirement Pension Scheme-New	(3,589,011)	(2,464,375)
Widows' and Orphans' Pension Scheme	2,649,217	4,660,286
Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	(455,747)	825,451
Gratuity Scheme (Gross)	379,276	353,689
Medical Benefit Scheme (Gross)	3,803,864	5,020,814
	17,929,737	25,385,193

Movement in the Benefit Liability/ (Asset)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2021	16,989,329	(2,464,375)	4,660,286	(895,516)	825,451	18,494	2,145,748	21,279,417
Net Benefit Expense/(Income)	1,444,093	(53,181)	364,126	(86,665)	5,855	31,478	262,381	1,968,087
Amount recognized in Other Comprehensive Income	2,157,568	(752,427)	(421,712)	(165,462)	(889,978)	3,986	(1,225,696)	(1,293,721)
Contribution Paid	(5,448,852)	(319,028)	(1,953,483)	-	(397,075)	-	(890,545)	(9,008,983)
As at 31 December 2021	15,142,138	(3,589,011)	2,649,217	(1,147,643)	(455,747)	53,958	291,888	12,944,800

Movement in the Present Value of Projected Benefit Obligations	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2021	47,170,831	3,223,066	10,827,211	1,932,117	1,713,506	353,689	5,020,814	70,241,234
Interest Cost	4,009,521	273,961	920,313	164,230	145,648	30,064	426,769	5,970,506
Current Service Cost	-	156,290	-	-	-	29,906	87,410	273,606
Benefit Paid From the Fund	(2,926,130)	(11,321)	(560,527)	(39,986)	-	(21,590)	(277,412)	(3,836,966)
Actuarial Gains on Obligations	(694,978)	(1,594,925)	(1,035,761)	(518,977)	(1,058,015)	(12,793)	(1,453,717)	(6,369,166)
As at 31 December 2021	47,559,244	2,047,071	10,151,236	1,537,384	801,139	379,276	3,803,864	66,279,214

Movement in Fair Value of Plan Assets/ Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2021	30,181,502	5,687,441	6,166,925	2,827,633	888,055	335,195	2,875,066	48,961,817
Interest Income	2,565,428	483,432	524,189	240,349	75,485	28,492	244,381	4,161,756
Contributions by the Employer	5,448,852	319,028	1,953,483	-	397,075	-	890,545	9,008,983
Contributions by the Employees	-	-	31,998	10,546	64,308	-	7,417	114,269
Benefit Paid from the Fund	(2,926,130)	(11,321)	(560,527)	(39,986)	-	(21,590)	(277,412)	(3,836,966)
Return on Plan Assets/ Investments excluding Interest Income	(2,852,546)	(842,498)	(614,049)	(353,515)	(168,037)	(16,779)	(228,021)	(5,075,445)
As at 31 December 2021	32,417,106	5,636,082	7,502,019	2,685,027	1,256,886	325,318	3,511,976	53,334,414
Expenses/(Income) Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2021	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Actuarial (Gains)/Losses on Obligations for the Year								
Due to Change in Financial Assumptions	(6,924,201)	(1,751,717)	(3,345,121)	(867,007)	(1,078,686)	(88,794)	(740,428)	(14,795,954)
Due to Experience	6,229,223	156,792	2,309,360	348,030	20,671	76,001	(713,289)	8,426,788
Return on Plan Assets/ Investments excluding Interest Income	2,852,546	842,498	614,049	353,515	168,037	16,779	228,021	5,075,445
Net (Income)/Expense for the Year Recognized in OCI	2,157,568	(752,427)	(421,712)	(165,462)	(889,978)	3,986	(1,225,696)	(1,293,721)
Benefit Expense for the Year Ended 31 December 2021	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Cost on Benefit Obligation	4,009,521	273,961	920,313	164,230	145,648	30,064	426,769	5,970,506
Interest Income on Plan Assets/Investments	(2,565,428)	(483,432)	(524,189)	(240,349)	(75,485)	(28,492)	(244,381)	(4,161,756)
Current Service Cost	-	156,290	-	-	-	29,906	87,410	273,606
Contributions by the Employees	-	-	(31,998)	(10,546)	(64,308)	-	(7,417)	(114,269)
Benefit Expense/(Income)	1,444,093	(53,181)	364,126	(86,665)	5,855	31,478	262,381	1,968,087
Composition of the Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Investment in Government Securities	26,570,667	5,287,728	5,537,069	2,383,033	1,224,677	310,153	2,806,478	44,119,805
Investment in Reverse Repo	1,568,583	75,086	427,511	50,582	13,509	-	224,262	2,359,533
Investment in Debentures	820,495	219,709	342,517	56,934	16,850	5,094	70,832	1,532,431
Investment in Fixed Deposits	3,454,948	52,207	1,193,074	193,479	869	10,071	410,404	5,315,052
Balances Remaining in Current Accounts	2,413	1,352	1,848	999	981	-	-	7,593
Total Plan Assets/Investments as at 31 December 2021	32,417,106	5,636,082	7,502,019	2,685,027	1,256,886	325,318	3,511,976	53,334,414

As at 31 December 2020								
Movement in the Benefit Liability/(Asset)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2020	8,658,454	(3,074,018)	2,289,861	(1,123,204)	26,102	88,240	1,664,172	8,529,607
Net Benefit Expense /(Income)	995,723	(287,906)	227,944	(138,085)	(58,021)	43,858	247,702	1,031,215
Amount recognized in Other Comprehensive Income	7,646,862	1,196,748	2,472,171	365,773	857,370	(113,604)	968,738	13,394,058
Contribution Paid	(311,710)	(299,199)	(329,690)	-	-	-	(734,864)	(1,675,463)
As at 31 December 2020	16,989,329	(2,464,375)	4,660,286	(895,516)	825,451	18,494	2,145,748	21,279,417
Movement in the Present Value of Projected Benefit Obligations	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2020	37,116,752	1,376,825	7,840,685	1,343,408	693,189	373,017	3,717,231	52,461,107
Interest Cost	4,268,426	158,335	901,679	154,492	79,717	42,897	427,482	6,033,028
Current Service Cost	-	65,606	-	-	-	33,710	66,341	165,657
Benefit Paid From the Fund	(2,846,507)	(2,137)	(532,769)	(36,170)	-	(9,064)	(228,521)	(3,655,168)
Actuarial (Gains)/Losses on Obligations	8,632,160	1,624,437	2,617,616	470,387	940,600	(86,871)	1,038,281	15,236,610
As at 31 December 2020	47,170,831	3,223,066	10,827,211	1,932,117	1,713,506	353,689	5,020,814	70,241,234
Movement in Fair Value of Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2020	28,458,297	4,450,843	5,550,824	2,466,612	667,087	284,777	2,053,059	43,931,499
Interest Income	3,272,704	511,847	638,345	283,660	76,715	32,749	236,102	5,052,122
Contributions by the Employer	311,710	299,199	329,690	-	-	-	734,864	1,675,463
Contributions by the Employees	-	-	35,390	8,917	61,023	-	10,019	115,349
Benefit Paid from the Fund	(2,846,507)	(2,137)	(532,769)	(36,170)	-	(9,064)	(228,521)	(3,655,168)
Return on Plan Assets/ Investments, Excluding Interest Income	985,298	427,689	145,445	104,614	83,230	26,733	69,543	1,842,552
As at 31 December 2020	30,181,502	5,687,441	6,166,925	2,827,633	888,055	335,195	2,875,066	48,961,817
Expenses Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2020	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Actuarial (Gains)/Losses on Obligations for the Year								
Due to Change in Financial Assumptions	10,262,386	1,575,451	2,877,812	567,559	913,185	(44,406)	1,248,800	17,400,787
Due to Experience	(1,630,226)	48,986	(260,196)	(97,172)	27,415	(42,465)	(210,519)	(2,164,177)
Return on Plan Assets/ Investments, excluding Interest Income	(985,298)	(427,689)	(145,445)	(104,614)	(83,230)	(26,733)	(69,543)	(1,842,552)
Net (Income)/Expense For the Year Recognized in OCI	7,646,862	1,196,748	2,472,171	365,773	857,370	(113,604)	968,738	13,394,058

Benefit Expense for the Year Ended 31 December 2020	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Cost on Benefit Obligation	4,268,427	158,335	901,679	154,492	79,717	42,897	427,482	6,033,029
Interest Income on Plan Assets/Investments	(3,272,704)	(511,847)	(638,345)	(283,660)	(76,715)	(32,749)	(236,102)	(5,052,122)
Current Service Cost	-	65,606	-	-	-	33,710	66,341	165,657
Contributions by the Employees	-	-	(35,390)	(8,917)	(61,023)	-	(10,019)	(115,349)
Benefit Expense	995,723	(287,906)	227,944	(138,085)	(58,021)	43,858	247,702	1,031,215
Composition of the Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Investment in Government Securities	24,899,275	5,414,590	4,265,463	2,541,197	878,643	315,612	2,141,467	40,456,247
Investment in Reverse Repo	2,217,485	51,523	821,410	93,156	7,464	2,046	465,653	3,658,737
Investment in Debentures	569,632	146,980	448,058	42,375	-	8,509	-	1,215,554
Investment in Fixed Deposits	2,491,432	73,598	630,977	150,320	780	9,028	267,946	3,624,081
Balances Remaining in Current Accounts	3,678	750	1,017	585	1,168	-	-	7,198
Total Plan Assets/Investments as at 31 December 2020	30,181,502	5,687,441	6,166,925	2,827,633	888,055	335,195	2,875,066	48,961,817

The principal assumptions used in determining Employee Benefit Obligations for all the plans are shown below:

	2021	2020
Discount Rate	11.58%	8.50%
Expected Rate of Return on Assets	11.58%	8.50%
Rate of Salary Increases - Gratuity, W & OP, WR & OP, Old Pension Schemes	7.00%	7.00%
Rate of Salary Increase - Pension New and WR & OP New	6.50%	6.50%
Future Pension Increases	7.50%	7.50%
Attrition Rate	2.00%	2.00%
Medical Cost Inflation Rate	4.50%	4.50%
Average Remaining years of Service		
CBSL Pension	26 Years	26 Years
CBSL Pension - New	39 Years	38 Years
W & OP Pension Scheme	26 Years	26 Years
WR & OP Pension Scheme	26 Years	26 Years
W & OP and WR & OP Pension Scheme - New	39 Years	38 Years
Gratuity Scheme	17 Years	17 Years
CBSL Medical Benefit Scheme	27 Years	26 Years
Retirement Age	60 Years	60 Years

Sensitivity Analysis at 0.5% (As at 31 December 2021)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Projected benefit obligation on current assumptions							
Effect of "+" change in discount rate	47,559,244	2,047,071	10,151,236	1,537,384	801,139	379,275	3,803,864
(1,895,341)	(365,442)	(462,605)	(84,141)	(85,944)	(11,692)	(158,213)	
Effect of "-" change in discount rate	2,040,626	470,084	503,536	91,884	99,465	12,404	172,488
Effect of "+" change in attrition rate	-	-	-	-	-	78,113	-
Effect of "-" change in attrition rate	-	-	-	-	-	(84,788)	-
Effect of "+" change in salary escalation rate	103,400	148,414	7,419	2,619	53,383	12,890	-
Effect of "-" change in salary escalation rate	(101,255)	(136,699)	(7,271)	(2,565)	(49,275)	(12,233)	-
Effect of "+" change in Medical Cost	-	-	-	-	-	-	183,813
Inflation	-	-	-	-	-	-	
Effect of "-" change in Medical Cost Inflation	-	-	-	-	-	-	(168,811)
Effect of "+" change in Rate of Pension Escalation	2,002,827	-	512,871	92,252	-	-	-
Effect of "-" change in Rate of Pension Escalation	(1,877,358)	-	(474,960)	(85,220)	-	-	-

33. MISCELLANEOUS LIABILITIES AND ACCRUALS

Miscellaneous liabilities and accruals include the lease payables, deferred income on credit guarantees, accounts payable balances, contract retention and deposits taken as refundable tender deposits.

	2021 Rs. 000	2020 Rs. 000
Lease Liability (Note 33.1.4)	61,144	52,038
Provision for Credit Guarantees (Note 33.2)	1,117,492	162,628
Other Liabilities	2,848,713	1,138,707
	4,027,349	1,353,373

33.1 Leases

The Bank leases several lands and buildings of which the lease periods range from 2 to 30 years with the option to renew some of those leases after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Information about the leases for which the bank is a lessee is presented below.

33.1.1 Right of Use Assets

Right of Use assets relate to leased land and buildings that are presented within Property, Plant and Equipment (Note 20).

33.1.2 Amounts Recognised in the Statement of Income

	2021 Rs. 000	2020 Rs. 000
Interest on lease liability	5,482	6,311
Amortisation of right-of-use assets	6,501	6,643

33.1.3 Amounts Recognised in the Statement of Cash Flows

	2021 Rs. 000	2020 Rs. 000
Total cash outflow for leases	5,489	8,049

33.1.4 Lease Liability

	2021 Rs. 000	2020 Rs. 000
Balance as at 1 January	52,038	48,938
Additions during the year	9,114	-
Remeasurement during the year	-	4,838
Interest charges during the year	5,481	6,311
Lease payments during the year	(5,489)	(8,049)
Balance as at 31 December	61,144	52,038

33.1.5 Maturity Analysis of Lease Liability

	2021 Rs. 000	2020 Rs. 000
Non-current	58,815	49,460
Current	2,329	2,578
Balance as at 31 December	61,144	52,038

33.1.6 Maturity Analysis based on Contractual Undiscounted Cash Flows

	2021 Rs. 000	2020 Rs. 000
Less than one year	8,359	7,990
One to five years	20,836	14,580
More than five years	130,157	135,219
Total undiscounted lease liabilities	159,352	157,789

33.2 Provision for Credit Guarantees

	2021 Rs. 000	2020 Rs. 000
Deferred Income on Credit Guarantee Schemes operated by RDD	105,760	162,628
Expected Credit Loss on Credit Guarantees (Note 33.2.1)	1,011,732	-
Balance as at 31 December	1,117,492	162,628

33.2.1 Movement in Expected Credit Losses on Credit Guarantees

	2021 Stage 1 Rs. 000	2020 Stage 1 Rs. 000
Balance as at 1 January	-	-
Charge during the Year	1,011,732	-
Balance as at 31 December	1,011,732	-

34. EQUITY

Nature of Equity Items

34.1 Capital Funds

Contributed Capital - The capital account represents the capital of the Bank in accordance with section 6 of the Monetary Law Act (MLA). As per the section 6 of the MLA (Amendment) Act No. 15 of 2014, the capital of the Bank has been increased to Rs. 50.00 Bn. Accordingly, the Bank has increased its capital up to Rs. 50.00 Bn by capitalizing the Bank's reserves with the concurrence of Minister of Finance in September 2014.

34.2 Fixed Assets Revaluation Reserve

This reserve is made up of the revaluation surpluses of Property, Plant and Equipment as per IAS 16 - Property, Plant and Equipment.

34.3 Other Reserves comprise the following;

i) **International Revaluation Reserve (IRR)** - International Revaluation Reserve is a reserve established in accordance with section 41 of the Monetary Law Act which requires that any unrealised gain or loss arising from the revaluation of net assets and liabilities of CBSL in gold or foreign currency shall not be considered in computing the net profit of the Bank, instead such profit or loss should be transferred to the IRR.

ii) **Market Revaluation Reserve (MRR)** - Market Revaluation Reserve was set up as per the Monetary Board decision of 30 January 2003, to transfer the price valuation gains from marking to market the foreign assets, in order to meet any adverse effects of volatilities in the international markets leading to adverse movements in market prices of the foreign financial assets. The Monetary Board has decided to build up this reserve to a maximum of 10% of the gross foreign reserves of the Bank.

Further, as per the Monetary Board decision MB/DG (W)/7/1/2016 dated 29 February 2016 on proposed

amendments to the Profit Distribution Policy of the Bank, where Monetary Board deems necessary, transfer may be made from the MRR to Retained Earnings, in the case of negative Retained Earnings due to significant unrealized marked to market losses.

Considering the marked to market gains recorded in 2019, an amount of Rs. 43.36 Bn was transferred to MRR from Retained Earnings in 2020 as per the Monetary Board decision BP MB/F/6/28/2020 dated 26 February 2020.

- iii) **Other Reserves** - Other reserves include General Reserve, Building Reserve and Credit Guarantee Reserve. General Reserve includes the amounts set aside from the retained earnings by the Monetary Board.
- iv) **Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income** - Unrealized gains and losses on the fair valuation of securities designated as fair value through other comprehensive income are transferred to this reserve.
- v) **RTGS Sinking Fund** - This fund is built up with the charges collected from the participants for the use of the RTGS system.
- vi) **Pension Fund Reserve** - This reserve is made up by transferring an additional Rs. 3.00 Bn from 2007 profits to be used to meet any shortfalls in the pension fund given the vulnerability of the income generating capacity of the Bank to external risks. Another Rs.1.00 Bn have been transferred to this reserve from 2011 profits. During June 2015, Rs. 2.00 Bn has been transferred from Pension Fund Reserve to New Pension Liability Account to implement the new pension scheme as per Board Paper No: MB/HR/11/12/2015.
- vii) **Technical Advancement Reserve** - This reserve is built up from 2007 profits specifically to be used for technical advancement requirements, modification or upgrading of the IT systems currently used by the Bank i.e., General Ledger, RTGS, Treasury Management System and Scriptless Securities Settlement system. During March 2018, an additional Rs.2.00 Bn was transferred from 2017 profits to this reserve.
- viii) **Provincial Development Credit Scheme** - During 2010, the Bank has commenced a refinance credit scheme for medium & long term development purposes by creating a fund from the profits, amounting to Rs.2.90 Bn. Such loans are granted through Bank of Ceylon & People's Bank. During April 2019, due to the completion of Provincial Development Credit Scheme the balance of Rs.2.90 Bn has been transferred to Medium & Long term Credit Reserve.
- ix) **Special Credit Guarantee Scheme Reserve** - This reserve was set up in the year 2014 by transferring Rs.2.00 Bn from Medium and Long Term Credit Fund, of which Rs.1.00 Bn is allocated to support restructure of Saubaghya Loan Scheme, Awakening North Loan Scheme (phase II), Resumption of Economic Activities in the East (phase II) and Repair of Damaged Houses in North and East operated by Regional Development Department of the Bank. The

balance of Rs.1.00 Bn is allocated to implement a special credit guarantee scheme to support lending to Small and Medium Enterprises by Commercial Banks.

x) Reserve for Funding purpose of Post Employment Benefit Plans

Benefit Plans - As per Monetary Board decision MB/F/39/20/2016 dated 16 December 2016, it is proposed to allocate 50 per cent of the benefit expenses of the actuary of a given year (starting from 2016) to a separate reserve, if there are adequate distributable profits with a view to compensate the possible negative impact to the equity attributed to actuarial losses and benefit expenses. An allocation of Rs.757.61 Mn was made to this fund in March

2021, from the distributable profits of year 2020.

xi) Medium and Long Term Credit Reserve - In accordance with the Monetary Board decisions MB/FD/11/14/2020 dated 15 April 2020 and MB/RD/19/28/2020 dated 11 June 2020, Rs. 15.46 Bn from the General Reserve and the Building Reserve, Rs. 1.96 Bn from the Special Credit Guarantee Scheme Reserve, Rs. 3.00 Bn from the Technical Advancement Reserve and Rs. 4.33 Bn from the Reserve for Funding Purposes of Post Employment Benefit Plans was transferred during 2020 to the Medium and Long Term Credit Reserve to support the refinance lending programs initiated by the Bank to overcome the effects of COVID-19 Pandemic.

The movements in the other reserves are as follows:

	Medium and Long Term Credit Reserve	Market Revaluation Reserve	Other Reserves	Special Credit Guarantee Scheme Reserve	RTGS Sinking Fund	IRR	Revaluation Reserve	Net Fair Value Gain/ (Loss) on FVOCI Securities	Pension Fund Reserve	Technical Advancement Reserve	Reserve for Funding Purposes of Post Employment Benefit Plans	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at												
1 January 2021	29,577,739	63,463,145	1,142,018	40,000	2,870,918	147,994,227	12,694,596	21,483,407	2,000,000	-	745,973	282,012,023
Transfer to RTGS Sinking Fund	-	-	-	-	369,008	-	-	-	-	-	-	369,008
Transfer of Profits to General Reserve	-	-	2,859,208	-	-	-	-	-	-	-	-	2,859,208
Transfer of Net Foreign Exchange Revaluation Gain	-	-	-	-	-	34,041,805	-	-	-	-	-	34,041,805
Net Fair Value Loss on Securities at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	(16,108,192)	-	-	-	(16,108,192)
Transfer of Funds to Market Revaluation Reserve	-	23,574,367	-	-	-	-	-	-	-	-	-	23,574,367
Transfer to Reserve for funding purposes of Post-Employment Benefit Plans	-	-	-	-	-	-	-	-	-	-	757,613	757,613
Market Valuation Reserve - Government Securities Classified at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	(11,641,542)	-	-	-	(11,641,542)
Market Valuation Reserve - Equity Investments Classified at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	55,862	-	-	-	55,862
Realized Revaluation gain on Disposals	-	-	-	-	-	-	(791,926)	-	-	-	-	(791,926)
Balance as at												
31 December 2021	29,577,739	87,037,512	4,001,226	40,000	3,239,926	182,036,032	11,902,670	(6,210,465)	2,000,000	-	1,503,586	315,128,226

35. PROFIT DISTRIBUTION

In terms of the Monetary Law Act and Monetary Board approved Profit Distribution Policy of CBSL (effective from 2018), the following adjustments are made to the net profit for the year in order to arrive at the distributable profit.

a) Fully remove the exchange gains and remove the

exchange losses until the accumulated exchange gains are sufficient to absorb the losses. Charge any additional exchange losses (As per the Profit Distribution Policy of CBSL).

b) Remove gains from Unrealized Price Revaluations (unrealized “marked to market” gains) but charge losses from Unrealized Price Revaluations (unrealized “marked to market” losses) (As per the Profit Distribution Policy of CBSL)

- c) Any other transfers to reserves as per Sec.38 of MLA and any other adjustments arising from Sec. 39 of MLA as decided by the Monetary Board.

Further, any other adjustment as required by accounting standards and management decisions are adjusted in arriving at the distributable profit.

Based on the above adjustments, the distributable profit for the year ended 31 December 2021 is as follows:

Item	2021 Rs. 000
Profit for the year	158,162,666
Add:	
Realized revaluation gain on disposals	791,570
Less:	
Transfer of exchange gains to IRR in accordance with the MLA	34,041,805
Transfer of "marked to market" gain on foreign assets to Market Revaluation Reserve (MRR)	49,638,590
Other accounting adjustments	660,938
Distributable Profit as per MLA, Profit Distribution Policy of the Bank and other adjustments - Realised Profit	74,612,903
Less : Transfer to Reserves (Sec. 38 of MLA)	
- Transfer to MLTCF for the RDD operations	15,000,000
- Transfer to Reserve for funding purpose of Post Employment Benefit Plans	1,051,039
- Transfer to General Reserve	27,526,076
- Recovery of outstanding GOSL obligations (Sec. 39 of MLA)	1,035,788
Amount Credited to the Consolidated Fund (Sec. 39 of MLA)	30,000,000

36. INTEREST INCOME FROM FINANCIAL ASSETS

	2021 Rs. 000	2020 Rs. 000
Interest Income from Foreign Currency Financial Assets		
Cash and Short Term Deposits	274,786	454,878
Financial Assets	4,104,262	13,771,910
Derivatives	7,436,653	12,027,428
Total Interest Income from Foreign Currency Financial Assets	11,815,701	26,254,216
Interest Income from Local Currency Financial Assets		
Sri Lanka Government Securities	55,718,603	20,969,883
Securities Purchased under Resale Agreements	8,806,814	1,685,965
Other Loans and Advances	4,087,511	2,686,181
Total Interest Income from Local Currency Financial Assets	68,612,928	25,342,029
Total Interest Income from Financial Assets	80,428,629	51,596,245

Total Interest Income calculated using the effective interest method during 2021 was Rs. 58,662.72 Mn (2020 - Rs. 34,714.14 Mn).

37. GAIN FROM UNREALIZED PRICE REVALUATIONS

	2021 Rs. 000	2020 Rs. 000
Foreign Securities	(302,953)	(30,440)
Gold	(7,475,934)	21,785,511
Forex & Currency SWAPS	49,638,590	1,725,932
Currency Options	-	43,858
Total Gain from Unrealized Price Revaluations	41,859,703	23,524,861

38. INTEREST EXPENSES ON FINANCIAL LIABILITIES

	2021 Rs. 000	2020 Rs. 000
Interest Expense on Foreign Currency Financial Liabilities		
Asian Clearing Union	78,207	269,910
IMF Related Liabilities	2,946,797	3,245,651
Derivatives	1,974,648	912,259
Other Foreign Payables	609,524	866,032
Total Interest Expense on Foreign Currency Financial Liabilities	5,609,176	5,293,852
Interest Expense on Local Currency Financial Liabilities		
Securities Sold Under Repurchase Agreements	890,946	114,379
Standing Deposit Facility	5,668,475	6,766,330
Abandoned Property	623,593	600,757
Miscellaneous Interest Expenses	1,286,883	838,828
Total Interest Expense on Local Currency Financial Liabilities	8,469,897	8,320,294
Total Interest Expense on Financial Liabilities	14,079,073	13,614,146

The Bank has a net sterilization gain of Rs. 3,050.59 Mn (2020 - cost of Rs. 1,126.15 Mn) in its activities to absorb the liquidity from the market due to the excess liquidity position. The sterilization cost is comprised of the interest expenses incurred on securities sold under agreement to repurchase, interest expense on bond borrowing and interest expense on Standing Deposit Facility netted off with interest income earned on the securities purchased under agreement to resale (Reverse Repurchase) included under interest income from Sri Lanka Government Securities and USD/LKR Derivative gain included in the Derivative gain under interest income from foreign currency financial assets and in gain/ (loss) from realized price changes, as discussed below:

	2021 Rs. 000	2020 Rs. 000	40.1 Incorporation of net assets of schemes operated by Regional Development Department
Interest expenses incurred on securities sold under agreement to repurchase	890,946	114,379	
Interest expense on Standing Deposit Facility	5,668,475	6,766,330	
Less:			
Interest income earned on the securities purchased under agreement to resale	8,806,814	1,685,965	
USD/LKR Derivative Gain	803,202	4,068,592	
	3,050,595	(1,126,152)	
39. REVERSAL/(CHARGE) OF EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS			
	2021 Rs. 000	2020 Rs. 000	
Foreign Currency Financial Assets			
Financial Assets at Amortized Cost			
Cash & Cash Equivalents (Note 8.2)	184,970	(48,380)	
IMF Related Assets (Note 11.4)	(1)	2	
Securities at Fair Value through Other Comprehensive Income (Note 9.2)	2,097,726	(1,997,827)	
Total Expected Credit Loss	2,282,695	(2,046,205)	
Reversal/(Charge) on Foreign Currency Financial Assets			
Local Currency Financial Assets			
Financial Assets at Amortised Cost			
Loans to Banks (Note 16.2)	123,745	(154,333)	
Investments by Internal Funds (Note 17.1)	79,291	(63,939)	
Other Receivables (Note 17.2)	-	(8,001)	
Credit Gurantee Provision (Note 33.2)	(1,011,732)	-	
Other Receivables and Prepayments	-	(32,921)	
Total Expected Credit Loss Charge on Local Currency Financial Assets	(808,696)	(259,194)	
Total Expected Credit Loss			
Reversal/(Charge) on Financial Assets	1,473,999	(2,305,399)	
The expected credit loss balances related to the loans to Banks and Investments by Internal Funds differs from their respective values in the Statement of Financial Position due to the impact of the RDD net assets incorporation as explained in Note 40.			
40. OTHER INCOME			
	2021 Rs. 000	2020 Rs. 000	
Dividend Income - Related Party	153,987	154,381	
Amortization of Assets received from Grants	28	1	
Licensing Fees of Financial Institutions	609,050	620,902	
Rent Income	282,174	321,821	
Charges collected from RTGS Participants	54,237	99,585	
Other income from the RDD net asset incorporation (Note 40.1)	14,705,875	-	
Miscellaneous Income	475,019	250,249	
Net Gains on Revaluation of Property, Plant and Equipment	-	142,390	
Total Other Income	16,280,370	1,589,329	
40.1 Incorporation of net assets of schemes operated by Regional Development Department			
The Monetary Board of the Central Bank of Sri Lanka has approved to incorporate the balances related to the refinance and credit guarantee schemes operated by Regional Development Department (RDD) in the financial statement of the Bank for the year ended 31 December 2021 with the consent received from Department of Treasury Operations of the General Treasury, Ministry of Finance. These balances were recorded in the financial statements of the Bank for the year ended 31 December 2021 only after the completion of the process leading to the establishment of the ownership of these balances. Further to the deliberations between the Bank and the the Department of Treasury operations. The Department of Treasury operations provided its consent to the Bank to recognize the assets and liabilities of these schemes operated by Regional Development Department in the financial statements of the Bank for the year ended 31 December 2021.			
41. PERSONNEL EXPENSES			
	2021 Rs. 000	2020 Rs. 000	
Wages and Salaries	7,116,223	5,298,938	
Defined Contribution Plan Costs	1,717,811	707,129	
Post Employee Defined Benefit Plan Costs	1,891,272	851,435	
Total Personnel Expenses	10,725,306	6,857,502	
42. ADMINISTRATION AND OTHER EXPENSES			
	2021 Rs. 000	2020 Rs. 000	
Repairs and Maintenance	879,065	823,229	
Loss on Disposal of Property, Plant and Equipment	669,923	-	
Operating Expenses for Reuters, Bloomberg, SWIFT etc.	205,041	213,666	
Travelling	22,008	9,581	
Printing	41,699	59,306	
Statutory Audit Fees	9,225	9,225	
Remuneration to Members of the Monetary Board/Sub Committees	3,975	4,325	
Advertising Cost	48,796	28,248	
Consultancy, Communication, Advisory and Professional Fees	210,337	118,744	
Interest Expense on Lease Liability	5,482	6,311	
Miscellaneous Expenses	183,571	224,405	
Total Administration and Other Expenses	2,279,122	1,497,040	
43. TAX			
The Bank is not liable for the income tax as per section 9 (1) of Inland Revenue Act No. 24 of 2017 and subsequent amendment as per Inland Revenue (Amendment) Act No. 10 of 2021.			
During the year 2021, the Bank did not pay any taxes (2020 - Nil).			

**44. RECONCILIATION OF OPERATING PROFIT WITH
CASH FLOWS FROM OPERATING ACTIVITIES**

	2021 Rs. 000	2020 Rs. 000
Reported Profit from Operating Activities	158,162,666	63,432,761
Add/(Less) : Non-Cash Items		
Depreciation & Amortization	526,675	452,353
Interest Receivable – Local Currency – Investment Portfolio	(64,504,574)	(22,657,914)
Net Provision for Defined Employee Benefit Plans	2,290,446	211,855
Gross Unrealised Foreign Exchange Gain	(43,638,970)	(16,414,833)
Loss/(Profit) on Sale of Property, Plant and Equipment	669,924	(5)
Provisions and Accruals	3,144,366	1,862,265
Expected Credit Loss Provision on Financial Assets	(1,473,999)	2,272,478
Deferred Grants	389	785
Gains on Revaluation	-	(142,390)
Amortization of PRGF Deposit	(2,372)	(2,174)
Write off of Construction in Progress	(356)	-
Amortization Expense of Fixed Income Securities	877,761	2,246,629
Other Income from the RDD Net Asset Incorporation	(14,705,875)	-
Add/(Less) : Movements in Other Working Capital Items		
Decrease in Inventories	1,373,286	996,573
Decrease in Interest Receivable	3,593,983	338,516
Increase in Miscellaneous Liabilities	1,539,342	811,504
Increase in Interest Payable	425,395	392,801
Increase in Other Receivables	(2,236,407)	(2,438,850)
Add/(Less) : Investing and Financing Activities		
Net Unrealised Market Value Changes	(45,265,635)	(24,537,198)
Net Cash Flows from Operating Activities	776,045	6,825,156

45. NET ISSUES/(WITHDRAWALS) OF CIRCULATION CURRENCY ON GOVERNMENT TRANSACTIONS

	2021 Rs. 000	2020 Rs. 000
Purchase of Sri Lanka Government Securities	1,218,291,655	581,555,020
Interest Received – Local Currency – Sri Lanka Government Securities	(43,061,965)	(17,365,458)
Decrease in Advances to GOSL	(2,933,100)	(83,547,071)
	68,211	(960,873)
	1,172,364,801	479,681,618

46. NET ISSUES/(WITHDRAWALS) OF CIRCULATION CURRENCY ON BANK AND FINANCIAL INSTITUTIONS TRANSACTIONS

	2021 Rs. 000	2020 Rs. 000
(Increase)/Decrease in Deposits by Banks and Financial Institutions	(171,102,641)	124,980,099
	(171,102,641)	124,980,099

47. CONCENTRATIONS OF FUNDING

The Bank's concentrations of funding as at reporting date were as follows:

47.1 Balance as at 31 December 2021	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Liabilities						
Banks and Financial Institutions	-	-	-	-	13,701	13,701
Derivative Financial Instruments	-	-	1,139,323	-	-	1,139,323
Asian Clearing Union	-	-	-	104,764,616	-	104,764,616
IMF	-	-	-	670,065,243	-	670,065,243
Other	1,501,522	-	-	178,312	355,615,842	357,295,676
Total Foreign Currency Financial Liabilities	1,501,522	-	1,139,323	775,008,171	355,629,543	1,133,278,559
Local Currency Financial Liabilities						
Deposits of Banks and Financial Institutions	-	-	289,396,174	-	11,307,988	300,704,162
Deposits of Government and Government Entities	1,392,104	197	-	-	-	1,392,301
Securities Sold Under Repurchase Agreements	-	-	99,426,206	-	1,636,674	101,062,880
Currency in Circulation	-	1,005,099,066	-	-	-	1,005,099,066
Other Payables	26,525	-	8,947,739	-	10,189,618	19,163,882
Total Local Currency Financial Liabilities	1,418,629	1,005,099,263	397,770,119	-	23,134,280	1,427,422,291
Total Financial Liabilities	2,920,151	1,005,099,263	398,909,442	775,008,171	378,763,823	2,560,700,850
Other Liabilities						
Deferred Grants	-	-	-	-	1,178	1,178
Pension and Other Post Employment Benefit Plans	-	-	-	-	17,929,737	17,929,737
Miscellaneous Liabilities and Accruals	-	-	-	-	4,027,349	4,027,349
Total Other Liabilities	-	-	-	-	21,958,264	21,958,264
Total Liabilities	2,920,151	1,005,099,263	398,909,442	775,008,171	400,722,087	2,582,659,114
47.2 Balance as at 31 December 2020	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Liabilities						
Banks and Financial Institutions	-	-	-	-	208,337,221	208,337,221
Derivative Financial Instruments	-	-	124,237	-	449,945	574,182
Asian Clearing Union	-	-	-	63,864,652	-	63,864,652
IMF	-	-	-	509,925,278	-	509,925,278
Other	15,529	-	-	48,468	74,806,328	74,870,325
Total Foreign Currency Financial Liabilities	15,529	-	124,237	573,838,398	283,593,494	857,571,658
Local Currency Financial Liabilities						
Deposits of Banks and Financial Institutions	-	-	118,686,595	-	10,914,926	129,601,521
Deposits of Government and Government Entities	1,460,338	174	-	-	-	1,460,512
Securities Sold Under Repurchase Agreements	-	-	196,901,340	-	12,606,558	209,507,898
Currency in Circulation	-	834,807,859	-	-	-	834,807,859
Other Payable	25,474	-	2,905,314	-	11,812,004	14,742,792
Total Local Currency Financial Liabilities	1,485,812	834,808,033	318,493,249	-	35,333,488	1,190,120,582
Total Financial Liabilities	1,501,341	834,808,033	318,617,486	573,838,398	318,926,982	2,047,692,240
Other Liabilities						
Deferred Grants	-	-	-	-	789	789
Pension and Other Post Employment Benefit Plans	-	-	-	-	25,385,193	25,385,193
Miscellaneous Liabilities and Accruals	-	-	-	-	1,353,373	1,353,373
Total Other Liabilities	-	-	-	-	26,739,355	26,739,355
Total Liabilities	1,501,341	834,808,033	318,617,486	573,838,398	345,666,337	2,074,431,595

48. RISK MANAGEMENT

In pursuing its policy objectives, CBSL faces various risks, both financial and non-financial in nature. Since the materialization of any of such risks could have an adverse impact on the achievement of objectives, financial position and the reputation of CBSL, having a properly designed risk management framework in place is vital. Accordingly, CBSL has established an Enterprise-wide Risk Management (ERM) Framework to ensure the risks faced by CBSL are properly managed.

The Risk Governance Framework which was approved by the Monetary Board comprises both a Risk Governance Structure and a Risk Management Structure covering financial and non-financial risks confronted by the Bank. The Risk Governance Structure consists of the Monetary Board (MB), and two Board sub-committees, the Board Risk Oversight Committee (BROC) and the Monetary Board Advisory Audit Committee (MBAAC). The MB holds the ultimate responsibility for the overall risk management function of the Bank and sets the "Tone at the Top".

The BROC oversees CBSL's overall Risk Management and Compliance Functions via a formal delegation from the MB and is responsible for laying the broad strategy and policies for the Bank's Risk Management and Compliance functions. The BROC also assists the MB to ensure a dedicated focus on risk management and compliance at the Bank.

The Risk Management Structure consists of a Non-Financial Risk Management Committee (NFRMC), Investment Oversight Committees (IOCs) and all departments. The CBSL follows the "Three Lines of Defence" risk management model where all departments form the first line of defence. In the first line of defence, operational departments are responsible for identifying, analysing, evaluating, treating, monitoring, reviewing and reporting financial and/or operational risks related to their functions, through their respective reporting channels, in line with the risk management structure of the CBSL. Risk Management Department, as a part of the second line of defence, is responsible for facilitating the risk management process related to financial and operational risks, by coordinating relevant activities to direct and guide CBSL in this regard. With regard to operational risks, RMD reports to the BROC, through the NFRMC and with regard to financial risks, RMD reports directly to the BROC, on a periodic basis. Internal Audit Department (IAD), as the third line of defence, is responsible for providing independent objective assurance and recommendations to add value and improving the control environment relating to operations of the CBSL through audits. IAD reports the progress of the conduct of audits to the MB and MBAAC, quarterly and submits information on audit reports issued to the Auditor General on quarterly basis.

In line with the ERM framework, RMD has developed a Risk Management Policy Statement (RMPS) for the CBSL, setting out the policies for the implementation of risk management across CBSL. In this process, CBSL follows accepted standards and guidelines for managing risks, while assigning risk ownership and management among different stakeholders with clear accountability.

RMD is responsible for facilitating the financial risk management of the fund management activities of the International Reserves, and the Internal Investment Funds of CBSL, as well as the Employees' Provident Fund which is managed by CBSL as an agency function of the Government. Accordingly, RMD has formulated Investment Policy Statements (IPS), Strategic Asset Allocation (SAA) and Investment Guidelines (IGs) for all three funds and reviews them regularly to incorporate any required changes. RMD also independently monitors market and credit risks pertaining to these fund management activities to ensure these investments are within the stipulated limits specified by the MB approved SAA, IPS and IGs and reports to the respective Investment Oversight Committees, the BROC and the MB on a periodic basis.

In Facilitating the operational risk management, RMD reviews the Operational Risk Taxonomy of the CBSL annually, updating it including/excluding risk categories and incorporating any other changes required to suit the prevailing risk environment. To promote a risk culture within the bank, RMD conducts numerous risk awareness sessions for CBSL staff throughout the year at various fora. In addition, a biennial perception survey is conducted among selected staff of CBSL to determine the level of awareness with regard to the existing operational risk management mechanism in place. The survey results are used to design future awareness sessions appropriately, leading to enhancing the risk culture within CBSL and to further improve the operational risk management mechanism currently in use.

Further, RMD works with departments to facilitate the development of Risk Registers and to refine these Risk Registers in a phased-out manner using a spreadsheet based risk register format. The risk profile of CBSL is developed using these Departmental Risk Registers, enhancing the operational risk management process.

RMD continuously administers incidents reported through the Incident Reporting System, enabling the development of a central repository of incidents and tracking progress on the implementation of corrective measures. The information gathered through this system helps in identifying possible risk trends, areas of vulnerabilities and improving related risk treatment measures.

48.1 Credit Risk

(a) Concentrations of Credit Exposure by Geographical Area

The Bank's significant concentrations of credit exposure by geographical area (based on the entity's country of ownership) as at reporting date were as follows:

	2021 Rs. 000	2020 Rs. 000
Sri Lanka	2,275,756,176	1,009,892,263
USA	130,712,211	457,822,320
Japan	9,457,390	85,262,633
Britain	1,008,405	6,492,727
Europe	1,582,664	110,462,895
Supranational	190,963,416	477,101,616
Other	375,958,300	170,825,331
Total Financial Assets	2,985,438,562	2,317,859,785

(b) Concentrations of Credit Exposure by Institution

The Bank's significant concentrations of credit exposure by Institution type as at reporting date were as follows:

	2021 Rs. 000	2020 Rs. 000
Governments	2,014,470,178	1,554,039,564
Supranational Financial Institutions	227,180,460	477,101,616
Foreign Banks and Financial Institutions	15,187,326	147,194,059
Sri Lanka Banks & Financial Institutions	718,635,801	118,372,002
Other	9,964,797	21,152,544
Total Financial Assets	2,985,438,562	2,317,859,785

(c) Credit Exposure by Credit Rating

The following table represents the credit ratings of respective financial assets or issuers, based on the ratings of Standard and Poor's and Fitch Ratings. Under Standard & Poor's ratings and Fitch Ratings, AAA is the highest quality rating possible and indicates the lowest expectations of credit risk. It is assigned only in the case of exceptionally strong capacity for timely payment of financial commitment. AA is very high quality grade, indicating very low expectation of credit risk, and A is an upper medium grade, indicating a low expectation of credit risk; BBB is the lowest investment grade rating, indicating that there is currently a low expectation of credit risk and exhibits adequate protection parameters, ratings lower than AAA can be modified by + or - signs to indicate relative standing within the major categories. NR indicates that Standard and Poor's or Fitch Rating have not rated the entity.

Credit Exposure by Credit Rating	Credit Rating	2021 Rs.000	%	2020 Rs.000	%
Cash & Cash Equivalents					
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China		497,630,980	16.67%	320,842,614	13.84%
Other Counterparties	AAA	4,009,562	0.13%	17,985,741	0.78%
	AA-	2,004,771	0.07%	31,186,235	1.34%
	A+	8,094,146	0.27%	29,920,960	1.29%
	A	-	0.00%	2,789,210	0.12%
	A-	768,180	0.03%	140,847	0.01%
	BBB+	-	0.00%	172,614	0.01%
	BBB	40,255	0.00%	40,470	0.00%
	NR	214,558	0.01%	228,613	0.01%
		512,762,452	17.18%	403,307,304	17.40%
Securities at Fair Value through Other Comprehensive Income					
	AAA	2,830,756	0.09%	189,785,053	8.19%
	AA+	5,987,488	0.20%	437,986,572	18.90%
	AA	-	0.00%	15,360,081	0.66%
	AA-	-	0.00%	27,998,253	1.21%
	A+	-	0.00%	32,305,504	1.39%
		8,818,244	0.29%	703,435,463	30.35%
Securities at Fair Value through Profit or Loss					
	AAA	-	0.00%	30,034,475	1.29%
	AA+	-	0.00%	4,785,108	0.21%
	AA	-	0.00%	5,140,913	0.22%
	AA-	-	0.00%	603,827	0.03%
		-	0.00%	40,564,323	1.75%
Derivative Financial Instruments					
Locally Rated	A	55,853	0.00%	-	0.00%
	AA+	-	0.00%	1,423,629	0.06%
	AA-	34,088,798	1.14%	1,360,976	0.06%
	A+	19,788,494	0.67%	46,825	0.00%
	A	33,378	0.00%	62,960	0.00%
	BBB-	2	0.00%	33	0.00%
	BB+	56,311	0.00%	65,189	0.01%
	NR	-	0.00%	410,741	0.02%
		54,022,836	1.81%	3,370,353	0.15%
IMF Related Assets					
		188,045,837	6.30%	158,958,185	6.86%
		188,045,837	6.30%	158,958,185	6.86%
Other Receivables					
	AAA	-	0.00%	1,702,247	0.07%
		-	0.00%	1,702,247	0.07%
		763,649,369	25.58%	1,311,337,875	56.58%

	Credit Rating	2021 Rs.000	%	2020 Rs.000	%
Local Currency Financial Assets					
Sri Lanka Government Securities	CCC+	1,377,820,347	46.15%	714,531,527	30.83%
Securities Purchased under Resale Agreements	AA-	557,856,718	18.69%	-	0.00%
	A+	-	0.00%	318,047	0.01%
	A	5,656,932	0.19%	-	0.00%
	BBB-	-	0.00%	2,410,364	0.11%
Provisional Advances to Government	NR	4,018,662	0.14%	-	0.00%
Equity Investments in Financial and Other Institutions	CCC+	150,128,800	5.03%	153,061,900	6.60%
Loans to Banks	NR	1,671,218	0.06%	1,615,356	0.07%
	AAA	24,917	0.00%	147,319	0.01%
	AA+	-	0.00%	61,475,682	2.65%
	AA-	51,999,491	1.74%	9,094,883	0.39%
	A+	16,372,930	0.55%	19,966,369	0.86%
	A	9,977,843	0.33%	13,458,641	0.58%
	A-	-	0.00%	937,978	0.05%
	BBB+	6,201,554	0.21%	105,757	0.00%
	BBB-	2,933,926	0.10%	3,092,924	0.13%
	BB+	2,688,669	0.09%	2,599,883	0.11%
Other Assets	NR	373,416	0.01%	608,090	0.03%
	AAA	325,579	0.01%	137,785	0.00%
	AA+	-	0.00%	709,281	0.03%
	AA-	5,699,123	0.19%	-	0.00%
	A+	727,308	0.02%	190,126	0.01%
	A	-	0.00%	19,752	0.00%
	A-	-	0.00%	98,293	0.00%
	CCC+	19,206,430	0.64%	12,680,416	0.55%
	NR	8,105,330	0.27%	9,261,536	0.40%
Total Local Currency Financial Assets		2,221,789,193	74.42%	1,006,521,910	43.42%
Total Financial Assets		2,985,438,562	100.00%	2,317,859,785	100.00%

(d) Summary by Major Credit Category

	Credit Rating	2021 Rs.000	%	2020 Rs.000	%
Foreign Currency Financial Assets					
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China		497,630,980	16.67%	320,842,614	13.84%
IMF Related Assets	AAA	188,045,837	6.30%	158,958,185	6.86%
	AA+/-	6,840,318	0.22%	239,507,516	10.33%
	A+/-	7,992,259	0.27%	523,060,989	22.57%
	BBB+/-	8,918,179	0.30%	65,156,521	2.81%
	BBB+	40,255	0.00%	213,084	0.01%
Locally Rated	NR	214,558	0.01%	228,613	0.01%
	AA+/-	34,088,798	1.14%	2,784,605	0.12%
	A+/-	19,821,872	0.67%	109,785	0.01%
	BBB+	2	0.00%	33	0.00%
	BB+	56,311	0.00%	65,189	0.00%
	NR	-	0.00%	410,741	0.02%
Total Foreign Currency Financial Assets		763,649,369	25.58%	1,311,337,875	56.58%
Local Currency Financial Assets					
	AAA	350,496	0.01%	285,104	0.01%
	AA+/-	615,555,332	20.62%	71,279,846	3.07%
	A+/-	32,735,013	1.09%	34,989,207	1.51%
	BBB+/-	9,135,480	0.31%	5,609,045	0.24%
	BB+/-	2,688,669	0.09%	2,599,883	0.11%
	CCC+	1,547,155,577	51.82%	880,273,843	37.99%
	NR	14,168,626	0.48%	11,484,982	0.49%
Total Local Currency Financial Assets		2,221,789,193	74.42%	1,006,521,910	43.42%
Total Financial Assets		2,985,438,562	100.00%	2,317,859,785	100.00%

(e) Credit Quality Analysis

Maximum exposure to credit risk by risk rating

The following tables set out information about the credit quality of financial assets measured at amortised cost and Fair Value through Other Comprehensive Income.

	Credit Rating	Not Subject to ECL Rs.000	12 - Month ECL			Life Time ECL		2021 Total Rs.000					
			Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000								
Foreign Currency Financial Assets													
Cash & Cash Equivalents													
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China			- 487,881,870	9,805,548	-	- 497,687,418							
	AAA		- 4,009,618	-	-	- 4,009,618							
	AA-		- 2,004,789	-	-	- 2,004,789							
	A+		- 8,094,153	-	-	- 8,094,153							
	A-		- 768,194	-	-	- 768,194							
	BBB		- 40,261	-	-	- 40,261							
	NR		- - 243,387	-	-	- 243,387							
Gross Carrying Amount			- 502,798,885	10,048,935	-	- 512,847,820							
Loss Allowance			- (52,009)	(33,359)	-	- (85,368)							
Carrying Amount			- 502,746,876	10,015,576	-	- 512,762,452							
Securities at Fair Value through Other Comprehensive Income													
	AAA		- 2,830,756	-	-	- 2,830,756							
	AA+		- 5,987,488	-	-	- 5,987,488							
			- 8,818,244	-	-	- 8,818,244							
IMF Related Assets	NR		- 188,045,840	-	-	- 188,045,840							
Gross Carrying Amount			- 188,045,840	-	-	- 188,045,840							
Loss Allowance			- (3)	-	-	- (3)							
Carrying Amount			- 188,045,837	-	-	- 188,045,837							
Local Currency Financial Assets													
Sri Lanka Government Securities		Government Securities (Risk Free Investment)	1,377,820,347	-	-	-	1,377,820,347						
			1,377,820,347	-	-	-	1,377,820,347						
Securities Purchased under Resale Agreements		Other Risk Free Investment	567,532,312	-	-	-	567,532,312						
			567,532,312	-	-	-	567,532,312						
Provisional Advances to Government		Receivable from the Government (Risk Free Investment)	150,128,800	-	-	-	150,128,800						
			150,128,800	-	-	-	150,128,800						
Loans to Banks	AAA		- 24,917	-	-	-	24,917						
	AA+		- -	-	-	-	-						
	AA		- -	-	-	-	-						
	AA-		- 46,591,702	5,408,477	-	-	52,000,179						
	A+		- 16,374,633	-	-	-	16,374,633						
	A		- 9,979,661	-	-	-	9,979,661						
	BBB+		- 6,205,432	-	-	-	6,205,432						
	BBB-		- 2,939,496	-	-	-	2,939,496						
	BB+		- 390,018	2,320,747	-	-	2,710,765						
	NR		- 373,575	-	-	-	373,575						
	Credit Guarantee Scheme of CBSL		- -	-	-	- 13,016	13,016						
Gross Carrying Amount			- 82,879,434	7,729,224	- 13,016	-	90,621,674						
Loss Allowance			- (14,435)	(21,477)	- (13,016)	-	(48,928)						
Carrying Amount			- 82,864,999	7,707,747	-	-	90,572,746						

	Credit Rating	Not Subject to ECL	12 - Month ECL			Life Time ECL		2021 Total Rs.000
			Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	
Other Assets								
	Government Securities (Risk Free Investment)	15,118,446	-	-	-	-	-	15,118,446
	Receivable from the Government (Risk Free Investment)	4,087,983	-	-	-	-	-	4,087,983
	Other Risk Free Receivable	8,105,330	-	-	-	-	-	8,105,330
Locally Rated	AAA	-	325,580	-	-	-	-	325,580
	AA-	-	5,681,858	17,393	-	-	-	5,699,251
	A+	-	600,404	127,206	-	-	-	727,610
	NR	-			2,226,887	-	-	2,226,887
Gross Carrying Amount		27,311,759	6,607,842	144,599	2,226,887	-	-	36,291,087
Loss Allowance		-	(189)	(241)	(2,226,887)	-	-	(2,227,317)
Carrying Amount		27,311,759	6,607,653	144,358	-	-	-	34,063,770

Comparative figures as at 31 December 2020 were as follows:

	Credit Rating	Not Subject to ECL	12 - Month ECL			Life Time ECL		2020 Total Rs.000
			Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	
Foreign Currency Financial Assets								
Cash & Cash Equivalents								
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China	AAA	-	229,314,631	91,779,044	-	-	-	321,093,675
	AA-	-	17,985,875	-	-	-	-	17,985,875
	A+	-	31,190,936	-	-	-	-	31,190,936
	A	-	29,928,070	-	-	-	-	29,928,070
	A-	-	2,796,148	-	-	-	-	2,796,148
	BBB+	-	172,614	-	-	-	-	172,614
	BBB	-	766	39,977	-	-	-	40,743
	NR	-	228,665	-	-	-	-	228,665
Gross Carrying Amount		-	311,617,705	91,959,937	-	-	-	403,577,642
Loss Allowance		-	(90,277)	(180,061)	-	-	-	(270,338)
Carrying Amount		-	311,527,428	91,779,876	-	-	-	403,307,304

Securities at Fair Value through Other Comprehensive Income

	AAA	-	142,264,212	47,520,841	-	-	189,785,053
	AA+	-	49,760,356	388,226,216	-	-	437,986,572
	AA	-	1,118,782	14,241,299	-	-	15,360,081
	AA-	-	6,112,997	21,885,256	-	-	27,998,253
	A+	-	27,284,633	5,020,871	-	-	32,305,504
	NR	-	226,540,980	476,894,483	-	-	703,435,463

IMF Related Assets

Gross Carrying Amount	NR	-	158,958,187	-	-	-	158,958,187
Loss Allowance		-	(2)	-	-	-	(2)
Carrying Amount		-	158,958,185	-	-	-	158,958,185

Local Currency Financial Assets

Sri Lanka Government Securities	Government Securities (Risk Free Investment)	714,531,527	-	-	-	-	714,531,527
		714,531,527	-	-	-	-	714,531,527

Securities Purchased under Resale Agreements

	Other Risk Free Investment	2,728,412	-	-	-	-	2,728,412
		2,728,412	-	-	-	-	2,728,412

Provisional Advances to Government

	Receivable from the Government (Risk Free Investment)	153,061,900	-	-	-	-	153,061,900
		153,061,900	-	-	-	-	153,061,900

	Credit Rating	Not Subject to ECL	12 - Month ECL			Life Time ECL		2020
			Rs.000	Rs.000	Rs.000	Stage 1	Stage 2	Stage 3 Total Rs.000
Loans to Banks								
	AAA			147,319				147,319
	AA+			61,475,776				61,475,776
	AA-			9,094,989				9,094,989
	A+			19,967,361				19,967,361
	A			13,459,930				13,459,930
	A-			938,151				938,151
	BBB+			94,935	10,864			105,799
	BBB-			3,096,013				3,096,013
	BB+				2,612,025			2,612,025
	NR			608,531	136,000			744,531
Gross Carrying Amount				108,883,005	2,758,889			111,641,894
Loss Allowance				(6,215)	(148,153)			(154,368)
Carrying Amount				108,876,790	2,610,736			111,487,526
Other Assets								
	Government Securities (Risk Free Investment)		12,082,642					12,082,642
	Receivable from the Government (Risk Free Investment)		597,774					597,774
	Other Risk Free Receivable		9,259,535					9,259,535
Locally Rated								
	AAA		137,785					137,785
	AA+		709,287					709,287
	A+		190,146					190,146
	A		19,756					19,756
	A-		98,311					98,311
	NR				81,525	183,276		264,801
Gross Carrying Amount			21,939,951	1,155,285	81,525	183,276		23,360,037
Loss Allowance				(48)	(79,524)	(183,276)		(262,848)
Carrying Amount			21,939,951	1,155,237	2,001	2,001		23,097,189

(f) Credit Exposure Movement - ECL Stage wise

The following tables show reconciliations from the opening to closing balance of the allowance for impairment by class of financial instruments.

	2021				2020			
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000
Cash & Cash Equivalents								
Balance as at 1 January	90,277	180,061	-	270,338	219,331	2,627	-	221,958
Transfer to Stage 1	1,164	(1,164)	-	-	-	-	-	-
Transfer to Stage 2	(52)	52	-	-	(182,822)	182,822	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(39,380)	(145,590)	-	(184,970)	53,768	(5,388)	-	48,380
Balance as at 31 December	52,009	33,359	-	85,368	90,277	180,061	-	270,338
Securities at Fair Value through Other Comprehensive Income								
Balance as at 1 January	36,546	2,062,175	-	2,098,721	81,259	19,635	-	100,894
Transfer to Stage 1	-	-	-	-	6,380	(6,380)	-	-
Transfer to Stage 2	-	-	-	-	(24,507)	24,507	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(35,551)	(2,062,175)	-	(2,097,726)	(26,586)	2,024,413	-	1,997,827
Balance as at 31 December	995	-	-	995	36,546	2,062,175	-	2,098,721
IMF Related Assets								
Balance as at 1 January	2	-	-	2	4	-	-	4
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	1	-	-	1	(2)	-	-	(2)
Balance as at 31 December	3	-	-	3	2	-	-	2
Loans to Banks								
Balance as at 1 January	6,215	148,153	-	154,368	-	35	-	35
Transfer to Stage 1	140,773	(140,773)	-	-	-	-	-	-
Transfer to Stage 2	(37)	37	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(132,516)	14,060	-	(118,456)	6,215	148,118	-	154,333
Balance as at 31 December	14,435	21,477	-	35,912	6,215	148,153	-	154,368
Claims paid under Credit Guarantee Scheme								
Balance as at 1 January	-	-	-	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	-	-	13,016	13,016	-	-	-	-
Balance as at 31 December			13,016	13,016				

	2021				2020			
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000
Other Assets								
Balance as at 1 January	48	79,524	183,276	262,848	15,618	15	175,275	190,908
Transfer to Stage 1	-	-	-	-	15	(15)	-	-
Transfer to Stage 2	(1)	1	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	142	(79,284)	2,043,611	1,964,469	(15,585)	79,524	8,001	71,940
Balance as at 31 December	<u>189</u>	<u>241</u>	<u>2,226,887</u>	<u>2,227,317</u>	<u>48</u>	<u>79,524</u>	<u>183,276</u>	<u>262,848</u>
Credit Guarantees								
Balance as at 1 January	-	-	-	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	1,011,732	-	-	1,011,732	-	-	-	-
Balance as at 31 December	<u>1,011,732</u>	<u>-</u>	<u>-</u>	<u>1,011,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(g) Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure

	Percentage of exposure that is subject to collateral requirements		
	2021	2020	Principal type of collateral held
Securities Purchased under Resale Agreements	100	100	Marketable Government Securities
Loans to Banks			
Liquidity Facility to the Construction Sector	-	100	Marketable Government Securities
Saubagya Covid Renaissance Facility	100	100	Marketable Government Securities and Loan Receivables
Saubagya Loan Scheme	100	-	The underlying loans granted
Repair of Damaged Houses North and East	100	-	The underlying loans granted

(h) Amounts arising from ECL

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	2021		
	Impact: Increase/ (Decrease)		
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000
Cash and Cash Equivalents	(38,267)	(146,702)	-
Increase of cash balances with counterparties with improved credit ratings	(35,551)	(2,062,174)	-
Securities at Fair Value through Other Comprehensive Income			
Disposal of part of the Fixed Income Security Portfolio during the year			
Loans to Banks			
Already Existed balances			
Declined due to the loan repayments during the year	-	(140,425)	-
Increased due to the payment of credit guarantee claims to banks	-	-	13,016
Absorbed balances			
Increased due to incorporation of RDD loan balances to CBSL financial statements	4,555	13,749	-
Internal Funds			
Already Existed balances			
Decreased due to the reduced exposure with non rated counterparties	-	(79,282)	-
Absorbed balances			
Increased due incorporation of RDD Investment balances to CBSL financial statements	151	-	-
Credit Guarantees			
Increased due to the non performing ratios of sub borrowers being factored into expected credit loss assessment	1,011,732	-	-
	<u>942,620</u>	<u>(2,414,834)</u>	<u>13,016</u>

		2020	Impact: Increase/ (Decrease)	
	Stage 1	Stage 2	Stage 3	
	Rs. 000	Rs. 000	Rs. 000	
Securities at Fair Value through Other Comprehensive Income				
The exposure has slightly decreased with a substantially reduced credit quality as a result of Covid-19 impact		-	2,042,540	-
Loans to Banks				
Increased exposure due to granting of new loan facilities		-	148,119	-
Internal Funds				
Increased exposure with unrated counterparties		-	79,508	-
		-	2,270,166	-

(i) Net carrying amount of credit impaired assets at amortized cost

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired assets at amortized cost.

	2021 Rs. 000	2020 Rs. 000
Credit-impaired assets at amortized cost as at 1 January	-	-
Classified as credit-impaired during the year	13,016	183,277
Incorporation of credit impaired assets of schemes operated by RDD	2,043,610	-
Change in ECL allowance	(2,056,626)	(183,277)
Credit-impaired assets at amortized cost at 31 December	-	-

(j) Covid-19 impact on Credit Risk

The bank has adopted a higher weightage for the worst case scenario in the probability weighted default probability computation to better reflect the impact of Covid-19 in the computation of Expected Credit Losses.

48.2 Interest Rate Risk

(a) Foreign Currency Interest Rate Sensitivity

Interest rate risk is the risk of loss arising from the changes in interest rates.

The interest rate sensitivity of the Fixed Income Securities portfolio, except the investment in Reserve Advisory Management Program (RAMP), is measured by the potential gain or loss that could incur due to a change in interest rate by 10 basis points. The interest rate sensitivity of the Fixed Income Securities portfolio held under RAMP is measured by the potential gain or loss that could incur due to a change in interest rate by 1 basis point. Sensitivity of the risk exposure of the segmented Fixed Income Securities Portfolio is given below:

Portfolio Segment	Potential Loss (USD Mn)	
	2021	2020
Fair Value through Other Comprehensive Income	0.16	7.94
RAMP	-	0.03

RMD manages the interest rate risk of the foreign assets portfolio by employing the following strategies:

- i) While the interest rate sensitivity measures the effect of a change in interest rates on the foreign assets portfolio, the Bank uses Modified Duration (MD) as a measurement of interest rate risk which considers interest rates as well as the duration of an investment. The MD measures the change in price of a security for a 1% change in the interest rates (yield). A higher MD indicates a higher risk. Hence, the Bank sets an appropriate MD from time to time considering the developments in the financial markets, portfolio characteristics and the risk appetite of the bond portfolio. The MDs of the foreign assets portfolio are tabulated below:

Investment Segment	Modified Duration	
	2021	2020
Capital Market (Fixed Income Securities)	3.69	2.11
RAMP	-	1.46

- ii) Since the MD does not account for large changes in prices, another measure used for management of interest rate risk of the foreign reserves portfolio is convexity. Convexity measures the extent of deviation in bond price-yield curve from a straight line representing duration. It allows improving the duration approximation for bond price changes. Convexity is a change in duration for a change in yield. It measures the predictive error of Modified Duration. In other words, it is the second derivative of a security's price with respect to its yield.

Convexity of the segmented Fixed Income Securities portfolio

Portfolio Segment	Potential Loss (USD Mn)	
	2021	2020
Fair Value through Other Comprehensive Income	0.18	0.08
RAMP	-	0.04

iii) Value at Risk (VaR)

VaR summarizes in a single number the downside risk of the portfolio, under normal market conditions, from financial market movements. Therefore, VaR is the maximum loss over a target horizon such that there is a low, pre-specified probability that the actual loss will be larger. VaR gives a number, in terms of money, which can be aggregated across risks and positions. The Bank uses Monte Carlo method to

calculate VaR number for 10 days period at 99% confidence interval for its fixed income securities portfolio except for the investment in RAMP. The VaR of the fixed income securities portfolio held under RAMP is measured using the Monte Carlo method for one month period at 99 % confidence interval.

Portfolio Segment	Value at Risk (VaR)	
	2021	2020
Fair Value through Other Comprehensive Income	0.48	26.72
RAMP	-	1.04

iv) Trading & Open Position Limits

Bank assigns specific dealer limits on intra-day and overnight position limits for individual dealers by way of "Dealing Authority".

Interest rate risk measures related to the investments in the Reserve Advisory Management Program (RAMP) is reported to the Foreign Reserves Management Committee on a regular basis.

(b) Local Currency Interest Rate Sensitivity

The Government Securities portfolio is recorded in the Statement of Financial Position of the Bank at Fair Value

through Other Comprehensive Income as per the Business Model assessment under IFRS 9. This portfolio is not an investment portfolio, as the Bank does not purchase Government Securities with the intention of earning an interest income. The Bank purchases or sells Government Securities to inject rupee liquidity into the domestic market or to absorb liquidity from the market in the course of carrying out its monetary policy operations in relation to one of its core objectives, maintaining economic and price stability. Hence, the volume of Government Securities in the Bank's portfolio is determined by its monetary policy operations. In addition, the basic interest rates in the rupee market, the Repo rate and the Reverse Repo rate are policy rates determined by the Bank in the course of implementing its monetary policy. Moreover, the Bank's actions in injecting rupee liquidity or absorbing liquidity from the market have a significant impact on general rupee market interest rates. Thus, changes in the interest income earned from the Government Securities portfolio, which arise from changes in the volume of the Bank's Government Securities portfolio, as well as changes in interest rates, are primarily a consequence of the Bank's monetary policy actions, rather than due to investment decisions. Therefore, the Bank does not consider interest rate sensitivities arising from local currency assets.

(c) Assets and liabilities that will mature or re-price within the following periods

Foreign Currency Interest Rate Sensitivity Gap:	Weighted Avg. Int. Rate %	2021 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
Interest Sensitive Foreign Currency Financial Assets							
Cash & Cash equivalents	0.3942	512,762,452	512,762,452	-	-	-	-
Securities at Fair Value through Other Comprehensive Income	1.0799	8,818,244	44,216	-	2,798,126	5,975,902	-
IMF Related Assets	0.0770	38,244,608	38,244,608	-	-	-	-
Total Interest Sensitive Foreign Currency Financial Assets		559,825,304	551,051,276	-	2,798,126	5,975,902	-
Non Interest Sensitive Foreign Currency Financial Assets							
IMF Related Assets		149,801,229	549	-	-	216,785	149,583,895
Derivative Financial Instruments		54,022,836	396,731	981,508	1,980,676	33,823,817	16,840,104
Total non Interest Sensitive Foreign Currency Financial Assets		203,824,065	397,280	981,508	1,980,676	34,040,602	166,423,999
Total Foreign Currency Financial Assets		763,649,369	551,448,556	981,508	4,778,802	40,016,504	166,423,999
Interest Sensitive Foreign Currency Financial Liabilities							
IMF	1.0770	253,476,994	12,582,348	16,744,203	-	200,569,216	23,581,227
Asian Clearing Union	0.0900	104,764,616	104,764,616	-	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities		358,241,610	117,346,964	16,744,203	-	200,569,216	23,581,227
Non Interest Sensitive Foreign Currency Financial Liabilities							
Banks and Financial Institutions		13,701	13,701	-	-	-	-
Derivative Financial Instruments		1,139,323	909,548	229,775	-	-	-
IMF		416,588,249	-	-	-	-	416,588,249
Other Foreign Liabilities		357,295,676	40,161,167	317,134,509	-	-	-
Total non Interest Sensitive Foreign Currency Financial Liabilities		775,036,949	41,084,416	317,364,284	-	-	416,588,249
Total Foreign Currency Financial Liabilities		1,133,278,559	158,431,380	334,108,487	-	200,569,216	440,169,476
Foreign Currency Interest Rate Sensitivity Gap		201,583,694	433,704,312	(16,744,203)	2,798,126	(194,593,314)	(23,581,227)

Local Currency Interest Rate Sensitivity Gap :	Weighted Avg. Int. Rate %	2021 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
Interest Sensitive Local Currency Financial Assets							
Sri Lanka Government Securities	5.1119	1,377,820,347	1,018,529,204	336,001,028	482,143	22,807,972	-
Securities Purchased under Resale Agreements	7.2022	567,532,312	567,532,312	-	-	-	-
Loans to Banks	1.0007	90,572,746	70,896,466	18,461,922	1,206,709	7,649	-
Other Assets - Staff Loans	3.3012	8,073,335	437,218	263,936	539,529	1,723,015	5,109,637
- Others	9.9582	21,870,406	6,509,990	488,099	3,196,792	5,483,148	6,192,377
Total Interest Sensitive Local Currency Financial Assets		2,065,869,146	1,663,905,190	355,214,985	5,425,173	30,021,784	11,302,014
Non Interest Sensitive Local Currency Financial Assets							
Provisional Advances to Government		150,128,800	150,128,800	-	-	-	-
Other Assets - Others		4,120,029	4,120,029	-	-	-	-
Investment in Equity Securities - Fair Value through Other Comprehensive Income		1,671,218	-	-	-	-	1,671,218
Total Non Interest Sensitive Local Currency Financial Assets		155,920,047	154,248,829	-	-	-	1,671,218
Total Local Currency Financial Assets		2,221,789,193	1,818,154,019	355,214,985	5,425,173	30,021,784	12,973,232
Interest Sensitive Local Currency Financial Liabilities							
Standing Deposit Facility	5.0000	101,062,880	101,062,880	-	-	-	-
Total Interest Sensitive Local Currency Financial Liabilities		101,062,880	101,062,880	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities							
Deposits of Banks and Financial Institutions		300,704,162	300,704,162	-	-	-	-
Deposits of Government and Governmental Entities		1,392,301	1,392,301	-	-	-	-
Currency in Circulation		1,005,099,066	1,005,099,066	-	-	-	-
Other Payables		19,163,882	19,163,882	-	-	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		1,326,359,411	1,326,359,411	-	-	-	-
Total Local Currency Financial Liabilities		1,427,422,291	1,427,422,291	-	-	-	-
Local Currency Interest Rate Sensitivity Gap		1,964,806,266	1,562,842,310	355,214,985	5,425,173	30,021,784	11,302,014

Comparative figures as at 31 December 2020 were as follows:								
Foreign Currency Interest Rate Sensitivity Gap:	Weighted Avg. Int. Rate %	2020 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000	
Interest Sensitive Foreign Currency Financial Assets								
Cash & Cash equivalents	0.1097	403,307,304	403,307,304	-	-	-	-	
Securities at Fair Value through Profit or Loss	1.6238	40,564,323	40,564,323	-	-	-	-	
Securities at Fair Value through Other Comprehensive Income	0.3192	703,435,463	70,627,159	85,620,480	201,448,022	340,760,944	4,978,858	
IMF Related Assets	0.0800	13,538,182	13,538,182	-	-	-	-	
Total Interest Sensitive Foreign Currency Financial Assets		<u>1,160,845,272</u>	<u>528,036,968</u>	<u>85,620,480</u>	<u>201,448,022</u>	<u>340,760,944</u>	<u>4,978,858</u>	
Non Interest Sensitive Foreign Currency Financial Assets								
IMF Related Assets		145,420,003	911	-	-	208,077	145,211,015	
Derivative Financial Instruments		3,370,353	3,370,353	-	-	-	-	
Other Receivables		1,702,247	1,702,247	-	-	-	-	
Total Non Interest Sensitive Foreign Currency Financial Assets		<u>150,492,603</u>	<u>5,073,511</u>	-	-	<u>208,077</u>	<u>145,211,015</u>	
Total Foreign Currency Financial Assets		<u>1,311,337,875</u>	<u>533,110,479</u>	<u>85,620,480</u>	<u>201,448,022</u>	<u>340,969,021</u>	<u>150,189,873</u>	
Interest Sensitive Foreign Currency Financial Liabilities								
IMF	1.0800	256,873,113	5,447,583	5,447,583	-	190,723,378	55,254,569	
Asian Clearing Union	0.1500	63,864,652	63,864,652	-	-	-	-	
Total Interest Sensitive Foreign Currency Financial Liabilities		<u>320,737,765</u>	<u>69,312,235</u>	<u>5,447,583</u>	-	<u>190,723,378</u>	<u>55,254,569</u>	
Non Interest Sensitive Foreign Currency Financial Liabilities								
Banks and Financial Institutions		208,337,221	208,337,221	-	-	-	-	
Derivative Financial Instruments		574,182	574,182	-	-	-	-	
IMF		253,052,165	-	-	-	-	253,052,165	
Other Foreign Liabilities		74,870,325	74,870,325	-	-	-	-	
Total Non Interest Sensitive Foreign Currency Financial Liabilities		<u>536,833,893</u>	<u>283,781,728</u>	-	-	-	253,052,165	
Total Foreign Currency Financial Liabilities		<u>857,571,658</u>	<u>353,093,963</u>	<u>5,447,583</u>	-	<u>190,723,378</u>	<u>308,306,734</u>	
Foreign Currency Interest Rate Sensitivity Gap		<u>840,107,507</u>	<u>458,724,733</u>	<u>80,172,897</u>	<u>201,448,022</u>	<u>150,037,566</u>	<u>(50,275,711)</u>	

Local Currency Interest Rate Sensitivity Gap :	Weighted Avg. Int. Rate %	2020 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
Interest Sensitive Local Currency Financial Assets							
Sri Lanka Government Securities	7.6560	714,531,527	294,107,401	391,555,731	3,319,009	25,188,854	360,532
Securities Purchased under Resale Agreements	5.5000	2,728,412	2,728,412	-	-	-	-
Loans to Banks	1.0001	111,487,525	95,631,866	7,783,932	8,067,216	4,511	-
Other Assets - Staff Loans	3.3375	7,793,272	228,390	184,529	379,014	1,221,587	5,779,752
- Others	9.8666	13,056,605	2,078,654	163,050	319,407	4,460,297	6,035,197
Total Interest Sensitive Local Currency Financial Assets		849,597,341	394,774,723	399,687,242	12,084,646	30,875,249	12,175,481
Non Interest Sensitive Local Currency Financial Assets							
Provisional Advances to Government		153,061,900	153,061,900	-	-	-	-
Other Assets - Others		2,247,313	2,247,313	-	-	-	-
Investment in Equity Securities - Fair Value through Other Comprehensive Income		1,615,356	-	-	-	-	1,615,356
Total Non Interest Sensitive Local Currency Financial Assets		156,924,569	155,309,213	-	-	-	1,615,356
Total Local Currency Financial Assets		1,006,521,910	550,083,936	399,687,242	12,084,646	30,875,249	13,790,837
Interest Sensitive Local Currency Financial Liabilities							
Standing Deposit Facility	4.5000	209,507,898	209,507,898	-	-	-	-
Total Interest Sensitive Local Currency Financial Liabilities		209,507,898	209,507,898	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities							
Deposits of Banks and Financial Institutions		129,601,521	129,601,521	-	-	-	-
Deposits of Government and Governmental Entities		1,460,512	1,460,512	-	-	-	-
Currency in Circulation		834,807,859	834,807,859	-	-	-	-
Other Payables		14,742,792	14,742,792	-	-	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		980,612,684	980,612,684	-	-	-	-
Total Local Currency Financial Liabilities		1,190,120,582	1,190,120,582	-	-	-	-
Local Currency Interest Rate Sensitivity Gap		640,089,443	185,266,825	399,687,242	12,084,646	30,875,249	12,175,481

(d) Cash Flow Sensitivity Analysis for Variable Rate Instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit or Loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Variable Rate Instruments	-	-	-	-
Cash flow sensitivity (net)	-	-	-	-
31 December 2020				
Variable Rate Instruments	94,371	(92,502)	94,371	(92,502)
Cash flow sensitivity (net)	94,371	(92,502)	94,371	(92,502)

48.3 Foreign Currency Risk

Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserve management function. Volatility of the foreign exchange markets may expose the Bank to exchange risk. The Monetary Board and Foreign Reserves Management Committee (FRMC) have set percentage holdings of different currencies in its International Reserves. In

deciding on the currency allocation, public debt repayment requirements are given due consideration. Accordingly, the Bank holds most major currencies such as US Dollars, Sterling Pounds, Japanese Yen, Euro, Australian Dollars and New Zealand Dollars. Compliance with limits established for foreign currency positions are monitored.

Net Exposure to Foreign Currencies

As at 31 December 2021, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2021	Currency									Total All Currencies Rs. 000
	United States Dollars	Euro	Japanese Yen	Sterling Pound	SDR	Australian Dollars	Canadian Dollars	New Zealand Dollars	Other Currencies	
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets										
Cash & Cash Equivalents	138,000,677	568,045	9,461,477	1,996,158	-	650,773	31,353	11,271	362,128,066	512,847,820
Securities at Fair Value through Profit or Loss and Fair Value through Other Comprehensive Income	8,818,244	-	-	-	-	-	-	-	-	8,818,244
Derivative Financial Instruments	55,853	-	-	-	-	-	-	-	53,966,983	54,022,836
IMF Related Assets	-	-	-	-	188,045,840	-	-	-	-	188,045,840
Total Foreign Currency Financial Assets	146,874,774	568,045	9,461,477	1,996,158	188,045,840	650,773	31,353	11,271	416,095,049	763,734,740
Proportion	19.23%	0.08%	1.24%	0.26%	24.62%	0.09%	0.00%	0.00%	54.48%	100.00%
Foreign Currency Financial Liabilities										
Banks and Financial Institutions	13,641	-	-	-	-	-	-	-	60	13,701
Derivative Financial Instruments	-	-	-	-	-	-	-	-	1,139,323	1,139,323
Asian Clearing Union	104,764,616	-	-	-	-	-	-	-	-	104,764,616
IMF	480,115	-	-	-	669,585,128	-	-	-	-	670,065,243
Other	41,662,689	-	-	-	-	-	-	-	315,632,987	357,295,676
Total Foreign Currency Financial Liabilities	146,921,061	-	-	-	669,585,128	-	-	-	316,772,370	1,133,278,559
Proportion	12.97%	0.00%	0.00%	0.00%	59.08%	0.00%	0.00%	0.00%	27.95%	100.00%
Net Foreign Currency Exposure	(46,287)	568,045	9,461,477	1,996,158	(481,539,288)	650,773	31,353	11,271	99,322,679	(369,543,819)

Cash and Cash Equivalents include the foreign transactions entered into for buying and selling of various currencies of which the trade dates have been occurred in the current financial year and value dates to be fallen in the next financial year. Those transactions were as follows:

As at 31 December 2021	Sri Lanka Rupees	United States Dollars	Japanese Yen
	Rs. 000	Rs. 000	Rs. 000
Purchases	145,161,075	50,073,176	-
Sales	(45,145,128)	(147,228,648)	(4,876,735)
Forward Contra Account	2,016,260	-	-

As at 31 December 2020, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2020	Currency										Total All Currencies Rs. 000
	United States Dollars Rs. 000	Euro Rs. 000	Japanese Yen Rs. 000	Sterling Pound Rs. 000	SDR Rs. 000	Australian Dollars Rs. 000	Canadian Dollars Rs. 000	New Zealand Dollars Rs. 000	Other Currencies Rs. 000		
Foreign Currency Financial Assets											
Cash & Cash Equivalents	309,734,328	11,676,634	80,232,700	528,305	-	150,537	26,322	806,941	421,875	403,577,642	
Securities at Fair Value through Profit or Loss and Fair Value through Other Comprehensive Income	663,466,506	-	5,194,267	2,276,997	-	38,564,143	-	20,120,199	14,377,674	743,999,786	
Derivative Financial Instruments	-	-	-	-	-	-	-	-	-	3,370,353	3,370,353
IMF Related Assets	-	-	-	-	158,958,187	-	-	-	-	158,958,187	
Other Receivables	1,702,247	-	-	-	-	-	-	-	-	1,702,247	
Total Foreign Currency Financial Assets	974,903,081	11,676,634	85,426,967	2,805,302	158,958,187	38,714,680	26,322	20,927,140	18,169,902	1,311,608,215	
Proportion	74.33%	0.89%	6.51%	0.21%	12.12%	2.95%	0.00%	1.60%	1.39%	100.00%	
Foreign Currency Financial Liabilities											
Banks and Financial Institutions	208,337,021	15	-	-	-	185	-	-	-	208,337,221	
Derivative Financial Instruments	449,945	-	-	-	-	-	-	-	-	124,237	574,182
Asian Clearing Union	63,864,652	-	-	-	-	-	-	-	-	63,864,652	
IMF	-	-	-	-	509,925,278	-	-	-	-	509,925,278	
Other	74,819,182	-	-	-	-	-	-	-	-	51,143	74,870,325
Total Foreign Currency Financial Liabilities	347,470,800	15	-	-	509,925,278	185	-	-	-	175,380	857,571,658
Proportion	40.52%	0.00%	0.00%	0.00%	59.46%	0.00%	0.00%	0.00%	0.02%	100.00%	
Net Foreign Currency Exposure	627,432,281	11,676,619	85,426,967	2,805,302	(350,967,091)	38,714,495	26,322	20,927,140	17,994,522	454,036,557	

Cash and Cash Equivalents include the foreign transactions entered into for buying and selling of various currencies of which the trade dates have been occurred in the current financial year and value dates to be fallen in the next financial year. Those transactions were as follows:

As at 31 December 2020	Sri Lanka Rupees Rs. 000	United States Dollars Rs. 000	Japanese Yen Rs. 000
Purchases	185,933,135	98,373,989	-
Sales	(38,620,260)	(183,891,689)	(60,050,721)
Forward Contra Account	(1,744,454)	-	-

The following significant exchange rates have been applied by the Bank.

Currency	Average Rate		Year-end Spot Rate	
	2021	2020	2021	2020
	Rs	Rs	Rs	Rs
1 USD	200.1553	185.8584	200.4338	186.4082
1 EUR	236.2532	213.1154	227.8832	227.7256
1 JPY	1.8137	1.7488	1.7417	1.8055
1 GBP	275.2172	239.9567	271.2270	254.8200
1 SDR	285.0534	259.7846	280.9312	272.6200
1 AUD	149.8331	128.8643	145.5851	143.4225

Sensitivity Analysis

A reasonably possible strengthening/ (weakening) of the above currencies against the Sri Lanka Rupee as at reporting date would have affected the measurement of financial instruments denominated in a foreign currency and affected the profit or loss by the amounts shown below.

	Profit or Loss	
	Strengthening	Weakening
	Rs. 000	Rs. 000
31 December 2021		
USD (5% movement)	(2,314)	2,314
EUR (5% movement)	28,402	(28,402)
JPY (5% movement)	473,074	(473,074)
GBP (5% movement)	99,808	(99,808)
SDR (5% movement)	(24,076,964)	24,076,964
AUD (5% movement)	32,539	(32,539)
 31 December 2020		
USD (5% movement)	31,371,614	(31,371,614)
EUR (5% movement)	583,831	(583,831)
JPY (5% movement)	4,271,348	(4,271,348)
GBP (5% movement)	140,265	(140,265)
SDR (5% movement)	(17,548,355)	17,548,355
AUD (5% movement)	1,935,725	(1,935,725)

48.4 Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities

As at 31 December 2021, Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities are as follows,

As at 31 December 2021	Less than 6 months	6 Months -1 Year	1-2 Years	2-5 Years	Over 5 Years	Total Rs. 000
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Foreign Currency Financial Assets						
Cash & Cash Equivalents	512,762,452	-	-	-	-	512,762,452
Securities at Fair Value through Other Comprehensive Income	72,720	72,720	2,851,296	6,215,953	-	9,212,689
IMF Related Assets	38,245,157	-	-	216,785	149,583,895	188,045,837
Total un-discounted Foreign Financial Assets	551,080,329	72,720	2,851,296	6,432,738	149,583,895	710,020,978
Local Currency Financial Assets						
Sri Lanka Government Securities	1,039,925,021	356,959,017	2,731,167	24,517,061	-	1,424,132,266
Securities Purchased under Resale Agreements	567,532,312	-	-	-	-	567,532,312
Provisional Advances to Government	150,128,800	-	-	-	-	150,128,800
Equity Investments in Financial and Other Institutions	-	-	-	-	1,671,218	1,671,218
Loans to Bank	79,700,303	4,111,486	4,107,462	3,432,763	-	91,352,014
Other Assets	13,862,510	1,675,011	5,311,071	10,164,003	15,569,723	46,582,318
Total un-discounted Local Financial Assets	1,851,148,946	362,745,514	12,149,700	38,113,827	17,240,941	2,281,398,928
Total un-discounted Financial Assets	2,402,229,275	362,818,234	15,000,996	44,546,565	166,824,836	2,991,419,906
Foreign Financial Liabilities						
Banks and Financial Institutions	13,701	-	-	-	-	13,701
Asian Clearing Union	104,764,616	-	-	-	-	104,764,616
IMF	16,817,583	15,339,852	38,786,708	135,825,841	475,810,517	682,580,501
Others	40,161,167	317,134,509	-	-	-	357,295,676
Total un-discounted Foreign Financial Liabilities	161,757,067	332,474,361	38,786,708	135,825,841	475,810,517	1,144,654,494
Local Currency Financial Liabilities						
Deposits of Banks and Financial Institutions	300,704,162	-	-	-	-	300,704,162
Deposits of Government and Governmental Entities	1,392,301	-	-	-	-	1,392,301
Securities Sold Under Repurchase Agreements	101,062,880	-	-	-	-	101,062,880
Currency in Circulation	1,005,099,066	-	-	-	-	1,005,099,066
Other Payables	19,163,882	-	-	-	-	19,163,882
Total un-discounted Local Financial Liabilities	1,427,422,291	-	-	-	-	1,427,422,291
Total un-discounted Financial Liabilities	1,589,179,358	332,474,361	38,786,708	135,825,841	475,810,517	2,572,076,785
Net un-discounted Financial Assets/ (Liabilities)	813,049,917	30,343,873	(23,785,712)	(91,279,276)	(308,985,681)	419,343,121
As at 31 December 2021	Less than 6 months	6 Months -1 Year	1 - 2 Years	2 - 5 Years	Over 5 Years	Total Rs. 000
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Derivative Financial Assets	17,388,862	14,913,000	5,154,573	45,842,140	16,748,562	100,047,137
Derivative Financial Liabilities	16,884,671	15,032,535	5,260,986	46,097,369	16,698,942	99,974,503
Foreign Currency Conversions						
All future cash flows related to Foreign Currency Financial Assets & Liabilities are converted to reporting currency using the rate of exchange prevailing at the reporting date.						

As at 31 December 2020, Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities are as follows,

As at 31 December 2020	Less than 6 months	6 Months -1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets						
Cash & Cash Equivalents	403,307,304	-	-	-	-	403,307,304
Securities at Fair Value through Profit or Loss	7,669,197	7,624,371	20,303,019	11,393,477	-	46,990,064
Securities at Fair Value through Other Comprehensive Income	73,114,024	90,062,578	201,465,928	338,787,647	4,807,787	708,237,964
IMF Related Assets	13,539,094	-	-	208,076	145,211,015	158,958,185
Other Receivables	1,702,247	-	-	-	-	1,702,247
Total un-discounted Foreign Financial Assets	499,331,866	97,686,949	221,768,947	350,389,200	150,018,802	1,319,195,764
Local Currency Financial Assets						
Sri Lanka Government Securities	463,313,921	405,150,819	5,524,792	26,202,317	317,849	900,509,698
Securities Purchased under Resale Agreements	2,728,412	-	-	-	-	2,728,412
Provisional Advances to Government	153,061,900	-	-	-	-	153,061,900
Equity Investments in Financial and Other Institutions	-	-	-	-	1,615,356	1,615,356
Loans to Banks	96,083,289	7,331,102	8,150,872	-	-	111,565,263
Other Assets	4,948,189	1,395,674	2,255,604	9,040,665	14,669,924	32,310,056
Total un-discounted Local Financial Assets	720,135,711	413,877,595	15,931,268	35,242,982	16,603,129	1,201,790,685
Total un-discounted Financial Assets	1,219,467,577	511,564,544	237,700,215	385,632,182	166,621,931	2,520,986,449
Foreign Financial Liabilities						
Banks and Financial Institutions	208,337,221	-	-	-	-	208,337,221
Asian Clearing Union	63,864,652	-	-	-	-	63,864,652
IMF	6,883,538	6,864,314	31,133,271	127,514,224	350,966,277	523,361,624
Others	74,870,325	-	-	-	-	74,870,325
Total un-discounted Foreign Financial Liabilities	353,955,736	6,864,314	31,133,271	127,514,224	350,966,277	870,433,822
Local Currency Financial Liabilities						
Deposits of Banks and Financial Institutions	129,601,521	-	-	-	-	129,601,521
Deposits of Government and Governmental Entities	1,460,512	-	-	-	-	1,460,512
Securities Sold Under Repurchase Agreements	209,507,898	-	-	-	-	209,507,898
Currency in Circulation	834,807,859	-	-	-	-	834,807,859
Other Payables	14,742,792	-	-	-	-	14,742,792
Total un-discounted Local Financial Liabilities	1,190,120,582	-	-	-	-	1,190,120,582
Total un-discounted Financial Liabilities	1,544,076,318	6,864,314	31,133,271	127,514,224	350,966,277	2,060,554,404
Net un-discounted Financial Assets/ (Liabilities)	(324,608,741)	504,700,230	206,566,944	258,117,958	(184,344,346)	460,432,045
 As at 31 December 2020						
Derivative Financial Assets	117,285,065	30,027,810				
Derivative Financial Liabilities	115,556,701	30,011,720				

48.5 Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet commitments associated with financial instruments. Liquidity risk is also the risk that an entity will have to sell a financial asset quickly at much less than its fair value.

a) Liquidity is a key consideration in determining the composition of the Bank's foreign currency assets. This reflects the potential requirement to liquidate foreign reserves for intervention purposes and to settle other commitments such as public debt and IMF Loan repayments when the need arises. The Bank has adopted the following measures aimed at ensuring quick access to funds:

c) Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

31 December 2021

Foreign Currency Financial Assets

Cash and Cash Equivalents
Securities at Fair Value through Other Comprehensive Income
Derivative Financial Instruments
IMF Related Assets

Local Currency Financial Assets

Sri Lanka Government Securities
Securities Purchased under Resale Agreements
Provisional Advances to Government
Equity Investments in Financial and Other Institutions
Loans to Banks
Other Assets

Total Financial Assets

- Liquid asset ratios based on the liquidity characteristics of securities held

- Limits on maximum proportion of reserves that may be held in one currency and with one counterparty

b) In order to reduce the level of liquidity risk arising out of the local currency activities, particularly open market operations, the Bank uses highly liquid marketable instruments such as Treasury Bills and Treasury Bonds as collateral. It manages the daily liquidity position of the banking system by way of infusing into or withdrawal from the system, using instruments such as repo / reverse repo, CBSL securities and USD /LKR Swaps.

Encumbered Pledged as collateral Rs. 000	Unencumbered Available as collateral Rs. 000	Total Rs. 000
-	512,762,452	512,762,452
2,830,756	5,987,488	8,818,244
-	54,022,836	54,022,836
-	188,045,837	188,045,837
2,830,756	2,982,607,806	2,985,438,562

31 December 2020

Foreign Currency Financial Assets

Cash and Cash Equivalents
Securities at Fair Value through Profit or Loss
Securities at Fair Value through Other Comprehensive Income
Derivative Financial Instruments
IMF Related Assets
Other Receivables

Local Currency Financial Assets

Sri Lanka Government Securities
Securities Purchased under Resale Agreements
Provisional Advances to Government
Equity Investments in Financial and Other Institutions
Loans to Banks
Other Assets

Total Financial Assets

Encumbered Pledged as collateral Rs. 000	Unencumbered Available as collateral Rs. 000	Total Rs. 000
-	403,307,304	403,307,304
-	40,564,323	40,564,323
201,461,348	501,974,115	703,435,463
-	3,370,353	3,370,353
-	158,958,185	158,958,185
-	1,702,247	1,702,247
201,461,348	2,116,398,437	2,317,859,785

49. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

49.1 Classification of Financial Assets and Financial Liabilities

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of Financial Instruments

31 December 2021	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets					
Cash & Cash Equivalents	-	-	-	512,762,452	512,762,452
Securities at Fair Value through Other Comprehensive Income	-	8,818,244	-	-	8,818,244
Derivative Financial Instruments	54,022,836	-	-	-	54,022,836
IMF Related Assets	162,603,548	-	-	188,045,837	350,649,385
Total Foreign Currency Financial Assets	216,626,384	8,818,244	-	700,808,289	926,252,917
Local Currency Financial Assets					
Sri Lanka Government Securities	-	1,377,820,347	-	-	1,377,820,347
Securities Purchased under Resale Agreements	-	-	-	567,532,312	567,532,312
Provisional Advances to Government	-	-	-	150,128,800	150,128,800
Equity Investments in Financial and Other Institutions	-	-	1,671,218	-	1,671,218
Loans to Banks	-	-	-	90,572,746	90,572,746
Other Assets	-	-	-	34,063,770	34,063,770
Total Local Currency Financial Assets	-	1,377,820,347	1,671,218	842,297,628	2,221,789,193
Foreign Currency Financial Liabilities					
Banks and Financial Institutions	-	-	-	13,701	13,701
Derivative Financial Instruments	1,139,323	-	-	-	1,139,323
Asian Clearing Union	-	-	-	104,764,616	104,764,616
IMF	-	-	-	670,065,243	670,065,243
Other	-	-	-	357,295,676	357,295,676
Total Foreign Currency Financial Liabilities	1,139,323	-	-	1,132,139,236	1,133,278,559
Local Currency Financial Liabilities					
Deposits of Banks and Financial Institutions	-	-	-	300,704,162	300,704,162
Deposits of Government and Governmental Entities	-	-	-	1,392,301	1,392,301
Securities Sold under Repurchase Agreements	-	-	-	101,062,880	101,062,880
Currency in Circulation	-	-	-	1,005,099,066	1,005,099,066
Other Payables	-	-	-	19,163,882	19,163,882
Total Local Currency Financial Liabilities	-	-	-	1,427,422,291	1,427,422,291

31 December 2020	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Foreign Currency Financial Assets					
Cash & Cash Equivalents	-	-	-	403,307,304	403,307,304
Securities at Fair Value through Profit or Loss	40,564,323	-	-	-	40,564,323
Securities at Fair Value through Other Comprehensive Income	-	703,435,463	-	-	703,435,463
Derivative Financial Instruments	3,370,353	-	-	-	3,370,353
IMF Related Assets	157,793,346	-	-	1,164,839	158,958,185
Other Receivables	-	-	-	1,702,247	1,702,247
Total Foreign Currency Financial Assets	201,728,022	703,435,463	-	406,174,390	1,311,337,875
Local Currency Financial Assets					
Sri Lanka Government Securities	-	714,531,527	-	-	714,531,527
Securities Purchased under Resale Agreements	-	-	-	2,728,412	2,728,412
Provisional Advances to Government	-	-	-	153,061,900	153,061,900
Equity Investments in Financial and Other Institutions	-	-	1,615,356	-	1,615,356
Loans to Banks	-	-	-	111,487,526	111,487,526
Other Assets	-	-	-	23,097,189	23,097,189
Total Local Currency Financial Assets	-	714,531,527	1,615,356	290,375,027	1,006,521,910
Foreign Currency Financial Liabilities					
Banks and Financial Institutions	-	-	-	208,337,221	208,337,221
Derivative Financial Instruments	574,182	-	-	-	574,182
Asian Clearing Union	-	-	-	63,864,652	63,864,652
IMF	-	-	-	509,925,278	509,925,278
Others	-	-	-	74,870,325	74,870,325
Total Foreign Currency Financial Liabilities	574,182	-	-	856,997,476	857,571,658
Local Currency Financial Liabilities					
Deposits of Banks and Financial Institutions	-	-	-	129,601,521	129,601,521
Deposits of Government and Governmental Entities	-	-	-	1,460,512	1,460,512
Securities Sold under Repurchase Agreements	-	-	-	209,507,898	209,507,898
Currency in Circulation	-	-	-	834,807,859	834,807,859
Other Payables	-	-	-	14,742,792	14,742,792
Total Local Currency Financial Liabilities	-	-	-	1,190,120,582	1,190,120,582
50. FAIR VALUE DISCLOSURES					
50.1 Fair Value of Assets and Liabilities					
'Fair Value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.					
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy Note 5.2. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees					
of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:					
Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;					
Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and					
Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).					

The following table shows an analysis of assets and liabilities recorded at fair value hierarchy:

31 December 2021	Level 1 Rs. 000	Level 2 Rs. 000	Level 3 Rs. 000	Total Rs. 000
Financial Assets				
Securities at Fair Value through Other Comprehensive Income	8,818,244	-	-	8,818,244
Derivative Financial Instruments	-	54,022,836	-	54,022,836
IMF Related Assets	162,603,548	-	-	162,603,548
	171,421,792	54,022,836	-	225,444,628
Foreign Currency Non-Financial Assets				
Gold	35,151,981	-	-	35,151,981
	35,151,981	-	-	35,151,981
Local Currency Financial Assets				
Sri Lanka Government Securities	1,377,820,347	-	-	1,377,820,347
Equity Investments in Financial and Other Institutions	-	-	1,671,218	1,671,218
	1,377,820,347	-	1,671,218	1,379,491,565
Other Non-Financial Assets				
Land	-	-	10,855,725	10,855,725
Building	-	-	7,099,239	7,099,239
	-	-	17,954,964	17,954,964
Financial Liabilities				
Derivative Financial Instruments	-	1,139,323	-	1,139,323
	-	1,139,323	-	1,139,323
31 December 2020	Level 1 Rs. 000	Level 2 Rs. 000	Level 3 Rs. 000	Total Rs. 000
Financial Assets				
Securities at Fair Value through Profit or Loss	40,564,323	-	-	40,564,323
Securities at Fair Value through Other Comprehensive Income	703,435,463	-	-	703,435,463
Derivative Financial Instruments	-	3,370,353	-	3,370,353
IMF Related Assets	157,793,346	-	-	157,793,346
	901,793,132	3,370,353	-	905,163,485
Foreign Currency Non-Financial Assets				
Gold	76,220,055	-	-	76,220,055
	76,220,055	-	-	76,220,055
Local Currency Financial Assets				
Sri Lanka Government Securities	714,531,527	-	-	714,531,527
Equity Investments in Financial and Other Institutions	-	-	1,615,356	1,615,356
	714,531,527	-	1,615,356	716,146,883
Other Non-Financial Assets				
Land	-	-	11,334,725	11,334,725
Building	-	-	7,832,238	7,832,238
	-	-	19,166,963	19,166,963
Financial Liabilities				
Derivative Financial Instruments	-	574,182	-	574,182
	-	574,182	-	574,182
Equity Investments in Financial and Other Institutions				
Fair value of the equity investments were calculated using the Net Assets per Share valuation technique.				
Significant unobservable input used				
Net Asset Value per Share (NAVPS)				
Sensitivity Analysis				
A 10% increase in the NAVPS would increase the fair value by 10%.				
Balance as at 1 January				
Additions during the Year				
Fair Value Gain Recognised in the Other Comprehensive Income				
Balance as at 31 December				
	2021 Rs. 000			2020 Rs. 000
	1,615,356			1,500,487
	-			6,490
	55,862			108,379
	1,671,218			1,615,356

Land & Buildings	50.5 Financial Instruments not measured at Fair Value			
Valuation Method	The following table sets out the financial instruments which are not measured at fair value.			
Land is valued using market approach with direct comparison method, whereby assets are compared to recent sales with no added or nominal added improvement value, making adjustments for points of difference to derive the fair value.				
Depreciated Current Replacement Cost (DRC) method is used in valuing all the buildings except Central Point and White Aways considering that the assets controlled by the public sector entities that provide services to the community are not traded on an open liquid market.				
Income approach is used to value the other buildings which values the property based on estimated future income, profits or cash flow that are converted (discounted) to a single current amount.				
Under the Market Approach, estimated fair value would get increased/(decreased) if;				
Price per perch would get higher/(lower)				
Price per square foot would get higher/(lower)				
Depreciation rate for building would get lower/(higher)				
Under Income Approach, estimated fair value would get increased/(decreased) if;				
Gross annual rentals would get higher/(lower)				
Years purchase would get higher/(lower)				
Derivatives				
Derivative valuation models use forward prices (calculated by extrapolating the forward points available in the market) and discount rates calculated based on zero coupon yield curves of the respective currencies as of the valuation date. If the instrument that is valued contains a margin, adjustments are made to the forward prices and/or the interest rates to represent the impact of the margin rate.				
50.2 Repurchase and Resale Agreements				
The reported value of repurchase and resale agreements is considered to approximate their fair value due to short term nature of the agreements. The carrying value of the provided Standing Deposit Facility as at 31 December 2021 was Rs. 101,062.88 Mn (2020 - Rs. 209,507.90 Mn) and the carrying value of Sri Lanka Government Securities purchased under resale agreements as at 31 December 2021 was Rs.567,532.31 Mn (2020 – Rs. 2,728.41 Mn). There was no outstanding balance of Sri Lanka Government Securities sold under repurchase agreements as at 31 December 2021 (2020 – Nil).				
50.3 Currency in Circulation				
The fair value of Currency in Circulation is considered to be its face value as reported in the Financial Statements.				
50.4 Deposits				
The carrying value of deposits are considered to approximate their fair value as they are payable on demand.				
Carrying Amount	Fair Value			
	2021 Rs. 000	2020 Rs. 000	2021 Rs. 000	2020 Rs. 000
Foreign Currency Financial Assets				
Cash and Cash Equivalents	512,762,452	403,307,304	512,762,452	403,307,304
IMF Related Assets	188,045,837	1,164,839	188,050,305	1,171,285
Other Receivables	-	1,702,247	-	1,702,247
Local Currency Financial Assets				
Securities Purchased under Resale Agreements	567,532,312	2,728,412	567,532,312	2,728,412
Provisional Advances to Government	150,128,800	153,061,900	150,128,800	153,061,900
Loans to Banks	90,572,746	111,487,525	88,468,648	108,722,785
Other Assets	34,063,770	23,097,190	33,614,096	21,334,664
Foreign Currency Financial Liabilities				
Banks and Financial Institutions	13,701	208,337,221	13,701	208,337,221
Asian Clearing Union	104,764,616	63,864,652	104,764,616	63,864,652
IMF	670,065,243	509,925,278	670,065,243	509,925,278
Others	357,295,676	74,870,325	357,295,676	74,870,325
Local Currency Financial Liabilities				
Deposits of Banks and Financial Institutions	300,704,162	129,601,521	300,704,162	129,601,521
Deposits of Government and Governmental Entities	1,392,301	1,460,512	1,392,301	1,460,512
Securities Sold under Repurchase Agreements	101,062,880	209,507,898	101,062,880	209,507,898
Currency in Circulation	1,005,099,066	834,807,859	1,005,099,066	834,807,859
Other Payables	19,163,882	14,742,792	19,163,882	14,742,792

The fair values of the balances associated with the IMF deposits, loans granted to banks and internal fund investments differ from their carrying amounts.

The fair values of Cash and Cash Equivalents and Other Receivables presented under Foreign Currency Financial Assets, Securities Purchased under Resale Agreements and Provisional Advances to Government presented under Local Currency Financial Assets, Banks and Financial Institutions, Asian Clearing Union, IMF and Others presented under Foreign Currency Financial Liabilities and Deposits of Banks and Financial Institutions, Deposit of Government and Governmental Entities, Securities Sold under Repurchase Agreements, Currency in Circulation and Other Payables presented under Local Currency Financial Liabilities does not differ from their carrying values.

51. COMPARATIVE INFORMATION

Following comparative figures have been reclassified to conform with current year presentation.

51.1 Reclassification of Software to be capitalized from Property, Plant and Equipment to Intangible Assets

	2020		
	As reported previously Rs. 000	Adjustment Rs. 000	Reclassified Balance Rs. 000
Non Financial Assets			
Property, Plant & Equipment	20,539,377	(83,925)	20,455,452
Intangible Assets	24,327	83,925	108,252

Work in progress of Software amounting to Rs. 83.93 Mn disclosed under Property, Plant and Equipment in the Statement of Financial Position in 2020 have now been disclosed under Intangible Assets for better presentation.

Nature of the Transaction

Transactions:

	2021 Rs. 000	2020 Rs. 000
Outright purchases of Government Securities	-	14,044,912
Outright sales of Government Securities	980,906	-
CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales	68,218,243,292	19,598,940,269
Interest income/expenses on CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales	8,378,432	4,569,328
Funds received on behalf of Government	365,111,003	441,954,041
Funds disbursed on behalf of Government	362,223,823	35,987,068
Cost of Printing currency notes, for the year ended 31 December (Note 52.1.3)	1,086,655	1,195,295
Payments for Goods, Services and Taxes, during the year ended 31 December (Note 52.1.4)	1,129,790	270,783
Gross Foreign Exchange Transactions during the period (Note 52.1.6)		
Sales	225,597,381	17,749,013
Purchases	61,515,180	57,158,110
USD/LKR Derivatives	651,697,925	448,596,460
Funds Received in respect of Abandoned Property, during the year	914,309	1,073,398
Rent Income	282,173	321,821
Dividend Income	115,786	154,381
Other Transactions (Note 52.1.9)	1,088,948	1,076,897

Balances:

Sri Lanka Government Securities held by CBSL (Note 52.1.7)	1,377,820,347	714,531,527
Provisional Advances to Government (Note 14)	150,128,800	153,061,900
Loans given under Covid - 19 Renaissance Refinance Scheme	11,817,950	23,059,946
Government Securities held for specific purposes	15,938,729	12,914,495
RTGS Balances with Banks and Financial Institutions (Note 26)	221,738,927	81,586,946
Nostro Balance with BOC London	243,388	228,665
Receivable from Treasury and other Ministries	4,087,983	597,774
Payable to Treasury and other Ministries (Note 25)	1,484,824	-
Current Account Balances with Government and Government Entities as at 31 December	(1,107,407)	(1,215,313)
Abandoned Property Balances	5,998,940	5,057,128
Other Balances (Note 52.1.9)	292,917	175,813

52.1.1 Empowered by the sections 28-33 of the MLA, the Bank Supervision Department of the Bank carries out regulatory and supervisory functions of the banks licensed by the Monetary Board of CBSL. As at 31 December 2021, 07

52. RELATED PARTIES

52.1 Transactions with State and State Controlled Entities

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Sri Lanka (State as the ultimate owner of the CBSL), various government departments, and State controlled entities. Particulars of transactions, and arrangements entered into by the Bank with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually significant as per IAS 24 - Amended Related Party Disclosures are as follows:

	2021 Rs. 000	2020 Rs. 000
Licensed Commercial Banks and 01 Licensed Specialised Bank which had been funded by the Government or has a significant influence which are classified as related parties of the Central Bank of Sri Lanka.		

The Department of Supervision of Non-Bank Financial Institutions of the Bank carries out its regulatory and supervisory functions in respect of Non-Bank Financial Institutions. Accordingly, related entities of state controlled or Government funded Non-bank Financial Institutions are under the supervision of this department.

52.1.2 As per Section 113 of the MLA, the Monetary Board and the Bank are vested with the function of public debt management. Accordingly, as the agent of the Government, Public Debt Department (PDD) of the Bank issues securities to the domestic market to meet the budgetary requirements and services both foreign and domestic debt. The PDD deals with public debt management and debt market development. It manages the Government debt to ensure that financing needs of the Government and its payment obligations are met.

52.1.3 The Bank has the sole right and authority to issue currency in Sri Lanka as per section 49 of the MLA. Accordingly, the Currency Department of the Bank functions as the sole issuing authority of the legal tender in Sri Lanka. Printing of the currency notes is carried out by De La Rue Lanka Currency and Security Print (Pvt) Ltd., of which 40% shareholding is owned by the Government.

52.1.4 In carrying out the normal operations, the Bank enters into transactions to obtain various goods and services with Government entities or entities in which Government has significant influence or control.

52.1.5 The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets and liabilities on behalf of Government, trusts, retirement benefit plans and other institutions, as explained in Note 55.

52.1.6 In accordance with the provisions of the MLA, International Operations Department of the Bank monitors the development in the domestic foreign exchange market and overnight net foreign exchange open positions of commercial banks. In monitoring the domestic foreign exchange market developments, the Bank is on both sides of the market to moderate the excessive volatility in the exchange rate of Sri Lankan Rupee. The amounts of purchases and sales of foreign exchange represents results of such monitoring activities.

52.1.7 The Domestic Operations Department of the Bank performs its direct functions of implementing the Bank's monetary policy mainly through open market operations as per sections 90-92 of the MLA No 58 of 1949 (amended) and enforcing Statutory Reserve Requirement as per sections 93-98 of MLA and functions as the banker to both commercial banks where Government has shareholdings and certain other financial institutions and Governmental entities. The aggregate balances arising from this function as at 31 December 2021 is given in Note 12. Interest earned on the Government securities is given in Note 36.

52.1.8 The Bank also has custodial arrangements with one State-controlled bank.

52.1.9 Other Balances and transactions include the transactions carried out with the Government, Government departments and state controlled entities that are not individually significant.

52.2 Transactions with Key Management Personnel

Key Management Personnel of the Bank are the members of the Monetary Board that includes Governor, Deputy Governors and Assistant Governors. Particulars of transactions with Key Management Personnel were as follows:

52.3 Compensations to the Key Management Personnel

	2021 Rs. 000	2020 Rs. 000
Short Term Employee Benefits	180,218	204,508

In addition to above compensation, the Bank also provides non cash benefits to Key Management Personnel in terms of the employment contracts with them.

52.4 Other Transactions with Key Management Personnel

	2021 Rs. 000	2020 Rs. 000
Outstanding Loans to Key Management Personnel	98,648	90,847
Loans granted during the year	6,699	10,000
Loans re-paid during the year	10,038	31,758

All the loans are adequately secured and carry interest ranging from 2% - 7% per annum depending on the loan category and are repayable monthly.

52.5 Transactions with Post-Employment Benefit Plans

	2021 Rs. 000	2020 Rs. 000
Contributions paid and payable	73,517	73,173

The Bank contributed various amounts to Pension and Other Post Retirement Plans as disclosed in Note 32 and paid Rs. 717.59 Mn (2020 – Rs. 709.46 Mn) to Employees Provident Fund. In the normal course of business, the Bank provides banking and financial services to its post employment plans. Amounts of balances with such plans are given in Note 30.2.

53. CONTINGENT LIABILITIES AND COMMITMENTS

53.1 Financial Guarantee Contracts

The Bank acting as an agent of the Government or its agencies and institutions, provides guarantees to various parties on the strength of counter guarantees issued

to Bank by the General Treasury. There were no such outstanding guarantees as at 31 December 2021.

53.2 Credit Guarantees

The Regional Development Department (RDD) of the Bank performs the functions of providing refinance out of loan proceeds from external lines of credit to participating financial institutions for financing small and medium enterprises, issuing credit guarantees on loans to such enterprises, collecting guarantee premia, administering credit guarantee funds and undertaking post credit inspection and follow up action to ensure proper utilization of loan funds with a view of preventing defaults. During the year, RDD continued to provide refinance facilities under which the Bank provided guarantees against losses arising to a participating credit institution, which grants credit under this arrangement. This is not a guarantee on default by recipient of loans but against loss, which means that participating credit institutions should submit claims only in respect of amounts in loss after having pursued recovery action. The amount of contingent liabilities arising out of this arrangement are given below.

Local commercial banks - in respect of credit guarantees:

	Outstanding Guarantee Amount	
	2021 Rs. 000	2020 Rs. 000
Related Parties	21,742,330	20,898,328
Others	526,405	539,315
Total Credit Guarantees	22,268,735	21,437,643

The expected credit loss on credit guarantee is recognized for the year ended 31 December 2021 is recorded in Note 39.

53.3 Fiduciary Activities

The Bank carries out fiduciary activities under the provisions of the MLA. Acting in such capacity results in holding or placing of funds on behalf of various parties. However, the Bank does not expect any liability to arise on account of such activities.

53.4 Legal Claims

There were number of legal proceedings outstanding against the Bank as at 31 December 2021 and no provision has been made as the Bank is of the opinion that it is unlikely that any significant loss will arise.

53.5 Commitments

- As at 31 December 2021, the Bank has capital commitments amounting to Rs. 309.17 Mn, in respect of the acquisition of Property, Plant and Equipment and production of currency.
- As at 31 December 2021, outstanding forward exchange transactions are as follows:

Forward exchange contracts	2021 '000	2020 '000
Forward Exchange Sales		
USD	734,550	986,500
JPY	2,800,000	33,260,000
Forward Exchange Purchases		
USD	225,145	208,000

54. TRANSFERS OF FINANCIAL ASSETS

In the ordinary course of business, the Bank enters into transactions that result in the transfer of financial assets, primarily both foreign and local currency denominated debt securities. In accordance with the accounting policy set out in Note 5.3.3, the transferred financial assets continue to be recognised in their entirety or to the extent of the Bank's continuing involvement or are derecognised in their entirety.

The Bank transfers financial assets that are not derecognised in their entirety or for which the Bank has continuing involvement primarily through the following transactions:

- Securities Sold under Agreements to Repurchase
- Securities Lending
- Securities Pledged

54.1 Transferred Financial Assets that are not Derecognized in their Entirety

a. Securities Sold under Agreements to Repurchase

Securities sold under agreements to repurchase transactions are performed as part of the Monetary Policy operations of the bank and continues to be recognised in their entirety under "Sri Lanka Government Securities" in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration to be paid and the interest accrued there on are recognized under Securities sold under repurchase agreements in the local financial liabilities of the Statement of Financial Position.

b. Securities Lending

Securities lending describes the established market practice by which, for a fee, securities are transferred temporarily from one party (the lender, i.e. CBSL), to another (the borrower); the borrower is obliged to return them either on demand or at the end of any agreed term. Currently a selected Clearing House (CH) functions as the custodian for the supranational bonds and bonds issued by different issuers. CBSL has signed an agreement which enable CH to lend at their wish depending on the demand for those bonds. Since the lending does not involve CBSL and CH lends them directly to the borrowers, the process is called auto bond lending. At the end of each month, custodian will send fee income for auto bond lending, if any for the bonds

which they lent under auto bond lending programme. The Bank continues to recognize the securities in their entirety in the Statement of Financial Position because it retains substantially all of the risks and rewards of ownership. These securities are presented in the Statement of Financial Position as "Securities at Fair value through other Comprehensive Income".

c. Securities Pledged

In order to facilitate the securities settlement process, were the Central Bank of Sri Lanka (CBSL) pledged securities amounting to AUD 35.0 Mn to Euroclear Bank and obtained a credit facility of USD 30.0 Mn. At present, pledged securities held with Euroclear Bank amount to USD 13.5 Mn. The pledged securities are held in a separate account at Euroclear Bank.

With reference to the General Conditions Governing the Extension of Credit Facilities to participants in the Euroclear System, CBSL's credit facility was reduced USD 20.0 Mn with effect from 31 January 2017, following a review of the transaction related activity in respect of CBSL's accounts with Euroclear Bank.

As provided for in the General Conditions Governing the Extension of Credit Facilities to Participants in the Euroclear System, Euroclear Bank informed CBSL that CBSL's credit facility has been suspended with effect from 5 November 2018.

Required actions have already been taken to re-establish the suspended credit facility and Euroclear Bank's response is pending since 12 August 2020.

An amount of USD 1,000.0 Mn was raised under the FIMA Repo facility provided by the U.S. Federal Reserve Bank of New York on 28 September 2020 by pledging Fixed Income Securities from the CBSL foreign reserves worth of USD 1,013.10 Mn as at 31 December 2020. This Facility was fully withdrawn by CBSL by the end of March 2021.

	2021 Financial Assets at FVOCI Rs. 000	2020 Financial Assets at FVOCI Rs. 000
Assets		
Securities Lending	-	430,965
Securities Pledged with Euroclear	2,830,756	5,258,986
Securities Pledged with Federal Reserve Bank	-	196,202,362
Carrying Amount of Assets	2,830,756	201,892,313

55. TRUST AND CUSTODIAL ACTIVITIES

The bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets and liabilities on behalf of the GOSL, trusts, retirement benefit

plans and other institutions. The significant trust activities performed by the Bank are as follows:

55.1 The bank handles disbursements and repayments of various foreign loans and grants under foreign funded development projects and credit schemes on behalf of the GOSL. It also collects counterparty funds under various foreign loans and grants on behalf of the GOSL and invests such funds in treasury bills on requests made by donor agencies.

55.2 The bank is the custodian of the Employees Provident Fund (EPF). In terms of the statute, the functions of the Monetary Board consist of receiving contributions, surcharges, income from investments, maintaining proper accounts of registered members of EPF, investing surplus funds and payment of benefits to the members.

55.3 The bank administered the Deposit Insurance Scheme, which was a voluntary deposit insurance scheme opened to banking institutions licensed by the CBSL and cooperative societies registered under the Cooperative Societies Law No. 5 of 1972, which carried on banking business, and with effect from 1 October 2010 funds of this scheme have been transferred to the Sri Lanka Deposit Insurance scheme, which was formed as per gazette No: 1673/11 dated 28 September 2010.

55.4 As per the Gazette No:1673/11 dated 28 September 2010 (as amended), CBSL has established a mandatory Deposit Insurance Scheme named Sri Lanka Deposit Insurance Scheme and Deposit Insurance Fund with effect from 1 October 2010 as an act of national interest to protect the funds of depositors.

With effect from 22 November 2013, this scheme was renamed as "Sri Lanka Deposit Insurance and Liquidity Support Scheme" and the Deposit Insurance Fund was renamed as "Sri Lanka Deposit Insurance and Liquidity Support Fund (SLDILSF)".

Further, as per the Gazette No: 2239/52, new Regulations were issued as Sri Lanka Deposit Insurance and Liquidity Support Scheme No. 02 of 2021 dated 06 August 2021 (the Regulations) by repealing and replacing the initial Regulations No. 01 of 2010 dated 28 September 2010.

All Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs) and Licensed Finance Companies (LFCs) shall be the members of this Scheme. Accordingly, 69 institutions are members of this Scheme as at 31 December 2021. In terms of Regulation No. 5.1 of the Regulations, deposits to be insured include demand, time, savings deposit liabilities of the member institutions and value of the shares of shareholders who were initially deposit holders, whose deposits were converted into equity under the directions of the Monetary Board in 2010

and 2011 as part of the business restructuring plans implemented prior to 1 January 2012 and exclude all debt instruments and deposit liabilities as stipulated in Regulation No. 5.2 of the Regulations.

The deposit insurance fund was established with the transfer of Rs. 350.20 Mn of the investments of Voluntary Deposit Insurance Scheme and Rs. 1,168.31 Mn of investments made of collections of abandoned property of LCBs. As at 31 December 2021, the fund size of SLDILSF is Rs. 67,887.33 Mn (unaudited). Currently, the amount of compensation payable per-depositor per-institution is limited to Rs. 1,100,000 or its equivalent in the case of foreign currency deposits. The payment of compensation shall not be a liability of the Monetary Board and shall be limited to funds available or raised in the SLDILSF including any borrowings permitted and contributions received. The Monetary Board shall not be responsible for any liability that exceeds the total amount lying to the credit of the SLDILSF.

The Deposit Insurance Unit (DIU) is currently established in the Resolution and Enforcement

Department and is responsible for operation and management of the Scheme under the instructions and supervision of the Director of Resolution and Enforcement in terms of Directions/Regulations and policies as approved by the Monetary Board from time to time. DIU shall maintain books and accounts distinctly separate from the Financial Statements of CBSL. The Auditor General shall be the Auditor of this Scheme.

55.5 The Bank carries out regulatory and supervisory functions in respect of LFCs and attends to related matters under the authority delegated to it by the Monetary Board. While carrying out such functions, with respect to failed LFCs, various actions are taken including the vesting of assets of persons responsible for the unviable and insolvent condition of such companies, with the Monetary Board as a form of security.

55.6 On behalf of the Monetary Board of the Bank, RDD acts as the exclusive agent of the GOSL with regard to the projects funded by GOSL and foreign donors.

I. GOSL/Donor Funded Projects

(i) Concluded Projects

Name of the Project/ Loan Scheme	Total Allocation of the Fund (Mn.)	Objective/s	Refinance Granted to PFI (Rs. Mn.)
Tea Development Project	USD 24.50	Increase income generating activities of Tea Small Holders and improve the contribution to the natural environment.	2,550.90
Second Perennial Crop Development Project	SDR 11.56	Commercialization of perennial crops sector , increase production, nursery development, post harvest handling, processing and marketing.	1,453.11
Plantation Sector Reform Project	USD 40.00	Support policy and institutional reforms in the plantation sub-sectors to increase the productivity and profitability while maintaining competitive advantage of the Plantation Industry.	5,200.00
Small Business Revival Programme	LKR 2,656.00	Resumption of Tsunami affected SMEs.	2,663.40
Small Business Revival Programme - Revolving Fund	LKR 150.00	Resumption of SMEs affected by Tsunami using recovery of Small Businesses.	122.72
Skill Development Project	LKR 94.31	Improve the quality and reliance of Skill Development obtained by the Training Programmes to high quality workforce and address skill mismatching.	94.59
Urban Environment Infrastructure Development Project	USD 4.00	Improve Environmental facilities, health and sanitary conditions of the people living in the urban and semi-urban areas.	369.15
Housing Guarantee Low Income Housing Shelter Project	USD 25.00	Assist Low Income community to build houses/ renovate/ expand the existing.	1,362.00
Urban Development Low Income Housing Project	SDR 15.10	Support Low Income community to improve life style through building up of house.	1,915.76
North Western Province -Water Resource Development Project	USD 1.80	Improve Economic, Social and Nutritional well-being of the people in the North Western Province.	102.76
Matale Regional Economic Advancement Project	SDR 2.00	Permanent rising and sustaining of Income of Small Entrepreneurs.	249.06
Mid Country Perennial Crop Development Project	SDR 11.56	Increase the production capacity of Perennial Crops in the Mid Country area.	642.00
Agriculture Rehabilitation Project	SDR 17.05	Rehabilitate persons and property, affected by the civil disturbances in the Northern and Eastern Provinces including five bordering Districts.	843.00
Small Holder Tea Development Project	USD 12.60	Develop Small Holder Tea Sector and rehabilitate tea facilities.	645.93
Poverty Alleviation Micro-finance Project	YEN 1,368.00	Setting up of an effective credit delivery mechanism for channelling formal credit to income generating activities.	1,402.45
Small Farmers Landless Credit Project	USD 17.40	Establish cost effective and sustainable micro credit delivery system to generate employment while improving saving habits among the Low Income Community.	345.69

Kegalle Integrated Rural Development Project	SDR	1.50	Uplift the living standard of people by promoting income generating activities.	148.00
Southern Province Rural Development Project	SDR	27.90	Improve the quality of life and enhance the income generating activities of the people in the Southern Province.	564.00
EIB Contract B	EUR	10.00	Rehabilitate Small and Medium Size projects including Tourism and their service sectors directly affected by the Tsunami.	1,553.27
Second Perennial Crops Development Project - Revolving Fund	LKR	1,200.00	Develop the activities of Perennial Crops sector.	1,199.82
Matale Regional Economic Advancement Project - Revolving Fund	LKR	77.00	Expand the Income Level of Rural and Farm Families and provide funds for Medium scale Entrepreneurs to create Non-Farm Enterprises and expand existing projects in the Matale District.	77.00
Sabaragamuwa Province Integrated Rural Development Project - Revolving Fund	LKR	100.00	Enhance and create existing/ new income generating activities in the Sabaragamuwa Province.	100.00
Construction Sector Development Project	EUR	9.00	Strengthening the Financial and Technical capacities of private local Businesses to effectively participate in construction and Public works relating to post Tsunami reconstruction.	1,399.73
Sabaragamuwa Province Integrated Rural Development Project - Phase II	LKR	70.00	Further enhance and start new Income generating activities in the Sabaragamuwa Province.	70.00
Poverty Alleviation Micro-finance Project II (Probodini)	YEN	2381.00	Enhance the Living Standard of Households whose monthly income is less than Rs. 15,000.	3,213.20
Self Employment Promotion Initiative	LKR	250.00	Provide Financial Assistance to trained Youth who have completed the recognized Vocational Training to establish self employment income generating activities.	232.39
Dry Zone Livelihood Support & Partnership Programme	LKR	252.95	Provide opportunity to earn more income through Agriculture related activities in Anuradhapura, Moneragala, Kurunegala and Badulla Districts.	252.95
National Agribusiness Development Programme	USD	32.90	Assist Smallholder producers and the Landless Community, especially considering the Youth to increase the income level through the market/ value chain development and provide Finance and Training requirements for those people.	113.13
Small Plantation Entrepreneurship Development Project	SDR	2.60	Enhance the Living Standard of the Low Income Communities in Moneragala, Kandy, Kegalle and Nuwara-Eliya Districts.	487.66
National Agribusiness Development Programme (NADeP) - Microfinance	LKR	1,049.84	Improve Income Level and Social Conditions of Low Income Community	1,049.84
Value Chain Development Capital Agriculture Loan Scheme under the "Out Grower Farmers Loan Scheme" of the National Agribusiness Development Programme (NADeP)	LKR	135.69	Increase the Production, Productivity, Quality and Value addition of Agriculture Produces.	135.69
Value Chain Development Seasonal Agriculture Loan Scheme under the "Out Grower Farmers Loan Scheme" of the National Agribusiness Development Programme (NADeP)	LKR	302.04	Further enhance the Production, Productivity, Quality and Value addition of Agriculture Produces.	302.04
NADeP - "Tharuna Diriyo" Youth Empowerment and Employment Programme	LKR	288.48	Reach Village Level Poor Youth to enhance the Skill Levels and Capacity building covering Small Business and other forms of Self-employment Projects.	288.48
Dry Zone Livelihood Support & Partnership Programme- Revolving Fund	LKR	252.90	Enhance Income generating activities in Anuradhapura, Moneragala, Kurunegala and Badulla Districts.	252.89
Small Farmers and Landless Credit Project -Revolving Fund	LKR	345.69	Promote the intensification of Agricultural Production by Small Farmers and establish of small scale Non-Farming Rural Enterprises.	1,564.75
Poverty Alleviation Micro-finance Project II (Probodini) - Revolving Fund	LKR	2,764.84	Improve Income Level of Low Income Community and enhance inclusive formal financial services and expand Income generating Activities of such People.	7,016.86
Smallholder Agribusiness Partnership Programme (SAPP) 4P Capital	USD	30.29	Contribute to Poverty Reduction of Smallholders & Increase Competitiveness & Increase the Income Level & Quality of diet of 57,500 Smallholders through commercially oriented Production & Marketing Systems, using a Process of forming & building capacity of Producer Groups, Organizations & strengthening the network under the partnerships with the Private Sector.	125.85
Smallholder Agribusiness Partnership Programme (SAPP) 4P Seasonal				854.05
Smallholder Agribusiness Partnership Programme (SAPP) Youth				14.45
Smallholder Agribusiness Partnership Programme (SAPP) Income Generation				106.42

(ii) Ongoing Projects

Name of the Project/ Loan Scheme	Total Allocation of the Fund (Mn.)	Objective/s	Refinance Granted to PFIs (Rs. Mn.)
Tea Development Project - Revolving Fund	LKR 1,100.00	Develop the Tea Sector in the Industries.	964.87
Swashakthi Loan Scheme	LKR 4,000.00	Support new & existing Entrepreneurs while expanding the Employment Opportunities.	4,273.60
"Athwela" - Resumption of Economic Activities affected by Disasters (READ)	LKR 2,000.00	Support to resume any eligible economic activity affected by any disaster as informed by the GOSL.	1,687.52
Poverty Alleviation Micro-finance Project RF (Probodini)	LKR 1,031.00	Assist to set up an effective Credit Delivery Mechanism for income generating activities conducted by the Low Income Group/ Community who are unable to access the formal financial sector facilities.	5,449.54
Smallholder Agribusiness Partnership Programme (SAPP) 4P Agribusiness	USD 30.29	Increase the Production, Productivity, Quality and Value addition of agriculture produce.	419.48
Smallholder Agribusiness Partnership Programme (SAPP) 4P Youth			359.31
Smallholder Agribusiness Partnership Programme (SAPP) RF Youth			132.26
Smallholder Agribusiness Partnership Programme (SAPP) RF Agri Business			11.98
Smallholder Agribusiness Partnership Programme (SAPP) RF Income Generation			38.19
Smallholder Agribusiness Partnership Programme (SAPP) 4P FI Bulk Loan			58.85
Smallholder Agribusiness Partnership Programme (SAPP) RF FI Bulk Loan			-
Smallholder Agribusiness Partnership Programme (SAPP) RF Promoter Bulk Loan			-
Self Employment Promotion Initiative Phase II (SEPI II)	LKR 950.00	Support starting of a New Business or expanding the existing Business of Youth who have completed Certificate or Diploma in National Vocational Qualification (NVQ)	491.13
Supply Chain Re – Energizing Loan Scheme (SCREL)	LKR 500.00	To re energize the Tea supply chain by supporting existing tea manufactures to revamp their businesses.	201.75

56. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events occurring subsequent to reporting date that require adjustment to or disclosure in the financial statements. Other than below:

As disclosed in the Note 48.3, the values of assets and liabilities of the Bank denominated in foreign currencies have been translated with reference to the year end spot exchange rates. Subsequent to the reporting date, the exchange rates for the currencies disclosed in Note 48.3 to the financial statements have appreciated significantly against LKR and it would result in changes to the values arising from the subsequent translation or foreign currency assets and liabilities compared to the amounts reported in the statement of financial position as at 31 December 2021.

2. BANK SUPERVISION

The Bank Supervision Department (BSD) was established under Section 28 of the Monetary Law Act (MLA) No. 58 of 1949. It has been conferred in terms of the provisions of the MLA and the Banking Act No. 30 of 1988, with specific powers and duties to conduct continuous supervision and periodical examination of Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) in Sri Lanka (hereinafter referred to as licensed banks) and to issue regulations to licensed banks. The main objectives of BSD are aimed at ensuring the safety and soundness of the banking sector and safeguarding the interests of depositors and other stakeholders of licensed banks in Sri Lanka.

In order to achieve the above objectives, BSD carries out functions pertaining to regulation and supervision of licensed banks: issuing licences to carry out banking business, formulating and issuing prudential regulations, conducting continuous supervision and periodic statutory examinations of licensed banks, assessing and approving the fitness and propriety of Directors, Chief Executive Officers (CEOs) and Key Management Personnel (KMPs) of licensed banks, granting regulatory approvals, initiating regulatory actions as prescribed by the Monetary Board, and engaging in awareness and capacity building of the banking sector.

The Sri Lankan banking sector comprised 24 LCBs and 6 LSBs by end 2021. In addition, 3 Representative Offices (ROs) of foreign banks were in operation. Further, in March 2021, the Monetary Board granted approval for ICICI Bank Limited (ICICI), India to set up an RO in Sri Lanka. The RO of ICICI commenced operations in January 2022. A list of licensed banks and ROs is provided in Annex II-1.

A summary of the main functions and activities performed by BSD during 2021 is as follows.

2.1 Issuance of Prudential Regulations

BSD issued proactive prudential regulations to ensure stability and resilience of the banking sector while continuing to extend concessions to affected borrowers of licensed banks amidst the COVID-19 pandemic. Some of the key regulatory measures introduced during 2021 are summarised below. Regulations are provided in Part III of this Report.

- (a) Classification, Recognition and Measurement of Credit Facilities and Other Financial Assets in Licensed Banks
- (b) Regulatory Framework on Technology Risk Management and Resilience
- (c) Recovery plans for licensed banks
- (d) Priority sector lending targets for LCBs and LSBs to the

Micro, Small and Medium scale Enterprises (MSME) sector

- (e) Restrictions on discretionary payments of licensed banks
- (f) Restrictions on forward sales and purchases of foreign exchange by LCBs
- (g) Restrictions on investments in Sri Lanka International Sovereign Bonds (ISBs) by LCBs and National Savings Bank (NSB)
- (h) Maximum interest rates on mortgage backed housing loans and foreign currency deposits of LCBs and NSB
- (i) Extension of concessions for tourism sector and for borrowers affected by COVID-19
- (j) Provision of banking services amidst the COVID-19 outbreak
- (k) Recognition of Lanka Rating Agency Ltd as an acceptable credit rating agency
- (l) Annual licence fee of licensed banks

2.2 Drafting the New Banking Act

BSD is in the process of finalising the new Banking Act to further strengthen the legal and regulatory framework of licensed banks. The proposed new Banking Act includes provisions for a differentiated regulatory framework to facilitate proportionality, strengthening corporate governance, consolidated supervision, resolution of licensed banks, imposing monetary penalties/fines, ring-fencing of banks to mitigate contagion risk, and strengthening provisions for mergers, acquisitions, and consolidation. The Central Bank expects to enact the new Act by end 2022.

2.3 Approvals granted by the Monetary Board and the Director of Bank Supervision

(a) Mergers, Acquisitions and Closures of Licensed Banks

The merger process between the Housing Development Finance Corporation Bank of Sri Lanka and State Mortgage and Investment Bank which commenced in 2018 continued during 2021.

(b) Branches and Other Banking Outlets of Licensed Banks

By end 2021, 586 requests were processed, and 484 approvals were granted, while 102 requests were deferred/declined on prudential grounds (Table II-1). Accordingly, by December 2021, there were 3,621 bank branches, 3,783 Student Savings Units and 6,342 Automated Teller Machines (ATMs) in operation.

Table II-1
Approvals relating to Branches and Other Banking Outlets

Types of Approvals	No. of Approvals	
	Processed	Granted
Opening and Installation	428	366
Branches	32	13
Self Service Machines (SSMs)	205	166
Student Saving Units (SSUs)	0	0
Mobile Banking Units and Vehicles	0	0
Other Banking Outlets	35	35
Agents of Licensed Banks	156	152
Relocation	111	80
Branches	94	67
SSMs	12	8
Other	5	5
Closures and cancellation of approvals granted for branches and other service outlets	7	5
Discontinuation and cancellation of approvals granted for ATMs and Other Automated Machines	7	5
Discontinuation and cancellation of approvals granted for Agents of licensed banks	33	28
Total	586	484

(c) Other Regulatory Approvals

During 2021, a total of 502 other regulatory approvals were granted (Table II-2).

Table II-2
Regulatory Approvals Granted

Type of Approval	No. of Approvals
Assessing fitness and propriety for the appointment of new/continuing directors, CEOs & KMP and persons engaged in foreign exchange business	268
Outsourcing arrangements	32
Disposal of property below market value	18
Inclusion of debentures in Tier 2 capital	8
Exceeding maximum amount of accommodation	5
Abandoned property reimbursements	1
Acquiring material interest in shareholding	1
Requests for expatriate staff visa recommendations/renewals	20
Other Approvals	149
Total	502

(d) Regulatory Actions

During 2021, licensed banks were required to initiate corrective measures regarding non-compliances with the Banking Act and Directions issued thereunder on 18 instances.

2.4 Conduct of Continuous Supervision

(a) Continuous supervision is an ongoing monitoring mechanism on the affairs of individual banks, which serves as an early warning system to ascertain the operational efficiency and long term sustainability of the licensed banks

and enables the implementation of corrective actions, where necessary, to ensure safety of depositors' funds.

- (b) Continuous supervision is conducted based on periodic financial and prudential information submitted weekly/monthly/quarterly/annually by each bank largely through the web based FinNet system. In line with the Department Action Plan, the existing web-based off-site surveillance reporting system of banks is being reviewed with a view to rationalise and consolidate the financial data, considering inter alia the introduction of new accounting standards, i.e. SLFRS 9 – Financial Instruments and changes in regulatory requirements in terms of new classification directions (Banking Act Direction Nos. 13 and 14 of 2021) and other developments. Accordingly, two new FinNet returns were introduced, while two other returns were amended.
- (c) Considering the liquidity stresses resulting from moratoria and challenges faced by licensed banks in raising/rollover of foreign currency funds, special board papers were submitted to the Monetary Board. In addition, banking industry aggregate data were shared with other departments of the Central Bank and government institutions to facilitate policy decisions and preparation of reports. Further, the Monetary Board was apprised of the banking sector performance on a quarterly basis, while 13 presentations on the performance of the banking sector were also prepared for various fora.
- (d) BSD attended to complaints directly made by customers/general public or forwarded by the Financial Consumer Relations Department regarding frauds by bank staff/external parties, misconduct by bank staff, etc. Further, during 2021, approximately 22 requests made under the Right to Information Act No. 12 of 2016 were handled by BSD.
- (e) BSD facilitated the collection and submission of information on reimbursement of interest relating to the Special Interest Scheme for Senior Citizens to the Ministry of Finance on a quarterly basis. Further, BSD conducted 2 special examinations on remote basis to identify irregularities in the Special Interest Scheme for senior citizens and instructed licensed banks to rectify such irregularities.
- (f) BSD continued to monitor the progress on addressing supervisory concerns identified during statutory examinations of banks within specified time targets on a quarterly basis.

2.5 Conduct of Periodic Examinations

- (a) During 2021, BSD conducted 22 Statutory Examinations, including examinations on full scope and follow-up examinations basis. Due to the third wave of the COVID-19 outbreak in the country, 12 Statutory Examinations were conducted on remote basis during the period commencing April to September 2021, considering the limitations over physical visits to banks.

- (b) In addition, 11 Spot Examinations were conducted on several licensed banks, inter-alia, to verify matters relating to export proceeds and workers' remittances, foreign currency transactions, Telegraphic Transfers (TT), ATM withdrawals, and classification of loans and advances by banks during the debt moratorium period granted under the COVID-19 Relief Scheme. Based on the findings of these Spot Examinations, Reports were submitted to the Monetary Board/Governor/senior management of CBSL, as appropriate, while recommendations of such reports were communicated to licensed banks or relevant departments of CBSL for implementation. Reports on Statutory Examinations of 4 banks conducted during 2020 were submitted to the Monetary Board in 2021 and accordingly, all reports of statutory examinations conducted in 2020 were completed during the first three months of 2021. In addition, 14 reports of Statutory Examinations of 11 banks conducted in 2021, including interim reports on 3 banks and 5 Statutory Examinations conducted on remote basis, were submitted to the Monetary Board and other reports are in the process of completion.
- (c) BSD conducted Statutory Examinations of 4 banks on consolidated risk-based supervision extending the scope of statutory examinations to group entities. One examination report including findings of the consolidated risk-based supervision was submitted to the Monetary Board in 2021 and 3 reports on consolidated supervision are in the process of completion.
- (d) During the year 2021, ratings were assigned to all 30 licensed banks, solely for internal purposes, in terms of the Bank Sustainability Rating Indicator (BSRI) Framework, based on a combination of quantitative and qualitative indicators attributable to the banks' efficiency and sustainability and overall assessment of banks. A Detailed Report on ratings assigned for licensed banks based on BSRI Framework was submitted to the Monetary Board as a part of a periodical industry review report. In addition, 4 statutory examinations were conducted in line with the BSRI Framework commencing 01.10.2021, as directed by the Monetary Board. Further, review of assigned ratings for all banks based on the quantitative indicators was carried out on a quarterly basis during the year.

2.6 Awareness and Capacity Building of the Banking Sector

(a) Capacity Building

During 2021, BSD continued providing resource persons for capacity building programmes of the banking sector as well as providing training and development opportunities for its staff. Most of these programmes were conducted virtually and covered areas such as banking and finance, regulatory compliance, risk management, technology/cybersecurity risk, climate risk resilience, and sustainable finance. Further, Officers of BSD also continued to serve as committee members in various committees.

(b) Meetings with Banks and other Stakeholders

BSD continued to function as the secretariat for the monthly meetings of CEOs of licensed banks chaired by the Governor which are aimed at maintaining continuous dialogue between the Central Bank and the banking sector. Accordingly, 11 monthly meetings and 2 special meetings were conducted physically/virtually in 2021 to discuss matters relating to the developments in the Sri Lankan economy, the banking sector, and the regulatory and supervisory framework. Additionally, a meeting of bank chairpersons was held to apprise the banking sector performance, developments in the economy and local and global regulatory frameworks, and the expectations of the regulator during these extraordinary times.

Regular meetings were conducted with the senior management and Board-appointed committees of concerned licensed banks to discuss bank-specific matters, to ensure proper oversight and timely implementation of corrective actions, and to ensure the sustainability of the banking sector. Further, BSD conducted meetings with external auditors of licensed banks and the Institute of Chartered Accountants of Sri Lanka to discuss matters pertaining to specific areas to focus on bank audits and consistent application of accounting standards by licensed banks amidst the COVID-19 outbreak.

BSD organised two meetings of the Financial Sector Oversight Council (FSOC), which comprises heads of core financial sector regulators to facilitate cooperation among member institutions to ensure the efficiency, soundness, and safety of the financial system.

Annex II - 1

List of Licensed Banks as 31.12.2021

Licensed Commercial Banks	
1.	Amana Bank PLC
2.	Bank of Ceylon
3.	Bank of China Ltd
4.	Cargills Bank Ltd
5.	Citibank, N.A.
6.	Commercial Bank of Ceylon PLC
7.	Deutsche Bank AG
8.	DFCC Bank PLC
9.	Habib Bank Ltd
10.	Hatton National Bank PLC
11.	Indian Bank
12.	Indian Overseas Bank
13.	MCB Bank Ltd
14.	National Development Bank PLC
15.	Nations Trust Bank PLC
16.	Pan Asia Banking Corporation PLC
17.	People's Bank
18.	Public Bank Berhad
19.	Sampath Bank PLC
20.	Seylan Bank PLC
21.	Standard Chartered Bank
22.	State Bank of India
23.	The Hongkong & Shanghai Banking Corporation Ltd
24.	Union Bank of Colombo PLC

Licensed Specialised Banks

1. Housing Development Finance Corporation Bank of Sri Lanka
2. National Savings Bank
3. Pradeshiya Sanwardhana Bank
4. Sanasa Development Bank PLC
5. Sri Lanka Savings Bank Ltd
6. State Mortgage & Investment Bank

Representative Offices of Foreign Banks

1. Doha Bank QPSC
2. JP Morgan Chase Bank NA
3. MUFG Bank Ltd.

3. CENTRE FOR BANKING STUDIES

Established on 15 September 1981, the Centre for Banking Studies (CBS), the training arm of the Central Bank celebrated its 40th anniversary in the year 2021 and continued to play its strategic role of developing human capital of the financial services industry. The focus of CBS during the year 2021 was concentrated towards conducting all pre-scheduled programmes and other events with high quality to cater to the demand of the financial sector even amidst the challenges caused by continuation of the COVID-19 pandemic.

CBS offered training programmes covering a wide range of areas related to the banking and finance industry to ensure both technical and soft skills are developed in professionals. Among these, CBS offered several courses in collaboration with reputed international financial training institutes including the South-East Asian Central Banks (SEACEN) Centre and Deutsche Bundesbank. Further, CBS launched a new Certificate Course on "Financial Markets" in a bid to expand its standardised certificate courses. CBS continued to be a proactive partner in capacity development for the implementation of Sustainable Finance in Sri Lanka with the support of the United Nations Development Programme (UNDP) in the year 2021. During 2021, CBS successfully conducted 118 programmes which consisted of 48 pre-scheduled programmes, 27 special programmes and 43 public events. During the year, 4,741 participants attended CBS training programmes while public events of CBS were attended by 6,802 participants via online platforms. In addition, CBS coordinated two television series titled "Thakshilawa" and "Ariwootroo" targeting Advanced Level students who follow economics as a subject.

In marking the 40th Anniversary of CBS, several special events were organised. The Anniversary Oration on "Bridging the Knowledge Gap and Preserving Trust in the Professional Educational System" and the High-Level seminar on "Digital Financial Transformation" were two such events that gathered appreciable attention and created significant momentum among relevant stakeholders and the public. Further, CBS organised its first ever Post Budget Forum on the Government Budget 2022 and it was the first of CBS's newly launched expert panel discussion series. In addition to these, CBS launched its revamped website with state-of-the-art interactive features, in

celebrating the 40th Anniversary (www.cbs.cbsl.lk). Parallel to these technological enhancements, the CBS website will be embedded with an Institute Management System (IMS) in early 2022 with the objective of replacing manual operations of CBS by an automated, secure and easy-to-use solution which eventually benefit all stakeholders of CBS.

CBS conducted an in-depth post evaluation process, to improve its programme modules, the delivery of lectures and other services it offers. In formulating future training interventions, a rigorous consultation process was carried out with the continuous engagement of the newly established Faculty Advisory Committee of CBS which consists of experienced and competent experts from the Central Bank and the financial industry. Further, CBS revamped its process of ascertaining and analysing training needs of the financial industry. A specially designed Training Needs Survey was carried out reaching a wide array of industry practitioners and human resource professionals and the feedback received and the survey outcomes were taken into consideration in preparation of the Course Catalogue for 2022. As a result of these continuous and effective engagements with the industry experts, CBS has expanded its training scope beyond the finance industry to other critical sectors of the economy, too.

4. COMMUNICATIONS

The Communications Department (CMD) continued to support the Central Bank's core and other objectives through the timely dissemination of information amongst its various stakeholders by coordinating press conferences, conducting awareness programmes, etc. through a variety of media platforms, amidst challenging circumstances related to the travel and other restrictions imposed due to the COVID-19 pandemic that seeped into 2021.

4.1 Core Communications

Overall, CMD issued 1961 press releases detailing the decisions of the Monetary Board in relation to monetary policy, financial institutions and financial markets, in all three languages, in compliance with the National Language Policy. As the media constituted a key tool through which the Central Bank promotes transparency, CMD organised 14 press conferences to enhance the public's understanding of what it does and why. These included the "Road Map 2021: Monetary and Financial Sector Policies for 2021 and Beyond" held in January and October 2021 to communicate the way forward of the Sri Lankan economy, and the 8 Monetary Policy Press Conferences as per the Advance Release Calendar; half of which were conducted virtually. CMD also supported the Monetary Policy endeavours of the Central Bank through its analyses of Monetary Policy Expectations prior to the Monetary Board meetings, by summarising policy rate predictions and forecasts by local research institutions as published in local newspapers and their rationales, to gauge public perceptions and expectations, and the Monetary Policy Reach Report,

within a week after each press conference, to assess the effectiveness of the reach of the core messages of the Monetary Policy Review and to identify the reactions by the media to the Monetary Policy Decisions of the Central Bank. Corrective actions were taken to rectify all inadvertent and deliberate inaccuracies by the media as and when required. CMD also arranged virtual awareness programmes on Monetary Policy at the regional level on a quarterly basis within approximately a week after the announcement of the Monetary Policy Review in collaboration with the Economic Research Department (ERD), Regional Development Department (RDD) and Centre for Banking Studies (CBS) to enhance the public understanding of Monetary Policy and to guide market expectations. Four such programmes were conducted at the Regional Offices of Matara, Trincomalee, Anuradhapura, and Kilinochchi during 2021.

CMD strengthened the social media presence of the Central Bank through the establishment of the Social Media Monitoring Unit and streamlined the process of addressing all social media queries submitted to the Central Bank. CMD also extended the advertising platforms of the Central Bank activities to online news websites in 2021 to enhance the reach of the messages by the Central Bank amongst the tech savvy segment of the population. Further, CMD collaborated with Financial Consumer Relations Department (FCRD) to introduce a separate webpage in the Central Bank corporate website to facilitate the complaint submission process of general public regarding financial institutions.

4.2 Other Communications

CMD also facilitated several additional press conferences covering a broader range of topics such as Foreign Remittances and Digital Economy. CMD issued press notices, including advertisements and allotted Gazette notifications as per the requirements of other departments during 2021. CMD continued to send SMS alerts pertaining to Telegraphic Transfer (exchange) rates, Sri Lanka Interbank Offered Rates (SLIBOR) and policy rates. In addition, with the assistance of the Statistics Department (STD), CMD disseminated key economic indicators on a daily, weekly and monthly basis, for the benefit of internal and external stakeholders of the economy. CMD also enhanced the modes of advertising to carry its messages across to the various target audiences. In addition to newspaper advertisements to promote the Conversion of Foreign Currencies through Commercial Banks and to request the general public to avoid informal ways of foreign remittances, CMD expanded its repertoire to include Alternative Online News Websites and Radio Snippets.

CMD, RDD and CBS jointly improved the scope of the Central Bank awareness programmes using media, in a mass scale, to enhance the financial literacy of the household sector to contain over-indebtedness. Radio programmes including a host of live radio discussions and a snippet campaign in collaboration with Sri Lanka Broadcasting Corporation were carried out as part of this campaign. In addition, TV discussions, a brochure

campaign, a poster and sticker campaign, publication of articles in newspapers and the Central Bank periodicals, a dedicated social media campaign, and the issuance of press releases aimed at raising awareness were also part of the financial literacy awareness campaign. CMD also conducted awareness programmes in all three languages for the Central Bank staff to enhance their writing skills.

The CMD issued a special publication on currency titled "The 70 Year Journey of Currency Issue and Management" co-authored by retired Director Communication of the Central Bank Ms. S H Gunawardena and Retired Senior Manager of the Nuwara Eliya Regional Office of the Central Bank Mr. W M K Weerakoon, which were sold through its publication sales counters at the Economic History Museum (EHM), the Centre for Banking Studies Publications Store in Rajagiriya, and the sales counters at Regional Offices. Although the publication sales counters were closed intermittently due to lockdowns and travel restrictions enforced by the pandemic, bulk sales of the Central Bank publications, including the 2020 Central Bank Annual Report were facilitated to bookshops through EHM, enabling timely public access to these publications despite lockdowns. Credit, debit card and QR code payment options were introduced to the EHM publication sales counter to ensure efficient transactions and minimise the physical handling of cash. CMD also distributed copies of various publications free of charge among government schools offering Economics as a subject for the Advanced Level examination and public libraries across the country. The Central Bank Annual Report-2020 was distributed among schools teaching Advanced Level Economics in collaboration with the Central Bank Regional Offices.

Despite the challenges posed by the pandemic, CMD's Photographic and Video Unit continued to cover the events of the Bank in 2021 and delivered all related services, including uploading video recordings of such events to the corporate website of the Bank and YouTube in a timely manner. From 2021, the CMD outsourced printing work of the Central Bank, and the Procurement Division of the Central Bank facilitated all printing requirements of the Central Bank, including the Central Bank Annual Report-2020, the periodicals; *Satahana*, *News Survey* and *Vaippakam*, *Economic and Social Statistics of Sri Lanka – 2021*, and the *Sri Lanka Socio Economic Data Folder 2021*.

4.3 Internal Communication

Internal communication was strengthened to ensure the Central Bank officials were made aware of current affairs in the monetary and financial sector, as well as other matters relevant to the Central Bank in the domestic and international arena. Articles and public opinions extracted from national newspapers published in all three languages were summarised for the senior management on a monthly basis. Similarly, summaries of online news relevant to the Central Bank were shared with the senior management via email daily. The official internal newsletter, "Kavuluwa" was published digitally and uploaded to the internal website of the Central Bank staff.

The Library and Information Centre (LIC) continued to play a key role in internal communications through the acquisition and dissemination of knowledge to help Central Bank officers to stay abreast on current affairs and economic developments in a rapidly changing environment. LIC increased its repertoire of books, reports, journals and various online databases which provide access to a wide range of publications on topics relating to economics, management and finance. In addition, LIC subscribed to online resources on subjects relevant to Central Banking; e.g. www.centralbanking.com, www.economist.com, etc. to provide staff access to them. LIC subscribes to international periodicals and journals such as *Fortune Magazine*, *Time Magazine*, *South Asia Economic Journal* and *The Economist* in printed form and *Asia Monitor*, *Payment Cards and Mobiles Payment*, *Journal of Financial Crime*, *Financial Regulation & Compliance*, *Money Laundering Control*, *Journal of Human Resources* in both printed and electronic forms. LIC continued to compile electronic notifications such as Current Contents, News from the Local Press, Central Banking.com, and News Desk. While notes and reports on economics, banking and finance were disseminated among the staff via the intranet, LIC also compiled a record of all daily newspapers for archival purposes.

5. CURRENCY

In terms of Section 49 of the Monetary Law Act No. 58 of 1949 (MLA), the Central Bank reserves the sole right and authority to issue currency in Sri Lanka. The Currency Department (CRD) of the Central Bank is entrusted with the responsibility of handling functions related to this statutory obligation of the Monetary Board on currency issuance and management. During 2021, CRD continued its contribution to the stability of the financial system by ensuring that the legal tender in Sri Lanka is available in required quality and adequate quantities to meet the demand and it is secured from counterfeiting, despite the challenges of COVID-19.

5.1 Currency Management

Issuance of good quality currency notes and coins into circulation, acceptance of currency deposits from Licensed Commercial Banks (LCBs), and withdrawal of unfit (unserviceable) currency notes and coins from circulation are the key functions of Currency Management. Following are the activities that were carried out during the year 2021 to ensure the effectiveness of currency management.

(a) Currency Printing and Minting

CRD placed orders for 185 million pieces of new currency notes value at Rs. 262.4 billion for the year 2021 to meet the demand and maintain sufficient stocks. There were no orders placed for circulation coins during the year 2021.

(b) Issuance of Currency

CRD successfully adapted to the new normal while addressing the unforeseen high demand for currency amidst the COVID-19 pandemic.

CRD facilitated and encouraged direct exchange of serviceable currency notes among LCBs which reduced issuances of currency notes in 2021 in comparison to the previous year. Accordingly, total currency issued into circulation amounted to Rs. 390.9 billion which comprised Rs. 172.7 billion of fit currency notes, Rs. 217.3 billion of new currency notes, and Rs. 0.9 billion of coins.

Table II-3
Issuance of Currency Notes and Coins

Item	Value (Rs. bn)				
	2017	2018	2019	2020	2021
Fit Notes	504.6	467.0	526.5	467.1	172.7
New Notes	123.3	328.4	248.7	229.5	217.3
Coins (a)	1.4	1.1	1.0	0.7	0.9
Total	629.3	796.5	776.2	697.3	390.9

(a) Commemorative coins are excluded from coin issuances

(c) Acceptance of Currency Deposits

CRD accepts currency deposits from LCBs, primarily to maintain the statutory reserve requirement imposed by the Central Bank. CRD also accepts unfit currency notes including damaged currency notes from LCBs to remove them from circulation. Fit currency notes deposited by LCBs during 2021 recorded a significantly lower amount compared to previous years, mainly due to relatively low Statutory Reserve Ratio and the facilitation of direct exchange of serviceable currency notes among LCBs.

Table II-4
Deposit of Currency Notes

Item	Value (Rs. bn)				
	2017	2018	2019	2020	2021
Fit Notes	464.2	524.1	606.9	445.0	144.6
Unfit Notes	119.9	229.6	132.1	95.4	76.1
Total	584.1	753.7	739.0	540.4	220.7

Note : The value of coins deposited by LCBs with the Central Bank is not significant.

(d) Destruction of Unfit Currency Notes

Exercising the statutory power granted to the Central Bank to destruct unfit currency notes, CRD destroyed 108.2 million pieces of unfit currency notes amounting to Rs. 44.3 billion in 2021 (Table II-5).

Table II-5
Destruction of Unfit Currency Notes

Notes	2017	2018	2019	2020	2021
Pieces (mn)	177.1	343.8	235.0	127.3	108.2
Value (Rs. bn)	94.2	252.2	139.8	62.2	44.3

5.2 Other Activities

(a) Operating Currency Counters

During the year 2021, CRD catered to the public through currency counters by exchanging damaged currency

notes valued Rs. 93 million and the facilitation of the special exchange counter for the public established at Bank of Ceylon, Pettah Branch by issuing currency notes and coins valued Rs. 655 million and Rs. 39.1 million, respectively.

(b) Operating Economic History Museum

Unlike in previous years, the Economic History Museum (EHM) did not operate at its fullest potential due to the pandemic. However, during the year 2021, EHM rendered its services to 3,663 individuals on numismatics, by sales of commemorative notes, coins and other collector items, and conducting presentations.

(c) Preserving Public Confidence in Currency

CRD together with the Counterfeit Currency Bureau of the Criminal Investigation Department (CID) worked hand in hand to minimise the incidence of counterfeit notes and to preserve public confidence in currency.

Accordingly, CRD facilitated the certification of 1,065 counterfeit notes, which were detected and referred to the Central Bank. The rate of counterfeit notes detected is around 0.8 notes per million notes in circulation indicating substantially low level of incidence of counterfeiting compared to many other countries. As per Section 59 of the MLA, 63 certificates were issued as conclusive evidence for imitation of currency notes to facilitate court proceedings and CRD attended 3 court cases of counterfeiting during the year.

(d) Issuance of Commemorative Coins

The Central Bank issued gold and silver commemorative coins of Rs. 1000 to mark the 65th Anniversary of diplomatic relations between Sri Lanka and the People's Republic of China and the 100th Anniversary of Communist Party of China, in the year 2021.

(e) Approvals for Reproduction of Currency Notes

In terms of the Monetary Board approved policy on reproduction of currency notes, CRD granted approval for 2 requests during the year 2021.

5.3 Developments and New Projects

(a) Revamping Currency Operations

In line with the completion of the first stage of procurement for revamping of currency operations, the submitted Expression of Interest (EOI) Proposals were evaluated, and the second stage of the procurement has been initiated. Through this project, CRD expects to address several operational issues, including increasing currency note processing capacity and operational efficiency.

6. DOMESTIC OPERATIONS

6.1 Functions of DOD

The Domestic Operations Department (DOD) is entrusted with performing functions as stipulated in the Monetary Law Act (MLA) No. 58 of 1949, in supporting the achievement of the core objectives of the Central Bank. Accordingly, in 2021, the major functions carried out by DOD included the implementation of monetary policy by conducting Open Market Operations (OMOs), regulation of statutory reserves of Licensed Commercial Banks (LCBs), actions relating to banker and official depository of the Government, government agencies and other institutions, provision of intraday liquidity facility to dealer direct participants in order to ensure smooth functioning of the LankaSettle System, and regulation of Authorised Money Brokers (AMBs).

6.2 Implementation of Monetary Policy

6.2.1 Open Market Operations (OMOs)

DOD conducted OMOs in order to maintain the Average Weighted Call Money Rate (AWCMR), which serves as the operating target of the current flexible inflation targeting framework, at desired levels with less volatility.

(a) Estimating Money Market Liquidity

Domestic money market liquidity is estimated on a daily basis based on a number of factors with a view to addressing liquidity needs of participating institutions in the money market through appropriate market operations in consistence with the monetary policy stance of the Central Bank. In this regard, the impact of monetary operations initiated by the Central Bank as well as the liquidity effects of autonomous factors such as currency in circulation, foreign exchange related transactions of the Central Bank, changes in the reserve position of commercial banks, and transactions of the Government with Central Bank were taken into consideration.

(b) Recommendations to the Market Operations Committee (MOC)

DOD provided inputs to the MOC in view of implementing the monetary policy stance adopted by the Monetary Board. Accordingly, upon reviewing the developments in the domestic money market and foreign exchange markets on a daily basis and considering the estimated liquidity conditions, desired level of the operating target, liquidity distribution among participating institutions in the money market, and the need for devising appropriate market signals, DOD proposed actions for consideration of the MOC in managing money market liquidity.

(c) Conducting Open Market Auctions

Auctions were conducted to absorb and inject liquidity from and to the money market on a needs basis in

support of overall liquidity management operations. Such auctions helped maintain the operating target of the monetary policy frame work at the desired level.

(i) Repurchase (Repo) Auctions

Overnight, short term and long term repo auctions were conducted to absorb excess liquidity from the domestic money market following the reversal of the accommodative monetary policy stance in mid-August 2021. Accordingly, overnight repo auctions were conducted to absorb liquidity on an overnight basis, while short term repo auctions were conducted to absorb liquidity for a period up to one week on a same day settlement basis. Long term repo auctions were conducted with settlement on the next business day with the view to absorbing excess market liquidity that appeared to persist for a considerable period.

(ii) Reverse Repo Auctions

Reverse repo auctions were conducted to inject liquidity to the domestic money market on a long term basis in order to address the significant liquidity shortage of certain LCBs.

(iii) Outright Transactions

During 2021, outright sale of Treasury bill auctions was conducted by the Central Bank to absorb excess liquidity on a permanent basis from the money market by way of selling securities to Participating Institutions (PIs).

Table II-6
Auctions Conducted during 2021

Type of Auction	No. of Auctions	(Rs. bn)	
		Total Amount offered	Total Amount Accepted
Repo Auctions			
Overnight	46	1,594.0	1,182.7
Short term	47	870.0	423.0
Long term	11	180.0	60.0
Reverse Repo Auctions			
Long term (LCBs)	2	250.0	203.5
Outright Auctions			
Outright Sale of Treasury Bills	5	55.0	14.4

(d) Provision of Standing Facility

Standing facilities were provided to PIs, which were unable to fulfil their short term liquidity requirements through the interbank money market and daily OMO auctions. The Standing Deposit Facility (SDF) was used to absorb excess liquidity of PIs, while the Standing Lending Facility (SLF) was available to provide liquidity to PIs on an overnight basis. In 2021, the total amount absorbed under this SDF was Rs. 29,450.3 billion and total amount granted as SLF was Rs. 30,095.2 billion.

Table II-7
Standing Facilities during 2021

Standing Facility	(Rs. bn)			
	Minimum	Maximum	Average	Total Volume
Standing Deposit Facility	59.3	266.6	122.2	29,450.3
Standing Lending Facility	0.01	534.6	124.9	30,095.2

6.2.2 Administering and Monitoring the Statutory Reserve Ratio (SRR)

The SRR determines the minimum amount of reserves that each LCB should maintain, in terms of the provisions of the MLA, in the settlement account with the Central Bank, in proportion to the total rupee deposit liabilities of the respective bank. DOD is responsible for administering the maintenance of statutory reserves as per the SRR and monitoring the compliance of LCBs on the same. DOD issued operating instructions to all LCBs on 19 August 2021 as per the Monetary Board decision to increase the SRR by 2.00 percentage points to 4.00 per cent, with effect from the reserve maintenance period commencing 01 September 2021.

6.2.3 Bank Rate

The Bank Rate, which is termed as Lender of Last Resort (LOLR) rate, is the rate at which emergency loans are provided to banking institutions under Sections 86 and 87 of the MLA. The Bank Rate is automatically adjusted in line with the Standing Lending Facility Rate (SLFR), with a margin of +300 basis points. In line with the tight monetary policy stance introduced from mid-August 2021, the Bank Rate increased to 9.00 per cent by 19 August 2021. No emergency loans were provided for banking institutions during 2021.

6.3 Functions Relating to Commercial Banks, Primary Dealers and the Government

6.3.1 Accounts of Financial Institutions

LCBs and Standalone Primary Dealers (SPDs) are connected to the monetary system through the settlement accounts with the Central Bank. The General Ledger (GL) accounts are maintained at DOD to facilitate the clearance of payments and settlements and for settlement of payments for scripless securities transactions among the Real Time Gross Settlements (RTGS) participants. Further, LCBs use the same accounts for the purpose of maintaining their reserves as per the SRR. As at end 2021, DOD maintained GL accounts pertaining to the RTGS accounts for 24 LCBs and 8 SPDs.

6.3.2 Government Accounts

In performing the functions relating to the role of the Central Bank as the banker to the Government, DOD continued to provide banking facilities to government departments, agencies and institutions and certain foreign entities on

behalf of the Government. DOD maintained 49 such accounts. More than 87 per cent of transaction volume of such accounts belonged to the Deputy Secretary to the Treasury (DST) Account, the Public Debt Department's Current Account, the Inland Revenue Commissioner's VAT Refund Account and the President's Fund Account.

In terms of Section 89 of the MLA, the Central Bank provides provisional advances to the Government, not exceeding ten per cent of the estimated revenue of the Government for the financial year in which they are made. Such advances are used by the Government as a revolving credit facility, which shall be repayable within a period not exceeding six months. At the beginning of 2021, maximum utilisable amount under provisional advances was increased by Rs. 43.7 billion to Rs.198.4 billion based on the government revenue estimate for the year 2021. However, with the revised government budget, which was approved by the Parliament in December 2021, maximum utilisable amount under provisional advances was revised downward to Rs. 152.0 billion. Accordingly, as at end 2021, the provisional advances stood at Rs. 152.0 billion, compared to Rs. 154.7 billion as at end 2020. Based on the government budget for 2022, the provisional advances to the Government increased to Rs. 225.1 billion resulting in a provision of additional advances of Rs. 73.0 billion at the beginning of 2022.

6.4 Provision of Intra-Day Liquidity Facility (ILF)

DOD ensured the smooth and efficient functioning of the RTGS system by providing ILF to dealer direct participants. This facility is provided free of charge against the collateral of Treasury bills and Treasury bonds, which are valued at their current market prices with a sufficient haircut to absorb any variations in market prices during the day. The total value and the average daily value of ILF drawn during the year amounted to Rs. 50,777.0 billion and Rs. 215.2 billion, respectively. This shows a significant increase in ILF utilisation over that of the previous year, which amounted to a total of Rs. 15,843.0 billion with a daily average of Rs. 66.9 billion.

6.5 Supervision of Authorised Money Brokers

Money brokers perform an intermediary role in money, foreign exchange and government securities markets. The Money Broking Regulations No. 1 of 2018 issued (by repealing the Money Broking Regulations issued in 2013 and 2016) under the provisions of Section 10 (c) of the MLA, empowers the Director of DOD, to supervise the operations of Authorised Money Brokers (AMBs) in Sri Lanka to ensure their professional conduct in the domestic money market. Nine companies were issued with "Certificate of Authorisation" under the above regulations, and designated as "Authorised Money Brokers", by end December 2021. DOD conducted annual supervisions of all AMBs remotely during 2021 due to the COVID-19 pandemic.

7. ECONOMIC RESEARCH

The Economic Research Department (ERD), which was established under Section 25 of the Monetary Law Act (MLA) No. 58 of 1949, is entrusted with the function of preparing data and conducting economic research for the guidance of the Monetary Board and the Governor of the Central Bank in formulating, implementing, and executing policies and measures and for the information of the public in the areas of money and banking and other subjects of general interest related to economics. Despite the challenges posed by the COVID-19 pandemic, ERD continued to carry out its duties in 2021 by conducting research and policy analyses on important contemporary economic issues and by providing proactive and prudent policy recommendations to the Senior Management and the Monetary Board with the view to restoring macroeconomic stability of the Sri Lankan economy. Further, ERD continuously provided proactive policy advice to the Senior Management to be relayed to the Government in performing the Central Bank's role as the Government's advisor on economic and financial affairs. Accordingly, the Central Bank continued to apprise the Government on emerging macroeconomic developments and issues and submit recommendations to the Government on measures and policies that would be implemented to strengthen certain sectors of the economy and to maintain macroeconomic stability. Meanwhile, ERD continued to publish statutory publications on a timely basis, disseminated statistics and other macroeconomic information to all stakeholders including the general public, and engaged in knowledge sharing activities to a wide audience. Further, with a view to fostering a culture of research and knowledge sharing about subjects of contemporary importance, ERD continued to promote conduct of research within the Department and the Central Bank. Moreover, ERD played a catalyst role in establishing and maintaining close cooperation with foreign counterparts and international agencies.

7.1 Maintaining Economic and Price Stability

With the statutory objective of maintaining economic and price stability, ERD continued to compile, monitor, and analyse trends and developments in the monetary, external, real and fiscal sectors of the domestic economy as well as the global economy, while producing projections and forecasts to facilitate proactive and timely monetary policy decision making by the Monetary Board. As the secretariat to the Monetary Policy Committee (MPC), during the year, ERD facilitated eight scheduled MPC meetings and a special MPC meeting by presenting comprehensive reports on economic and monetary conditions, including forward looking analyses supported by model based macroeconomic projections, enabling MPC to make informed judgements and necessary recommendations to the Monetary Board on the appropriate monetary policy stance of the Central Bank. ERD coordinated the preparation of the *Six-Month Road Map for Ensuring Macroeconomic & Financial System Stability* presented in October 2021, in which

the Central Bank announced near term measures to ensure macroeconomic and financial system stability. ERD continued to provide analyses on various policy measures proposed by the Government and the Central Bank, highlighting their economic implications, particularly monetary implications. Further, ERD provided analyses and reports to the Senior Management on various economic issues and appropriate policy measures required to maintain macroeconomic stability. Moreover, ERD continued to facilitate the Monetary Policy Consultative Committee (MPCC), which consists of a cross section of stakeholders including eminent professionals, academics and private sector personnel, by coordinating eight meetings during the year, with the view to strengthening the monetary policy decision making process. Moreover, ERD continued to improve its in-house modelling and forecasting capacity by streamlining the model based Forecasting and Policy Analysis System (FPAS) as a part of continuous efforts in enhancing the monetary policy decision making and communication process. ERD took several measures to improve external communication and enhance awareness among the general public and other stakeholders aimed at anchoring inflation expectations in line with the envisaged inflation path over the medium term. ERD published eight press releases on Monetary Policy Review, informing the general public of the stance of monetary policy of the Monetary Board, and facilitated press conference proceedings. The press conferences, which were organised by the Communications Department (CMD), were livestreamed via various online and social platforms enabling a wide reach of monetary policy communication on a real time basis. Further, ERD provided resource personnel to facilitate webinars, particularly in Sinhala and Tamil, on the current monetary policy stance, which were coordinated by the Regional Offices of the Central Bank, subsequent to monetary policy announcements, to reach a wider audience. Meanwhile, measures were also taken by ERD to further improve the compilation and dissemination of monetary and interest rate statistics during the year. Accordingly, while streamlining the data collection process, monthly surveys on Small and Medium sized Enterprises (SMEs), International Sovereign Bonds (ISBs) and Sri Lanka Development Bonds (SLDBs) held by Licensed Commercial Banks (LCBs) were carried out during 2021.

7.2 Maintaining External Sector Stability

Amidst challenging and vulnerable economic conditions, particularly in the external sector, ERD continuously provided appropriate and timely policy advice and recommendations on the external sector to MPC and the Monetary Board by collecting, compiling and analysing statistics related to international trade, external finance, exchange rates, and Gross Official Reserves (GOR), on a regular basis. ERD evaluated the pressures on the exchange rate regularly and continued to make presentations and submissions to the Senior Management and the Monetary Board on external sector developments and issues along with required policy measures to address external sector vulnerabilities. As per Section 114 of the MLA, ERD continued

to assess monetary implications of proposed foreign loans, as requested by the Government, prior to its expected borrowings. ERD continued to publish statistics related to the Balance of Payments (BOP) and the International Investment Position (IIP) in the BPM6 format on a quarterly basis and the International Reserve Data Template (RDT) on a monthly basis, while making timely submissions related to Quarterly External Debt Statistics (QEDS) to the World Bank and direct investment data for the Coordinated Direct Investment Survey (CDIS) on an annual basis. ERD conducted several surveys during the year to ensure accuracy and timeliness of external sector data, which include monthly surveys on inward workers' remittances, the Annual International Investment Survey (AIIS) to collect data on foreign assets and liabilities of the private sector, and surveys related to trade in services covering the resident and non-resident airlines, shipping lines, telecommunication, construction and insurance sectors. During the year, ERD continued to carry out preparatory work related to implementing the International Transactions Reporting System (ITRS), a project to collect and compile information about foreign currency transactions of a granular level that take place through the banking sector. The ITRS project is expected to be implemented during 2022. Moreover, ERD functioned as the Secretariat for the Task Forces to Strengthen Foreign Exchange Inflows, which were set up to improve foreign exchange inflows, considering the urgency in strengthening foreign exchange inflows to the country and coordinated such Task Forces to facilitate updating the progress to the Presidential Task Force.

7.3 Proactive Policy Advice

ERD continued to perform its role of policy advisory to the Monetary Board, the Government and other stakeholders on monetary policy, exchange rate policy, international trade, and fiscal sector related issues. In particular, ERD proactively attended on policy recommendations to assist the authorities to uphold and stabilise the pandemic disrupted economy. In keeping with its statutory role as per Sections 64 and 68 of the MLA, ERD submitted confidential reports to the Hon. Minister of Finance on the prevailing and anticipated conditions and risks of the monetary and external sectors, respectively, while proposing required policy measures to the Government with the view of ensuring domestic and external sector stabilisation. In compliance with Section 116(1) of the MLA, the confidential September 15th Report, which consists of developments and emerging risks in the economy along with policy suggestions, was also submitted to Hon. Minister of Finance by the statutory deadline. Further, ERD prepared and submitted necessary confidential reports to the Senior Management which included analyses on the causes of the economic disturbances, the probable effects of such disturbances on macroeconomic and financial system stability, and policy measures recommended for the implementation by the Government.

The Director of Economic Research (DER) continued to provide necessary policy advice by serving in various internal

committees, including MPC, the Monetary Board Level External Debt Monitoring Committee (MBEDMC), Market Operations Committee (MOC), Financial System Stability Committee (FSSC), Domestic Debt Management Committee (DDMC), Tender Boards for the issuance of government securities, Training Committee, and Library Advisory Committee. Further, DER continued to serve as an observer in the Internal Investment Oversight Committee (IIOC) and the International Reserve Investment Oversight Committee (IRIOC). While attending the Monetary Board meetings on a regular basis for the purpose of providing necessary policy inputs, DER also contributed to other regular and special forums and other internal committee meetings and meetings of Chairpersons and Chief Executive Officers of financial institutions, etc. by providing inputs on macroeconomic developments, issues and subjects of topical interest with the support of the senior members of ERD. Further, DER and senior members of ERD extended their service to external institutions by way of representing the Central Bank in numerous committees and boards, including the Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI) and several committees appointed by His Excellency the President and Cabinet of Ministers. In particular, officers of ERD represented the Central Bank in the Project Committee on the Rehabilitation on the Northern Part of Elephant Pass Saltern, Steering Committee on Implementing Sustainable Finance Road Map of Sri Lanka, Working Group for Developing a Taxonomy for Sustainable Finance in Sri Lanka, Government Finance Statistics (GFS) Coordinating Committee, Tariff Determination Committee, Advisory Committee on Trade Promotion and Information of Export Development Board, National Committee on Socio-Economics and Policy Analysis, Fertiliser Price Deciding Committee, Committees on Introducing a Pricing Formula for LP Gas and Wheat Flour, Special Committees on Supporting SMEs Affected by the Pandemic, Committee to Conduct a Preliminary Study on the Associated Credit Costs of Oil Procurement by the CPC, Advisory Council in 13 Years Guaranteed Education Programme, and Committee on Maintaining Cost of Living. Meanwhile, officers of ERD actively carried out analyses on topical interests, including winning industries in Sri Lanka, fuel pricing mechanisms, price behaviour of essential food commodities and policy prescriptions, economic implications of the shift towards organic agriculture, energy sector concerns, and legalising cannabis cultivation. Moreover, support was extended to external authorities by providing reports of technical expertise on various matters, including economic implications of the Colombo Port City and the impact of X-Press Pearl maritime disaster.

7.4 Statutory Publications and Dissemination of Data and Information

ERD, with the assistance of the other Departments of the Central Bank, published its flagship publication, the Annual Report of the Central Bank for 2020 in all three official languages, which is a statutory requirement under the MLA.

The Annual Report was presented to the Hon. Minister of Finance and was disseminated to the public by end April 2021, despite operational difficulties and challenges posed by the re-escalated pandemic. Recent Economic Developments - Highlights of 2021 and Prospects for 2022, the other key annual publication of the Central Bank, was also compiled with the support of other Departments and released in October 2021. ERD also prepared the Six-Month Road Map, which was delivered by the Governor of the Central Bank on 01 October 2021. ERD was committed to disseminating accurate economic, financial and policy information among the general public on a timely manner via both conventional and unconventional channels, especially to address negative speculation by various external parties, during disruptions to economic activity. In the process, ERD ensured the availability of daily, weekly and monthly statistics in the online library of the Central Bank, and media statements were released on monetary policy reviews and external sector developments. While disseminating statistics covering all sectors of the economy, which are compiled based on international standards, ERD consistently adhered to the requirements of the Special Data Dissemination Standard (SDDS) as set by the International Monetary Fund (IMF) to enhance member country transparency and openness. Further, during the year, ERD compiled data for the SAARCFINANCE and Currency Composition of Official Foreign Exchange Reserves (COFER) databases.

7.5 Engaging in Policy Research and Knowledge Sharing

As the research arm of the Central Bank, ERD continued to nurture a culture of research within the Department and the Central Bank, thereby upholding research and analyses on subjects of contemporary importance. The Research Advisory Panel (RAP), which acts as the departmental committee responsible for research related initiatives, actively contributed to research activities, including arrangement of knowledge sharing forums and guiding researchers. In April 2021, ERD researchers presented a country paper at the SAARCFINANCE Virtual Seminar on *Economic Modelling and Forecasting – Practices in Central Banks*. Another research study was presented by an ERD officer at the SAARCFINANCE research conference held in June 2021 on *The COVID-19 Pandemic in the SAARC Countries: Policy Responses and its Impact*. In September 2021, ERD organised a joint annual international research workshop in collaboration with the Asian Development Bank Institute (ADBI) and Asia Pacific Applied Economic Association (APAEA) for the second consecutive year under the theme *Emerging Issues for Macroeconomic Stability*. Senior researchers from ERD presented their joint work with APAEA associates in the webinar, and these studies were eventually published or are currently being considered for publication in reputed peer reviewed international journals. Further, research work by ERD officers were presented in virtual conferences hosted by ADBI held in October and November 2021. In addition, the

staff of ERD continued to present and publish their work in local and international forums. Meanwhile, ERD coordinated publishing two volumes of the Central Bank's prime research journal, *Staff Studies*, during 2021, under the guidance of RAP. Members of RAP continued to evaluate research proposals and research papers of postgraduate aspirants to fulfil the requirements of the postgraduate scholarship scheme of the Central Bank, while providing supervisory services to postgraduate students of the university system.

During the year, ERD continued to extend its expertise to improve the economics knowledge of parties interested within and outside the Central Bank with the support of CMD, Centre for Banking Studies (CBS) and Regional Offices of the Central Bank. Among the beneficiaries of such collaborations were students of schools and universities, and officers of public and private sector institutions. *The State of the Sri Lankan Economy, Challenges and Outlook as Reflected in the Annual Report 2020* was a key public lecture conducted by ERD virtually in all three official languages following the publication of the Central Bank Annual Report. In addition to in-person awareness programmes, officers of ERD conducted several virtual education sessions about the objectives and functions of the Central Bank, monetary policy, fiscal policy, external sector policies, and recent economic developments. At the same time, ERD provided resource personnel to *Thakshilawa* and *Arivoottu*, the annual television educational lecture series organised by CBS in Sinhala and Tamil languages, respectively, for the benefit of G.C.E. Advanced Level Economics students and teachers.

7.6 International Relations

Being the focal point of the contact for multilateral financial organisations, ERD facilitated cooperation with the IMF, SAARCFINANCE, and the South East Asian Central Banks (SEACEN) Centre, on behalf of the Government and the Central Bank. In particular, ERD facilitated the IMF Mission on Article IV Consultation and IMF virtual staff visit in July 2021, 41st and 42nd Virtual Group Meetings of SAARCFINANCE Governors and participated in the annual SEACEN Executive Committee meeting and Board of Governors (BOG) meetings. While providing information and sharing views on macroeconomic developments, ERD supported the linkage between the Government and the key multilateral development banks, such as the World Bank and the Asian Development Bank (ADB). Further, ERD represented the delegation appointed by the Foreign Minister for 77th Session of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and 15th Session of Ministerial Conference of United Nations Conference on Trade and Development (UNCTAD). Moreover, DER and senior officers of ERD provided necessary information and clarifications at the virtual investor meetings held during the year and maintained a continuous dialogue with external stakeholders of the economy, including rating agencies.

8. EMPLOYEES' PROVIDENT FUND

The Employees' Provident Fund Department (EPF Department) facilitates the Monetary Board to exercise its powers, perform its duties and discharge its functions as per the provisions of the Employees' Provident Fund Act (EPF Act), No. 15 of 1958, which established the Employees' Provident Fund (EPF/Fund). In terms of the provisions of the EPF Act, the general administration of the Act is vested with the Commissioner of Labour, while all the powers, duties and responsibilities of the fund management are vested with the Monetary Board of the Central Bank as the custodian of the Fund.

The EPF Department, on behalf of the Monetary Board of the Central Bank, is responsible for receiving all sums paid under the EPF Act as contributions, surcharges and fees and the income from the investment of moneys, having custody of the moneys of the Fund, maintaining separate accounts in respect of each member of the Fund, paying the persons certified by the Commissioner of Labour the benefits to which those persons are entitled under the Act, investing moneys of the Fund which are not immediately required for the purpose of the Act, maintaining books of accounts relating to the Fund, preparation of financial statements of the Fund and transmit a copy to the Minister in charge of Labour and submission of the same to the Auditor General.

During 2021, the EPF Department continued to engage in the above activities as per the provisions of the EPF Act, while maintaining close collaboration with the Commissioner of Labour. A summary of activities carried out by the EPF Department during the year under review is given below.

(a) Receiving Contributions and Payment of Benefits to those Entitled

In 2021, total member contributions increased by 9.9 per cent to Rs. 165.7 billion from Rs. 150.7 billion recorded in the previous year, while the total refunds made to the members and their legal heirs also increased to Rs. 118.2 billion which was a 7.7 per cent increase compared to the year 2020 (Table II-8). Accordingly, the net contribution in 2021 increased to Rs. 47.5 billion compared to Rs. 41.0 billion recorded in 2020.

(b) Maintaining the General Accounts of the Fund and the Member Accounts

The total value of the Fund increased by 12.1 per cent to Rs. 3,166.1 billion as at end 2021 compared to Rs. 2,824.3 billion as at end 2020, due to the income generated from investments and net contributions (after deducting refunds from contributions) received. Total liability to the members (member balances) stood at Rs. 3,066.9 billion as at end 2021, recording a 10.8 per cent increase from Rs. 2,767.8 billion as at end 2020 (Table II-8).

Table II-8
Selected Key Information of the Fund

Item	2020	2021(a)	Change (%)
Total value of the Fund (Rs.bn)	2,824.3	3,166.1	12.1
Total liability to members (Rs.bn)	2,767.8	3,066.9	10.8
Total number of member accounts (mn)	19.8	19.8	-
Contributing member accounts (mn)	2.6	2.3	(11.5)
Non-contributing member accounts (mn)	17.2	17.5	1.7
Total contributions (Rs.bn)	150.7	165.7	9.9
Total refunds (Rs. bn)	109.7	118.2	7.7
Net contribution (Rs.bn)	41.0	47.5	15.9
Number of refunds	197,401	179,681	(9.0)

(a) Provisional

Source: EPF Department, Central Bank of Sri Lanka

(c) Investment Activities of the Fund

The decision-making function of the EPF fund management activities were carried out by the EPF Investment Committee (EIC), which meets on a daily basis to assess the liquidity position and evaluate investment opportunities. The EPF Investment Oversight Committee (EIOC) oversees the investment activities on a monthly basis as well as provide strategic and policy guidance based on the Monetary Board approved Investment Policy and Guidelines. Further, transactions relating to investments of the Fund and portfolio position are informed to the Monetary Board by the EPF Department on a monthly basis, thereby strengthening the stringent monitoring process of investment activities.

The investment activities of the Fund were carried out amidst an environment of historically low interest rates and continued uncertainty surrounding the COVID-19 pandemic. In line with the Strategic Assets Allocation (SAA) of the Fund, the EPF Department continued to invest a major portion of its funds in government securities. To mitigate the impact of low interest rates on the overall portfolio, the EPF Department invested in short to medium term government securities. However, the EPF Department also invested in its preferred long-term government securities (more than 5 years), considering the need to provide a reasonable rate of return for its members in the context of a low interest rate environment. The EPF Department also undertook measures to capitalise on the positive sentiment in the domestic equity market by disposing selected stocks to realise capital gains. Investment opportunities in corporate debentures were limited given the low interest rate regime, while the EPF Department was also conscious of the need to invest in corporates with better credit ratings to mitigate credit risk of the corporate debt portfolio of the EPF.

Accordingly, as at end 2021, the investment portfolio of Rs. 3,173.3 billion consisted of 93.2 per cent in government securities, 3.8 per cent in equity, 0.8 per cent

in corporate debentures, 1.8 per cent in fixed deposits and the remaining 0.4 per cent in reverse repurchase agreements.

(d) Payment of Interest on Member Balances

The EPF Department has taken measures to declare an interest rate of 9.00 per cent on member balances prevailed at end 2021. Accordingly, EPF was able to pay a high rate of interest to its members in consistent with the past 10 years.

(e) Engaging in Member Services

(i) Issuing of Statements of Member Accounts

Statements of member accounts are distributed to active members through their employers registered with the Fund, on a semiannual basis. Accordingly, the member account statements of the first half and second half of 2020 were distributed during 2021 (Table II-9).

Table II-9
Issue of Member Account Statements

Period	No. of Employers	No. of Statements (Active Members)
2020 1st half	69,998	1,999,486
2020 2nd half	77,912	2,451,346

Source : EPF Department, Central Bank of Sri Lanka

(ii) Issuing of Certificates of Guarantees to members to facilitate obtaining Housing Loans

Under the Housing Loan Guarantee Scheme, during 2021, the EPF Department issued 9,068 certificates of loan guarantees against EPF balances of members to the participating lending institutions for the approval of housing loans amounting to Rs. 5,423 million (Table II-10). Further, during 2021, nearly Rs. 3,573 million was deducted from the relevant member accounts and remitted to the participating lending institutions to settle the overdue loans of respective members for the year 2020.

Table II-10
Housing Loan Guarantee Facility

Year	Issued Certificates (No.)	Credit Approved (Rs. mn)	Amount Remitted to Lending Institutions (Rs. mn)
2017	10,998	4,946	2,485
2018	10,036	4,974	2,759
2019	10,022	5,097	3,164
2020	8,537	4,497	3,321
2021	9,068	5,423	3,573

Source: EPF Department, Central Bank of Sri Lanka

(iii) Pre-Retirement Refund Scheme

Pre-retirement refund scheme was introduced in terms of the provisions in EPF (Amendment) Act, No. 02 of 2012 and the subsequent procedures passed

by the Parliament. Accordingly, members who have service of more than 10 years and EPF account balance of more than Rs. 300,000 are entitled to withdraw up to 30 per cent of the member balance in their accounts subject to a maximum of Rs. 2 million for the purpose of house construction or medical treatment w.e.f. 2015. The said scheme is in high demand among the members of EPF. Rs. 8.8 billion was released to 16,554 beneficiaries during the year 2021 under this scheme, while a total of Rs. 107.1 billion was refunded to over 197,057 beneficiaries by the end of 2021.

(iv) EPF Mobile Service Programme

During the year 2021, the EPF Department conducted a mobile service which facilitated almost all the services a member could obtain by visiting the EPF Department. The services included issuing of EPF balance statements, amendment of EPF member details, clearing of dummy numbers, EPF account amendments and promoting SMS & internet member services. Furthermore, awareness for employers on e-collection and direct debit system, re-registration of member details, and providing advice on overall EPF procedures. However, mobile services planned to be conducted during the year were curtailed due to the COVID-19 pandemic situation.

(v) EPF Contribution through Electronic Media

The year 2021 was a significant year for the EPF Department as it introduced a new mechanism via its revamped official website for streamlining its existing e-collection procedure. It enabled the employers to submit their e-returns through the website and to make the payment online through a participating Licensed Commercial Bank (LCB) via 'LankaPay Online Payment Platform (LPOPP)' or by cheque or direct debit. Bank of Ceylon, People's Bank and Commercial Bank of Ceylon PLC were the LCBs that had joined the EPF Department for this facility by end 2021. One of the salient features of the new system is that it further expedites updating of the individual member accounts within 24 hours upon a successful contribution. Furthermore, it facilitates employers to ensure the accuracy of member records appearing in the contribution detail file by comparing with the respective details in the EPF Department's database. This would be a significant improvement in establishing a comprehensive database and hence there will be zero or minimal efforts to be exerted in member detail amendments in future.

By end 2021, the participation of employers in the e-return submission system was increased from 10,069 to 11,260 covering approximately 88 per cent of the active member accounts and

approximately 88 per cent of the total monthly EPF contribution. In addition, actions were taken to make employers further aware regarding the e-return submission procedure and its benefits for EPF stakeholders, while emphasising the importance of taking actions to rectify the issues with regard to member name discrepancies in e-correspondence to assure that the contributions are credited to member accounts in a timely manner.

(vi) Re-registration of EPF Members

Even though a slight drawback was noted during the year 2021 due to the disruptions caused by the COVID-19 pandemic situation that prevailed in the country, 18,758 members were re-registered as per the details in their National Identity Card (NIC), which is used as the unique identification number. The cumulative number of members re-registered by the end of the year 2021 was 1,656,019.

Further, the EPF Department took several initiatives in 2021 based on the access gained to the database of the Department of Registration of Persons (DRP), with the intention to expedite the process of re-registering members in 2022 covering more number of active members.

(vii) Other Services to Members

The Public Relations and Inquiries Counter of the EPF Department concluded a challenging year in 2021 amidst the COVID-19 pandemic. The EPF Department provided its services to 96,561 members/employers who visited the Department and attended to 50,071 and 11,059 member inquiries through telephone calls and e-mails, respectively during the year. Further, the the Department received 76,759 letters from members, employers, and other stakeholders.

In 2021, the Record Amendment Division (RAD) of the EPF Department has attended to 33,400 EPF record amendments to rectify mismatches of name and NIC details of members and correction of account numbers, while updating the correct account balances of respective members. With the access to the database of the DRP, EPF Department was able to serve its members expeditiously, particularly at their identity verification stage of record amendment.

(f) Process Improvement and Capacity Development

A separate division, Process Improvement & Capacity Development Division (PICDD) was established in April 2021 at the EPF Department, primarily to be the central point for the proposed Financial Sector Modernization Project (FSMP) by the World Bank, to upgrade the EPF Department's ICT systems and to assist any innovative initiations at the EPF Department which are ongoing.

During the year 2021, EPF Department successfully managed to relaunch EPF's official website which facilitates enhanced services to its members such as an online contribution platform. This platform is undergoing additional enhancements where members will be facilitated with a mobile based payment gateway during 2022.

During the last two quarters of 2021, the EPF Department worked towards finalising a contract between the Central Bank and PriceWaterhouseCoopers (PWC) India who was selected by the Central Bank to become its Consultant cum Project Manager. This consultancy arrangement is expected to assist EPF Department's senior management to redesign some of its business processes, introduce innovation and ultimately, implement new state-of-the art ICT solution at the EPF Department with enhanced member services.

9. FACILITIES MANAGEMENT

The Facilities Management Department (FMD) continued its role of up keeping the facilities of the Central Bank by maintaining and upgrading the building properties in order to create a conducive work environment amidst the turbulent external factors owing to the pandemic situation which continued during the year 2021. Several expeditious measures were initiated to upgrade the facilities of the Head Office Buildings of the Central Bank including renovation of washrooms, replacement of pantry units, necessary waterproofing to identified areas, and replacing of identified electro-mechanical systems, considering that the building property is stepping in to the third decade of its life. Upgrading of the sound system of John Exter International Conference Hall (JEICH) was also contracted out during the period concerned, marking a substantially important initiative in the history of one of the iconic resources available at the Central Bank. Meanwhile, necessary interior arrangements were made expeditiously in the Central Bank Head Office Building to locate newly established departments of the Central Bank. Measures were also taken to improve the running condition of the existing vehicle fleet of the Bank.

During the year under review, necessary measures were taken to allocate the maximum possible office space from the Central Bank Head Office Building to relocate the EPF Department which was operating at the Lloyd's Building owned by the Central Bank. Further, several divisions of the EPF Department were relocated to the Central Bank owned Whiteaways Building in Colombo which was partially vacated by the tenant. In keeping with the decision of the Monetary Board of the Central Bank, the ownership of the Lloyd's Building was transferred to the Government of Sri Lanka to establish the Office of the Cabinet of Ministers, during the year 2021.

A new Closed-Circuit Television (CCTV) system was established at the Sovereign Study Centre located at Centre for Banking Studies (CBS) Premises in Rajagiriya and an access control system for the same location was introduced during the year. Further, Private Automatic Branch Exchange (PABX) was established at the Regional Office in Matara, taking into consideration the importance of available modern communication systems for effective delivery of intended services. Maintenance and upgrading of Holiday Homes of the Central Bank located in Katharagama, Nuwara Eliya, Somawathiya and Kilinochchi were continued during the year 2021, and facilities were enhanced at the Nuwara Eliya Holiday Home by establishing new pantry units.

During the year under review, further strengthening the Regional Office activities, FMD facilitated outsourcing the services of drivers with vehicles and provided them for the use of Regional Offices. In addition, the currently available vehicle fleet of FMD was further strengthened with necessary maintenance and repairs until such time when new vehicles could be procured. Moreover, special arrangements were made by FMD to provide transport facilities to essential staff as decided by each department to report to duties in person and to provide a dedicated transport service to the Central Bank staff to ensure minimal social contact in travelling during the year 2021.

FMD took initiatives to implement COVID-19 protocols within the Central Bank building premises by imposing restrictions to the staff, visitors and tenants and taking various preventive measures relevant to safeguarding the staff and occupants from the spread of COVID-19 while addressing other environmental, health and safety aspects.

As customary, FMD continued to maintain critical services of the buildings and to provide necessary support services in transport and telecommunication as part of its key responsibilities.

10. FINANCE

The Finance Department (FD) is responsible for the financial reporting function of the Central Bank in terms of International Accounting Standards/International Financial Reporting Standards and relevant provisions of the Monetary Law Act (MLA) No. 58 of 1949. Since 2002, the International Financial Reporting Framework has been used in the preparation of financial statements of the Central Bank. Functions of FD include preparation of the financial statements of the Central Bank, preparation and monitoring of the annual budget of the Central Bank, effecting payments for internal and external parties of the Central Bank, disbursement of donor funds, repayment of foreign loans of the government, maintaining systems for internal reporting of financial transactions, managing the investment portfolios of 17 internal funds, maintaining the Fixed Assets Register for the Central Bank, and maintaining the database of staff loans.

10.1 Preparation of the Financial Statements

- (a) **Monthly Balance Sheet:** As per the requirements of the MLA, monthly Balance Sheets for December 2020 and January to November 2021 were prepared in order to be published in the Government Gazette.
- (b) **Quarterly Reports:** The financial performance and financial position of the Central Bank were reported to the Monetary Board quarterly.
- (c) **Annual Financial Statements:** Accounting systems and procedures for the preparation of accounts were updated to comply with relevant accounting standards and requirements as at end December 2021. Audited Financial Statements of the Central Bank for the year ending 31 December 2021 are presented in Part II of the Annual Report.

10.2 Preparation of the Annual Budget

The annual income and expenditure budget and capital budget of the Central Bank for the year 2022 were prepared according to the action plans formulated in line with the strategic plan of each department of the Central Bank using the "On-line Budget System". The approval of the Monetary Board for the budget 2022 of the Central Bank was obtained in December 2021 and the budget was made available to the departments on the first working day of 2022. Meanwhile, quarterly budgetary performance statements for the year 2021 were submitted to the Monetary Board in the interest of effective monitoring of budgetary control.

10.3 Effecting Payments for Internal and External Parties

- (a) All internal payments for employee remunerations, staff loans, operational expenses, etc. were executed in 2021 within the time targets.
- (b) All external payments to local and foreign suppliers were made as per the procedures laid down under the standing orders of the Central Bank. During the year 2021, a total of 5,730 payments were effected out of which 5,540 were to local suppliers and 190 to foreign suppliers.
- (c) Nearly 3,412 disbursements amounting to Rs 617.94 billion to the General Treasury and relevant projects and 631 installments amounting to Rs 1,396.55 billion on repayment of foreign loans were made during the year 2021. In addition, 2 banking arrangement agreements were signed in 2021 with two foreign banks with respect to a foreign loan and a donor funded project.

10.4 Management of Internal Funds

- (a) A separate unit, which was established under FD and commenced operations in March 2016 to centrally manage the investments of Central Bank's internal funds (excluding EPF) as per the decision taken by the Monetary Board, managed 17 internal funds consisting of 8 superannuation funds of the Central Bank staff and

pensioners and 4 other funds administered by FD, Deposit Insurance and Liquidity Support Fund administered by the Resolution and Enforcement Department, 3 funds administered by the Staff Services Management Department, and project funds administered by the Regional Development Department. All funds are invested under a common Investment Policy by FD and the relevant owner departments are the administrators of the respective funds. The fund management process is governed by the Monetary Board approved Investment Policy Statement/ Guidelines (IPS/IPG) and Strategic Asset Allocation Guidelines. Further, this includes an independently operating front office and back office and the investment activities are overseen by the Internal Investment Oversight Committee (IIOC) chaired by a Deputy Governor, which met 12 times during the year 2021, to advise and monitor the investments of funds. Performance of these Investments were reported quarterly to the Monetary Board for information purposes.

- (b) The funds are invested mainly in Government Securities, Fixed Deposits, high rated corporate debentures and short term Reverse Repos. The audited financial statements of the six superannuation funds for 2020 were submitted to the Monetary Board as per the rules of those funds. As at end 2021, total fund base had increased to Rs. 151.7 billion.

**Table II-11
Portfolio Position (Rs. bn.)**

Department	Portfolio value as at 31 Dec 2021 (invested values)	Portfolio value as at 31 Dec 2020 (invested values)
Finance	75.3	64.9
Resolution and Enforcement	70.9	60.4
Regional Development	5.4	6.3
Staff Services Management	0.06	0.06
Total	151.7	131.7

10.5 Maintaining Fixed Assets Register

FD maintains all records of the fixed assets of the Central Bank in the Fixed Assets Register in the fixed asset module of the General Ledger System. All changes such as new purchases, change of locations, depreciation and disposals were recorded in this register during the year 2021. The register was updated during the year 2021 with 741 items procured and 346 disposals.

10.6 Maintaining the database of staff loans

FD continuously updated the loan database of the Central Bank staff with the assistance of the Information Technology Department to facilitate the loan recovery recording process and to supply information to employees and to the management during the year 2021. A total of 1,000 loans amounting to Rs 1.14 billion were granted to employees during 2021.

10.7 Other Operations - Procurement Process

According to the Rules of the Central Bank, FD is represented in all Technical Evaluation Committees and Tender Boards for procurement of goods and services and the Boards of Survey of the Bank for disposal of fixed assets. During the year 2021, officers of FD were represented in 152 Tender Boards and 75 Technical Evaluation Committees related to procurements.

11. FINANCIAL CONSUMER RELATIONS

The Financial Consumer Relations Department (FCRD) was established in August 2020 with the view to strengthen the financial consumer protection framework within the financial entities regulated by the Central Bank. The department has initiated measures to introduce new regulations on financial consumer protection while handling the complaints/grievances and inquiries of general public with respect to regulated entities, referred to the Central Bank. FCRD has received 6,186 complaints/grievances during 2021, with an average of around 500 complaints per month. Out of the complaints/grievances that require FCRD action, more than 94 per cent were attended with FCRD action. FCRD observed that most of the complaints/grievances were from COVID-19 affected small and medium scale businesses and individuals with respect to moratorium matters, rescheduling of loans, high interest rates, unacceptable/unethical practices and early settlement of credit facilities. In August 2021, FCRD introduced a simplified complaint submission form (CSF) to ensure the completeness of complaints/grievances submitted to FCRD and expedite the processing of such submissions. Further, it will facilitate the automation of the information submitted by financial consumers in their complaints which is useful in analysing complaint data for policy decisions.

FCRD with the support of relevant other departments was able to set up a Contact Centre for the Central Bank with outsourced staff in May 2021. The new Contact Centre is provided with all the facilities required for a modern call center operation. Accordingly, the Central Bank Contact Centre now operates with tri-linguistic and call recording facilities during working hours. Further, in August 2021, FCRD, with a view of providing more convenience and accessibility to the general public, introduced a telephone Hotline – 1935 dedicated to contact the Central Bank via any phone line in Sri Lanka. The Contact Centre answers more than 5,000 telephone inquiries on a monthly basis. Furthermore, as part of consumer awareness, FCRD published a web poster highlighting the rights of financial consumers while continuing awareness programmes such as seminars, webinars, and interviews.

12. FINANCIAL INTELLIGENCE UNIT

Amidst the numerous challenges that arose from the COVID-19 pandemic, the Financial Intelligence Unit (FIU) of the Central Bank worked towards achieving the objective of establishing an effective Anti-Money Laundering and

Combating the Financing of Terrorism (AML/CFT) framework in Sri Lanka, together with its domestic and international stakeholders.

The AML/CFT regime of Sri Lanka is built on three major legislation, i.e. the Prevention of Money Laundering Act No. 5 of 2006 (PMLA), Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 (CSTFA), and Financial Transactions Reporting Act No. 6 of 2006 (FTRA). FIU was established under the FTRA and is responsible for implementing the provisions of the same. Accordingly, FIU, as the lead AML/CFT regulator of the country, has reached out to majority of the Financial Institutions (FIs) and Designated Non-Finance Businesses and Professions (DNFBPs) under the AML/CFT regime of the country to ensure compliance with the recommendations of the Financial Action Task Force (FATF) (international standards on AML/CFT and Proliferation Financing). The key functions of FIU include, reviewing and amending relevant Acts, Regulations and Rules on AML/CFT in line with current market developments and international best practices, disseminating financial intelligence to appropriate Law Enforcement Agencies (LEAs) and Supervisory Authorities (SAs) through conducting strategic and operational analysis, strengthening risk-based AML/CFT supervision in FIs and DNFBPs to combat Money Laundering/Terrorist Financing (ML/TF) in Sri Lanka, and implementing provisions of the Targeted Financial Sanctions in United Nations Security Council Resolutions (UNSCRs).

12.1 Intelligence Management

In terms of the mandatory requirements, Reporting Institutions (RIs) continued to submit information on financial transactions, including suspicious transactions, during the year 2021 through 'LankaFin', a web-based system specially designed to assist in fulfilling threshold reporting and other reporting requirements. Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Licensed Finance Companies (LFCs), insurance companies, stockbrokers and money or value transfer service providers continued to report to FIU on Cash Transactions (CTRs) and Electronic Funds Transfers (EFTs), both local and foreign, of Rs. 1.0 million and above, or its equivalent in foreign currencies. During 2021, RIs reported 5.7 million (provisional) CTRs and 9.2 million (provisional) EFTs. In addition, RIs submitted 4,696 Suspicious Transactions Reports (STRs) to FIU in terms of Section 7 of FTRA. After operational and strategic analyses of the STRs received, 1,830 STRs were disseminated to Law Enforcement Authorities (LEAs) and Regulatory Authorities (RAs) for further investigations. 2,220 STRs were kept under surveillance, and 641 STRs were kept for initial analysis and further studies, while the remaining STRs were categorised as no further action required.

In order to enhance the analysis and dissemination functions, FIU introduced the 'goAML' AML/CFT reporting and analysis system to RIs. During 2021, FIU configured the system and commenced major reporting functions of

the system. The live operations of the threshold and STR reporting of 'goAML' were commenced in February 2022.

12.2 Legal Framework and Institutional Compliance

With the objective of improving the effectiveness of the AML/CFT regime of the country, FIU initiated legislative amendments to FTRA and assisted in making amendments to PMLA and CSTFA during 2021. These amendments are expected to come into effect by the end of 2022.

By virtue of the powers vested in terms of Section 15 (2) of FTRA, during the year 2021, FIU took measures to suspend transactions of 163 accounts belonging to 28 individuals and 8 entities pertaining to 17 incidents/cases, based on the suspicions of ML/TF. Accordingly, a balance of Rs. 77.0 mn (Cr.), Rs. 0.9 mn (overdrafts), and US Dollars 12,200 were suspended during the year. In addition, around 1,000 accounts relating to 64 cases, which were suspended in the previous years, were extended in two-month intervals during the year as LEAs requested further time to conduct investigations.

FIU issued several guidelines and circulars to strengthen the AML/CFT supervision process and institutional compliance during 2021, which are available in Part III of the Central Bank Annual Report. Further, FIU took continuous measures to enhance compliance by RIs by effective monitoring and enforcement, onsite and offsite surveillance, and conducting compliance review meetings. Despite the limitations experienced in conducting planned onsite examinations due to the pandemic situation that prevailed in the country, FIU conducted two risk-based onsite examinations, seven joint risk-based onsite examinations, seven spot examinations, and four offsite follow-up examinations to assess AML/CFT compliance of RIs. In addition, seven thematic reviews were conducted on FIs as well as DNFBPs. The scope of AML/CFT supervision of DNFBPs was further expanded by implementing continuous measures to enhance the number of DNFBP institutions which come under the purview of FIU to strengthen the AML/CFT compliance within this sector.

FIU also continued to take regulatory action for AML/CFT non-compliances by imposing penalties, issuing warning letters and showcase letters, issuing time-bound action plans, and conducting follow-up meetings. Moreover, FIU imposed financial penalties amounting to LKR 10.5 million for four LCBs and five LFCs during 2021 on violations of CDD Rules in relation to United Nations sanctions screening, customer identification and verification, Suspicious Transactions Reporting, and implementation of proper risk controls and mitigation measures.

12.3 National Risk Assessment on Money Laundering and Terrorist Financing (ML/TF NRA)

Complying with Recommendation 1 of the FATF Recommendations, in 2021, FIU initiated conducting the 2nd ML/TF NRA of Sri Lanka with the assistance of the World

Bank and participation of 66 private and public stakeholder agencies. The World Bank conducted its introductory session on 15 July 2021, marking the official commencement of NRA Sri Lanka, using the Webex platform. Subsequently, 13 workshops were conducted for the working groups.

12.4 Domestic and International Cooperation

In terms of FTRA, FIU can enter Memoranda of Understanding (MOUs) to exchange information with any institution or agency domestically or in a foreign state. Accordingly, during 2021, FIU initiated signing MOUs with several domestic agencies and foreign FIUs.

FIU is supervised by FATF jointly with the Asia Pacific Group on Money Laundering (APG). Due to the pandemic, APG conducted its Annual Plenary virtually in the month of July 2021 and a special plenary was held virtually in November 2021. Further, Mutual Evaluation Committee (MEC) Meetings were held virtually during June, July, September, and November 2021. The 6th follow-up Mutual Evaluation Report on Sri Lanka was discussed at the virtual MEC held in September 2021. In this progress report, Sri Lanka requested upgrades to Recommendation 32 on 'Cash Couriers' and Recommendation 40 on 'Other Forms of International Cooperation', which were rated as Partially Compliant (PC) in 2015. The membership agreed to upgrade the rating of Recommendation 32 from 'Partially Compliant' to 'Largely Compliant' while the rating of Recommendation 40 remains same. Thus, out of 40 FATF recommendations, by the end of 2021, Sri Lanka's ratings had improved to 7 Compliant, 25 Largely Compliant, 7 Partially Compliant, and 1 Non-Compliant.

FIU obtains assistance from members of the Egmont Group, i.e. the Association of global FIUs consisting of 166 members, to carry out investigations and collaborate with member countries to gather intelligence about their investigations. During 2021, FIU responded to 33 requests from counterpart FIUs and made 22 requests from counterpart FIUs to share information relating to ongoing investigations. The Egmont Plenary for 2021 was not held as scheduled. However, Working Group meetings, Head of FIUs meeting and Regional Meetings were held virtually and officials of FIU participated in these meetings.

12.5 Institutional Capacity Building and Awareness Programmes

Continuing the efforts to enhance the awareness on AML/CFT, FIU provided resource assistance for 50 awareness/training programmes during the year 2021 accommodating more than 3,000 participants from FIs, DNFBPs, LEAs and RAs. These programmes were conducted face-to-face as well as through online platforms. Further, FIU issued several press notices on risks related to informal money transfer schemes, which were published in newspapers and shared on various social media networks.

13. FOREIGN EXCHANGE

The Department of Foreign Exchange (DFE) was established on 20 November 2017, for the purpose of carrying out the responsibility vested in the Central Bank as the agent of the Government for implementing the provisions of the Foreign Exchange Act No. 12 of 2017 (FEA), and thereby to ensure proper promotion and regulation of foreign exchange in Sri Lanka. DFE comprises of four Divisions, namely, Policy, Capital Transactions, Monitoring and Investigation, in order to execute the duties assigned. The main functions of DFE are as follows.

- Appointing Restricted Dealers (RDs) and other persons to deal in foreign exchange as prescribed by the Hon. Minister of Finance (the Minister) in terms of the FEA.
- Issuing Directions under the FEA to Authorised Dealers (ADs) and monitoring their compliance in terms of the Regulations, Orders and Directions issued under the FEA.
- Implementing provisions of the FEA by formulating Regulations and Orders and issuing of Directions for carrying out foreign exchange activities and transactions.
- Granting permissions for specific purposes not covered from the general permissions given under the FEA.
- Reviewing the effectiveness of existing policies, identifying necessity for new policies in line with the developments in the foreign exchange market, and implementing such new policies appropriately.
- Conducting investigations on non-compliances with the provisions of the FEA.
- Providing clarifications for inquiries on foreign exchange transactions and preparing relevant sections pertaining to foreign exchange regulations and policies for the reports and publications of the Central Bank.

Having identified the importance of attracting foreign exchange inflows and curtailing abrupt outflows given the challenging environment created aftermath of the COVID-19 pandemic, a number of remedial measures were taken to ease the pressure on the domestic foreign exchange market. A summary of the key implementations during 2021 is given below.

13.1 Facilitating the issuance of new Regulations, Orders and Directions

Upon reviewing the stakeholders' feedback on the Regulations, Orders and Directions issued in 2017 under the FEA, revised Regulations, Orders and Directions were issued in early 2021 with a view to further simplify and improve clarity on foreign exchange regulations.

Accordingly, DFE facilitated issuance of nine Regulations by the Minister under the FEA, mainly focusing on attracting fresh inward remittances/inflows to the country.

Moreover, DFE facilitated the issuance of 6 Orders by the Minister during the period to support minimising the pressure on the exchange rate and possible negative impact to the Sri Lankan economy, given the COVID-19 pandemic. Further, 29 Directions were issued to ADs during the year, to operationalise the said Regulations/ Orders. The Regulations, Orders and Directions issued during the year 2021 are given in Part III of this Report.

13.2 Granting of Permission for Foreign Exchange Transactions

- Special Permissions were granted under the FEA as illustrated in Table II-12 below.

Table II-12
Special Permissions granted under the FEA

Purpose	No. of approvals	Value in USD mn
Resident Companies to invest abroad	2	23.5
Resident Companies to issue bank/corporate guarantees in favour of residents outside Sri Lanka	3	54.4
Authorised Dealers/Resident Companies to process certain miscellaneous foreign exchange transactions that are not covered by the general permissions granted under FEA	4	N/A*

* N/A – Not Applicable

- Issuance of permits for RDs to engage in money changing business and cessation/discontinuation of such operations

- Two new money changing permits were issued during the year 2021 to limited liability companies (i.e. money changers) for buying and exchanging foreign currency notes.
- Three Money Changers ceased their money changing operations during the year.
- The details of the permits that have been issued to each RD to engage in money changing business are illustrated in Table II-13 below.

Table II-13
RDs Permitted to Engage in Money Changing Business as at 31 December 2021

Category of Institution	Permitted business	No. of permits issued
Limited Liability Companies who are solely engaged in the money changing business (money changers)	Buying and exchanging foreign currency	65*
	Buying, selling and exchanging foreign currency	
Licensed Finance Companies (LFCs)	Buying, selling and exchanging foreign currency	08
Tourist Hotels	Buying foreign currency	03
Total		76

* Permits were issued to 65 companies which include 76 money changing outlets/branches. Out of those 76 outlets, 63 were permitted to buy and exchange foreign currency while the remaining 13 were permitted to buy, sell and exchange foreign currency.

Accordingly, as of 31 December 2021, 26 ADs and 76 RDs (this includes only the main outlet of the RDs), were in operation. The list of ADs (i.e. Licensed Commercial Banks (LCBs)) who are authorised to deal in foreign exchange for permitted transactions and Licensed Specialised Banks (LSBs) who are permitted to deal in foreign exchange for the purposes specified in the respective authorisation and RDs is in Annex II-2 and Annex III-3, respectively.

(c) Transfer of Migrants' funds

ADs were permitted to open 787 Capital Transactions Rupee Accounts during the year for the purpose of releasing migration allowance to Sri Lankan emigrants and to facilitate outward remittances of inherited funds to non-nationals. However, the amounts transferred through these accounts were limited due to issuance of the Order under Section 22 of the FEA which suspended certain capital transactions until 01 July 2022.

13.3 Issuing Clearance Letters to Resident Investors

DFE issued 13 clearance letters during the year to resident investors confirming that there are no pending investigations under the FEA against such investors enabling them to make outward investments as permitted by the Regulations issued by the Minister.

13.4 Monitoring and Investigation of Foreign Exchange Transactions

- i. All ADs are required to submit the information on foreign currency accounts maintained by them to DFE as per the reporting requirement imposed in terms of the Directions issued on such foreign currency accounts. DFE submits these information to the management and to the statutory publications of the Central Bank, where relevant with an analysis of such information. Further, any non-compliance detected out of the information reported by ADs are directed for further investigations in terms of the FEA.
- ii. The reports generated on foreign currency sales reported on Form 1 and foreign currency purchases reported on Form 2 through Forex System are forwarded to the management with appropriate analysis on a regular basis.
- iii. Transactions on Electronic Fund Transfer Cards (ETFCs) are monitored through an online reporting system and referred for investigations if any suspicious transactions are detected.
- iv. In terms of the Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021 issued under the Monetary Law Act No. 58 of 1949, receipts of exports proceeds in Sri Lanka and the conversion of such proceeds are stringently monitored by the Department. For such

purpose, data on export proceeds are collected from ADs on monthly basis and the same is submitted to the management for decision making until the implementation of IT based export proceeds monitoring system. In addition, the details of the exporters who have failed to comply with the Rules are also reported to DFE by ADs and clarifications for such violations are called with the view to combating non-compliances.

- v. Thirty-eight (38) new investigations were initiated in respect of ADs, RDs and other persons with regard to non-compliances under the Regulations, Directions and Orders issued under the FEA.
- vi. Further, seventeen (17) investigations including fifteen (15) investigations initiated before 2021 and two (02) investigations initiated during 2021 were concluded during the year taking appropriate actions upon following the investigation procedure stipulated in the FEA.
- vii. Additionally, law enforcement authorities were assisted in litigation and juridical proceedings by providing expert evidence/testimonies by DFE in respect of matters pertaining to the provisions of the FEA.

13.5 Initiating Foreign Exchange Transactions Monitoring Systems

Actions were taken during 2021 in collaboration with the Economic Research Department, Information Technology Department of the Central Bank, and ADs to implement a comprehensive cross border and domestic foreign exchange transactions monitoring system (i.e. International Transactions Reporting System) in order to collect data from ADs. This proposed mechanism is expected to capture all data on foreign exchange sales/purchases and inflows/outflows, thereby enabling continuous monitoring of foreign exchange transactions. Further, with the objective of ensuring effective capturing of export data, an IT based export proceeds monitoring system was developed. It was designed to link the information available with Sri Lanka Customs on export shipments with the export proceeds receipts information available with the ADs.

13.6 Enhancing Awareness on Foreign Exchange Regulations

Ten awareness programmes were conducted during the year for the ADs and other stakeholders on new Regulations and the provisions of the FEA. Moreover, seven press releases and four notices to the public were issued to enhance awareness on the foreign exchange Regulations, Orders and Directions. Further, the official website of DFE (www.dfe.lk) has also been duly updated to enhance public awareness on new regulations and DFE continued to provide clarifications for inquiries on foreign exchange transactions.

Annex II-2**List of Authorised Dealers (ADs) as at 31 December 2021**

Licensed Commercial Banks	
1	Amana Bank PLC
2	Bank of Ceylon
3	Bank of China Ltd
4	Cargills Bank Ltd
5	Citibank, N.A.
6	Commercial Bank of Ceylon PLC
7	Deutsche Bank AG
8	DFCC Bank PLC
9	Habib Bank Ltd
10	Hatton National Bank PLC
11	Indian Bank
12	Indian Overseas Bank
13	MCB Bank Ltd
14	National Development Bank PLC
15	Nations Trust Bank PLC
16	Pan Asia Banking Corporation PLC
17	People's Bank
18	Public Bank Berhad
19	Sampath Bank PLC
20	Seylan Bank PLC
21	Standard Chartered Bank
22	State Bank of India
23	The Hongkong & Shanghai Banking Corporation Ltd
24	Union Bank of Colombo PLC
Licensed Specialised Banks	
25	National Savings Bank
26	Sanasa Development Bank PLC

Annex II-3**List of Restricted Dealers (RDs) as at 31 December 2021**

RDs permitted to buy and exchange foreign currency	
Money Changers	
1	A. H. M. Trading (Pvt) Ltd
2	A.O.Lakshmi Jewels (Pvt) Ltd
3	Abdeen Money Changers (Pvt) Ltd
4	Abilash Money Exchange (Pvt) Ltd
5	Ariyawansa Enterprises (Pvt) Ltd
6	Aruna Forexc (Pvt) Ltd
7	Asian Money Exchange (Pvt) Ltd
8	Brescia Grameen (Pvt) Ltd
9	Bullion Money Exchange (Pvt) Ltd
10	Capital Exchange (Pvt) Ltd
11	Carlo International (Pvt) Ltd
12	Central Money Exchange (Pvt) Ltd
13	Colombo Money Exchange (Pvt) Ltd - Colombo 01
14	Colombo Money Exchange (Pvt) Ltd - Colombo 06
15	Dadigama Group (Pvt) Ltd
16	Data Exchange International (Pvt) Ltd
17	Daya Authorized Money Changer (Pvt) Ltd
18	Delta Sarath Holdings (Pvt) Ltd
19	Galle Money Exchange (Pvt) Ltd - Galle
20	Galle Money Exchange (Pvt) Ltd - Galle Fort
21	George Michael Holdings (Pvt) Ltd

22	Global Village Exchange (Pvt) Ltd
23	Golden Money Changers (Pvt) Ltd
24	Gold Lanka Jewellery (Pvt) Ltd
25	Haifa Travels and Tours (Pvt) Ltd
26	International Exchange (Pvt) Ltd
27	Jayes Investments Ltd
28	Jeya Forex Exchange (Pvt) Ltd
29	Kamal Enterprises (Pvt) Ltd
30	Keyser Exchange (Pvt) Ltd
31	Kudamadu Money Exchange (Pvt) Ltd
32	M.P. Money Changer (Pvt) Ltd
33	Maruthi Money Exchange (Pvt Ltd - Jaffna
34	Mayurie Money Changers (Pvt) Ltd
35	Midna Mini Market (Pvt) Ltd
36	Milano Money Exchange (Pvt) Ltd
37	Narmatha Gold Centre (Pvt) Ltd - Jaffna
38	Narmatha Gold Centre (Pvt) Ltd - Kilinochchi
39	New Lanka Gold House (Pvt) Ltd
40	New Natasha (Pvt) Ltd
41	New Regal's Money Changer (Pvt) Ltd
42	Pearl Exci (Pvt) Ltd
43	Rafeek's Gems (Pvt) Ltd
44	Rimha Jewellery (Pvt) Ltd
45	Rivindu Enterprises (Pvt) Ltd
46	Royal Money Exchange (Pvt) Ltd - Colombo 01
47	Royal Money Exchange (Pvt) Ltd - Colombo 06
48	Royal Money Mart (Pvt) Ltd - Aluthgama
49	Royal Money Mart (Pvt) Ltd - Colombo 01
50	Salaka Trust Investment (Pvt) Ltd
51	Sharanga Money Exchange (Pvt) Ltd
52	Shifaz Money Exchange (Pvt) Ltd
53	Sornam Forex (Pvt) Ltd
54	Swiss Money Exchange (Pvt) Ltd - Colombo 01
55	Swiss Money Exchange (Pvt) Ltd - Colombo 06
56	Thamasha Forex (Pvt) Ltd
57	Thomas Cook Lanka (Pvt) Ltd - Colombo 02 - Colombo City Center
58	Thomas Cook Lanka (Pvt) Ltd - Colombo 02 - One Galle Face Mall
59	Thomas Cook Lanka (Pvt) Ltd - Kandy
60	Unic Forex (Pvt) Ltd
61	Vasanthas Intl. Money Exchange (Pvt) Ltd
62	Western Money Exchange (Pvt) Ltd
63	Windsor Money Exchange (Pvt) Ltd
RDs permitted to buy, sell and exchange foreign currency	
Money Changers	
64	Arrujina Jewellery (Pvt) Ltd
65	City Exchange (Pvt) Ltd
66	Crown Money Exchange (Pvt) Ltd
67	Devi Forex (Pvt) Ltd
68	Jewel Lanka Money Exchange (Pvt) Ltd
69	Maruthi Money Exchange (Pvt Ltd - Colombo 06
70	Metro Forex (Pvt) Ltd
71	Prasanna Money Exchange (Pvt) Ltd - Colombo 01
72	Prasanna Money Exchange (Pvt) Ltd - Colombo 06
73	Pushpa Money Changer (Pvt) Ltd
74	Ravi Forexae (Pvt) Ltd
75	Thomas Cook Lanka (Pvt) Ltd - Bandaranaike International Airport
76	Universal Money Changers (Pvt) Ltd

Licensed Finance Companies	
77	Asia Asset Finance PLC
78	Bimputh Finance PLC
79	Citizens Development Business Finance PLC
80	Lanka Credit and Business Finance Ltd
81	L B Finance PLC
82	Senkadagala Finance PLC
83	Sinhaputhra Finance PLC
84	Singer Finance (Lanka) PLC
RDs permitted to buy foreign currency	
Tourist Hotels	
85	Pearl City Hotel
86	Shangri-La Hotel Colombo
87	Shangri-La's Hambantota Resort & Spa
Other Entities	
88	MMBL Money Transfer (Pvt) Ltd
89	Sri Lanka Export Credit Insurance Corporation

14. FOREIGN REMITTANCES FACILITATION

The Foreign Remittances Facilitation Department (FRFD) was established on 03.11.2021 under the provisions of the Monetary Law Act No. 58 of 1949. The main objective of the newly formed FRFD is to facilitate and streamline workers' remittance inflows to the country.

FRFD worked towards realising the full potential of labour migration and workers' remittances by engaging in the following activities during 2021 and early 2022.

14.1 Incentive Schemes for Migrant Workers

- a) The Central Bank introduced the 'Additional Incentive Scheme on Inward Workers' Remittances' whereby Sri Lankan migrant workers are paid an additional Rs. 8 per US dollar remitted and converted to Sri Lankan Rupees from December 2021, in addition to the Rs. 2 paid for each US dollar, through the Government budget for 2021. However, with the greater flexibility in the exchange rate, the Central Bank discontinued the incentive of Rs. 8.00 per US dollar on the conversion of workers' remittances in March 2022.
- b) Introduced an incentive scheme to reimburse the transaction costs borne by migrant workers up to Rs. 1,000 per each transaction over Rs. 20,000 when remitting money to Sri Lanka and converting to Sri Lankan rupees.

14.2 Encouraging Migrant Workers to Open Bank Accounts

Facilitated opening of five mini-bank branches at the Department of Immigration and Emigration premises in Battaramulla. These dedicated 'Mini Bank Branches' with restricted financial services were established particularly for the convenience of prospective migrant workers. It is expected that migrant workers make use of this opportunity to meet all

their banking requirements prior to the departure and thereby facilitate the inflow of workers' remittances through formal banking channels.

14.3 Awareness Programmes

- a) Public awareness programmes on incentive schemes focused on migrant workers and importance of formal money transferring channels were conducted through various modes such as newspapers, radio programmes, seminars, social media platforms and news websites.
- b) Conducted awareness programmes and interactive sessions, both physically and virtually, for the Sri Lanka expatriates and representatives of Exchange Houses in the Middle Eastern Region to educate them on the incentives introduced for migrant workers as well as to identify and address issues in the sector and to streamline the current and proposed incentive schemes for migrant workers as per the feedback received at the said interactions.

14.4 Liaising with Stakeholders

- a) FRFD has been in continuous dialogue with the Department of Immigration and Emigration to expedite the passport issuance process and revision of criteria and promotion of long-term resident visa categories for foreigners.
- b) The Department has been liaising with the Ministry of Labour to expedite the implementation of a new pension scheme for migrant workers.
- c) FRFD was engaged in handling clarifications, complaints and grievances in relation to remitting foreign currency to the country.

Going forward, FRFD will be extensively involved in the process of introducing new schemes to enhance migrant workers' welfare in collaboration with relevant authorities. In this regard, FRFD will continue to work with key stakeholders in the foreign employment sector such as the Ministry of Labour, State Ministry of Foreign Employment Promotion and Market Diversification and Sri Lanka Bureau of Foreign Employment as well as the banking sector and several other stakeholders to introduce incentive schemes for migrant workers. In addition to the establishment of a pension scheme, these incentive schemes include banking facilities such as low interest loans and enhanced duty-free concessions.

15. GOVERNOR'S SECRETARIAT

With the objective of providing operational and technical assistance required by the Governor of the Central Bank to take swift action and providing the expertise to overcome economic challenges that arose due to the COVID-19 pandemic and dynamic financial and economic conditions, the Governor's Secretariat which functioned as a division of the Secretariat Department since 9 February 2015 was re-established as a Department under the name of the "Governor's Secretariat Department" (GSD) on 24 September 2021.

GSD was engaged in providing high level secretarial work, corporate services and protocol duties for facilitating the mission of succeeding in terms of challenging economic goals such as minimising the impact of the COVID-19 pandemic on the local economy, following up of activities on work assigned by the Governor to other departments, and work related to maintaining relationship with banks, other institutions as well as the public in a very effective manner.

Managing appointments and meetings of the Governor with officials and visitors in a timely manner, attending to correspondence related to such appointments, bringing the activities of other Departments constantly to the attention of the Governor, and following up on assigned tasks are the main functions of GSD. The Governor had a significant number of meetings with high ranking officials, including Governors of other central banks, Ministers, Members of Parliament, Members of diplomatic corps based in Sri Lanka, CEOs of banks and other financial institutions and heads of media institutions, business leaders, and delegations from international financial institutions such as the United Nations, Japan International Cooperation Agency, Asian Development Bank, International Monetary Fund, World Bank, and other foreign delegations. All such appointments and correspondences relating to these meetings and outcomes thereon were well communicated by the Governor's Secretariat Department to the relevant stakeholders monitoring the progress of the same.

GSD maintained relationships with both local and global participants in the banking, finance and economic sectors in order to perform its tasks effectively. In particular, the continuation of relationships with global counterparts was given top priority in the context of the growing reputation of Sri Lanka as an emerging economy. In that context, GSD interacted with global investors regularly, furnishing them with reliable information and arranging meetings for them with the Governor. Considering the current pandemic situation, tele and video conferences, video interviews, and meetings with global investors were conducted using modern methods of communication.

GSD provided protocol services to the Governor, high ranking visitors of the Governor, and special invitees to the Central Bank. All arrangements for official local and foreign travels of the Governor were also made by GSD during this period. In addition, the Department organised all official visits of the Governor abroad as the Chief Guest or as the keynote speaker, including Foreign Investment Promotion Meetings. While providing protocol services to the Governor for official foreign travels, GSD also provided necessary data and information daily and prepared necessary electronic media presentations in order to ensure the success of such visits. Whenever the Governor was abroad, GSD provided real time data on domestic money market and foreign exchange market information to the Governor. In addition, all official functions hosted by the Governor and Deputy Governors were arranged by GSD.

GSD provided necessary professional inputs, which were requested by the Governor for meetings of committees of the Central Bank such as the Corporate Management Committee, Monetary Policy Consultative Committee, Financial Systems Stability Consultative Committee, and meetings of bank CEOs and non-bank financial institutions CEOs. In addition, GSD assisted the Economic Research Department in the preparation of the "Six-Month Road Map for Ensuring Macroeconomic and Financial System Stability", which was presented on 01 October 2021.

The Governor also attended meetings with the heads of public enterprises, major exporters and importers, and other business community, where GSD provided necessary data and information. Further, GSD provided timely information to foreign investors with the assistance of the relevant Departments.

GSD closely followed up on instructions issued by the Governor to other Departments and ensured that they were implemented without delay, using the Task Tracker System. GSD also assisted the public by responding to their queries, particularly with regard to matters relating to the Employees' Provident Fund, finance companies, banking issues, and other issues relevant to the Central Bank.

16. HUMAN RESOURCES

The main objective of the Human Resources Department (HRD) is ensuring the availability of a highly productive, motivated and contended team of employees, who can contribute towards the achievement of the objectives of the Central Bank. In line with the above, HRD continued to carry out strategic and operational human resource management (HRM) functions, while adopting the best HRM practices. Accordingly, in line with the strategies identified in the Strategic Plan of the Central Bank, HRD carried out various activities to develop human resources of the Bank, such as recruitment of new staff, promotions, job rotations, employee remunerations, training and skill development, motivation of staff, performance evaluation, and grievance handling during the year 2021. Further, HRD facilitated conducting the Corporate Management Committee (CMC), Training Committee (TC), and Training Sub Committee (TSC) meetings in order to take necessary decisions and make recommendations on all the HR and HR development related matters, and matters related to corporate support functions. HRD also executed various measures in order to maintain cordial relationship with the Central Bank management, employees and trade unions with a view of improving industrial harmony and overall work efficiency of the Bank. Matters of the Central Bank pensioners and Pensioners' Associations were also well considered for discussion during this year by HRD.

With the outbreak of the COVID-19 pandemic during 2021, and the resultant mobility restrictions imposed by the health authorities from time to time, HRD took measures to ensure a safe working environment for employees while maintaining uninterrupted operations of the Bank. Accordingly,

arrangements were made to facilitate the Central Bank employees to 'Work From Home', and issued guidelines and circulars on working arrangements as well as on health and safety measures that were required to be adhered with, in line with the guidelines issued by the health authorities from time to time. Further, arrangements were made to carry out a survey continually to assess the vulnerability and risk exposure of Central Bank employees to COVID-19, in line with the guidelines issued by health authorities. Also, HRD made arrangements to vaccinate Central Bank employees with the booster dose in collaboration with the Sri Lanka Army to ensure their safety and to carry out the Bank's functions continuously without interruption.

The Human Resources structure of the Bank and a summary of the activities carried out by HRD during the year are given below.

16.1 Human Resources Structure

The total number of staff of the Central Bank as at the end of 2021 was 1,357 which consisted of 715 Staff Class (SC) Officers, 503 Management Assistant Class (MAC) Officers and 139 Office Assistant Class (OAC) employees. The total staff of the Central Bank consisted of 714 male and 643 female officers representing 53 per cent and 47 per cent of the total staff, respectively. The average age of an employee of the Central Bank was 39 years at the end of 2021.

16.2 Educational and Professional Qualifications of Employees

The Central Bank has a diverse and talented pool of human resources with a high level of academic and professional qualifications. Table II -14 shows the details of the educational and professional qualifications possessed by the Bank's employees as at the end of 2021.

16.3 Human Resources Management

(a) Recruitments

In 2021, under the General Recruitment procedure, HRD recruited Management Trainees leading to Staff Class Grade I (probation) and promoted internal candidates as Probationary Staff Officers parallel to the recruitment of

Management Trainees, to fill the vacancies identified in the Staff Class employee category of the Central Bank, while recruiting English-Tamil Translators and English-Sinhala Translators on Contract Basis to fulfil specific short term skill requirements of the Bank. In 2021, a Notarial Clerk was recruited to the Central Bank under the Lateral Recruitment process.

Further, HRD took measures to initiate the recruitment process of Banking Assistants (Trainee) and Junior Personal Assistants (English and Sinhala) to the Central Bank.

(b) Performance Management

HRD carried out the employee performance evaluation process as planned during the year. Under the performance evaluation process, the level of performance of each employee is evaluated by assigning ratings for the performance achieved based on the generic and technical competencies in line with the specified evaluation criteria. The final performance marks of employees up to SC Grade III (2) are used as one of the requirements in the promotion criteria.

Further, HRD reviewed the mid-year performance review process of the departments. It provided an opportunity to understand the level of performance of staff members during the first half of the year.

(c) Promotions

Under the employee promotion scheme of the Central Bank, HRD facilitated promotions for the employees ensuring their career progression. Accordingly, a total of 224 staff members were granted their Class and Grade promotions in 2021. Further, four Heads of Department were promoted as Assistant Governors, six Deputy Heads of Department were promoted as Additional Heads of Department, six Staff Class III (1) officers were promoted as Deputy Heads of Department and 208 employees were granted their Class and Grade promotions.

(d) Training and Skills Development

The process of upgrading skills and knowledge of the staff of the Central Bank is of paramount significance in

Table II-14
Educational Qualifications/Professional Memberships of Employees of the Central Bank
as at 31.12.2021

Employee Class	Educational Qualifications/Professional Membership Holders								
	PhD Holders	Master's Degree, First Degree & Professional Memberships	Master's Degree & First Degree	First Degree & Professional Memberships	Master's Degree & Professional Memberships	Master's Degree only	First Degree only	Professional Memberships only	Total
SC	25	132	164	75	45	3	201	14	659
MAC	-	4	23	17	13	28	44	30	159
OAC	-	-	-	-	-	-	7	-	7
Total	25	136	187	92	58	31	252	44	825

a changing environment to fulfil the objectives of the Bank effectively. Accordingly, the Central Bank defrays the cost by encouraging its officers to read postgraduate studies in internationally recognised universities under the Central Bank Sponsorship Scheme for postgraduate students and facilitates officers to attend short term training programmes locally and internationally, to support the continuous enhancement of knowledge, expertise, and skills within the Bank.

In this regard, HRD identifies training needs, training gaps and formulates strategies to fill up training gaps, prepares and implements the training plan, facilitates the staff to pursue postgraduate studies, and provides opportunities for foreign/local short term training for the staff in order to meet the emerging needs of the human capital development of the Central Bank.

Accordingly, in 2021, HRD facilitated two officers to embark on postgraduate programmes in reputed universities in Australia and one officer to commence a Master's Degree in a local university on a part-time basis. The number of officers who have commenced/completed postgraduate studies under the Central Bank Sponsorship Scheme during the period from the year 2017 to end of the year 2021 is given in the Table II - 15 below.

The Central Bank discouraged in-person participation in Short Term Foreign Trainings (STFT) until further notice with effect from 12 March 2020 considering the pandemic situation prevailing worldwide. Instead, the Bank facilitated officers to attend online training programmes in 2021 conducted by the other Central Banks and reputed international and local institutions. Accordingly, HRD facilitated officers to attend 529 STFT conducted virtually and 1,229 officers sent their nominations to participate in the same.

In the meantime, HRD facilitated 208 officers to participate in 44 local training programmes conducted by the outside local training institutes and 450 officers to participate in 46 local training programmes conducted by the Centre for Banking Studies (CBS).

In addition, HRD facilitated the Central Bank employees to follow Local Long Term (part time) Training programmes

and continued its Sponsorship Scheme for Chartered Financial Analyst (CFA) qualification while facilitating following Certificate Courses, Diploma Programmes and other qualifications offered by reputed local institutions. HRD also facilitated knowledge sharing among the staff of the Central Bank and other Central Banks. Accordingly, HRD conducted knowledge sharing programmes with the Bank of Korea in 2021 in the field of macroeconomics under the topic of "Foreign Exchange Policy and Capital Flow Management."

(e) Job Rotation

The Central Bank implements the annual job rotation policy to facilitate the Bank to achieve its overall objectives more effectively while providing opportunities for employees to gain experience in different areas/functions of the Bank. However, Annual Job Rotation for the year 2021 was not implemented due to the COVID-19 pandemic except for the transferring of 12 employees in OAC based on the roster plan formulated under Annual Job Rotation Scheme. Arrangements were made to implement the Annual Job Rotation for SC and OAC employees from 01 January 2022.

(f) Industrial Harmony

HRD continued to perform its role as the facilitator for maintaining a closer dialogue between the Management and Trade Unions. Accordingly, three discussions were arranged in 2021 giving the opportunity for the Management and Trade Unions to resolve some of the issues related to remuneration, promotions, training, welfare, recruitment, and general administration of the Bank.

16.4 Establishment of New Departments

In accordance with the provisions of Section 33 of the Monetary Law Act No. 58 of 1949 and as per the Monetary Board decision taken at its Meeting No. 33/2021 held on 23 September 2021, the Governor's Secretariat Department (GSD) in the Central Bank was established with effect from 24 September 2021. Also, the Monetary Board at its Meeting No. 36/2021 held on 27 October 2021 decided to establish the Foreign Remittance Facilitation Department (FRFD) with effect from 03 November 2021.

Table II – 15
Postgraduate Studies under the Central Bank Scholarship Programme

Year	Postgraduate Studies				Total	
	PhD		Master's Degree		Commenced	Completed
	Commenced	Completed	Commenced	Completed		
2017	6	6	9	18	15	24
2018	8	1	8	14	16	15
2019	4	1	7	7	11	8
2020	2	5	6	8	8	13
2021	1	4	1	6	2	10
Total	21	17	31	53	52	70

16.5 Meetings Attended by the Governor during the Year 2021

- (a) Foreign Visits undertaken by the Governor
 - i. Meetings with senior counterpart officials and other investors in the State of Qatar during the period of 20 – 23 October 2021
 - ii. Meetings with senior counterpart officials and other investors in Dubai, United Arab Emirates during the period of 03 – 09 November 2021
- (b) Virtual Meetings attended by the Governor
 - i. Webinar on “Economic Outlook 2021” organized by American Chamber of Commerce in Sri Lanka on 15 January 2021
 - ii. Conference Call with Dr. Surjit Bhalla, Executive Director, IMF on 19 January 2021
 - iii. SAARC FINANCE Governors’ Group Meeting on 01 March 2021
 - iv. Conference call with Lord Davies, UK Prime Minister’s Trade Envoy for Sri Lanka on 22 March 2021
 - v. G-24 Ministerial Meeting (IMF/WB Spring Meeting) on 05 April 2021
 - vi. IMF Asia Pacific Department’s Regional Economic Outlook Meeting on 08 April 2021
 - vii. IMF/WB Spring Meetings on 08 April 2021
 - viii. G-24/AFI Policymaker’s Round table discussion on 13 April 2021
 - ix. Meeting with Asia Pacific Director, IMF on 16 April 2021
 - x. 49th ACU Board of Directors Meeting on 24 May 2021
 - xi. Sri Lanka-Mashreq Non-Deal Roadshow on 21 June 2021
 - xii. Investor Meeting with Franklin Templeton, Bluebag, Goldman AM and Wellington on 22 June 2021
 - xiii. Interview with CNBC World Channel on 12 July 2021
 - xiv. Meeting with Governor of Reserve Bank of India on 10 August 2021
 - xv. Interview with Bloomberg on assuming duties as the Governor of the Central Bank on 17 September 2021
 - xvi. Keynote Speaker – SL’S Debt Sustainability/ The Current Challenge-ICC Sri Lanka on 25 September 2021
 - xvii. CMA Virtual Meeting on 27 September 2021
 - xviii. Central Bank - Asian Development Bank Institute (ADBI) and the Asia-Pacific Applied Economics Association (APAEA) Workshop on Emerging Issues for Macroeconomic Stability on 30 September 2021
 - xix. CNBC Asia Interview on 01 October 2021
 - xx. Interview with Bloomberg on Current Economic Situation on 07 October 2021
 - xxi. Commonwealth Central Bank Governors’ Meeting on 11 October 2021

- xxii. IMF/World Bank Annual Meetings/G-24 Ministerial Meeting on 11 October 2021
- xxiii. HSBC Global Emerging Markets Forum with Investors on 14 October 2021
- xxiv. 42nd SAARC Finance Governor’s Group Meeting on 15 November 2021
- xxv. Conference call with Fitch ratings on Annual Review of Sri Lanka on 02 December 2021
- xxvi. SEACEN Board of Governors’ Meeting on 06 December 2021
- xxvii. Meeting with the Governor of the Central Bank of United Arab Emirates on 06 December 2021
- xxviii. Meeting with the Sri Lankan Ambassadors in the Middle Eastern Region on 07 December 2021
- xxix. Meeting with Sri Lankan professionals residing in the United Arab Emirates on 13 December 2021
- xxx. Meeting with Sri Lankan professionals residing in the Kingdom of Saudi Arabia on 17 December 2021

16.6 Promotions/Appointments

- i. Mr. K G P Sirikumara, Mr. D Kumaratunge, Mrs. U L Muthugala and Mr. C P S Bandara were promoted to Staff Class Special Grade and were appointed as Assistant Governors with effect from 17 November 2021.
- ii. Mr. K M Abeykoon, Director of the Centre for Banking Studies, was appointed as Superintendent of the Currency Department with effect from 19 January 2021.
- iii. Mr. B L J S Balasooriya, Director of the Staff Services Management Department, was appointed as Director of the Regional Development Department with effect from 19 January 2021 and subsequently he was appointed as Director of the Staff Services Management Department with effect from 24 November 2021.
- iv. Mr. R M Jayawardena, Director of the Facilities Management Department, was appointed as Director of the Staff Services Management Department with effect from 19 January 2021 and subsequently he was appointed as Acting Director of the Security Services Department in addition to the duties of the Staff Services Management Department with effect from 12 July 2021. Thereafter, he was appointed as the Director of the Resolution and Enforcement Department with effect from 24 November 2021.
- v. Mr. W R M K Fernando, Director of the Risk Management Department, was appointed as Director of the International Operations Department with effect from 19 January 2021 and in addition to the same he was appointed as the Secretary to the Governor attached to the Governor’s Secretariat with effect from 16 September 2021. Subsequently he was appointed as Director of the Governor’s Secretariat Department with effect from 24 September 2021 in addition to

- his duties as Director of the International Operations Department.
- vi. Mr. M S K Dharmawardane, Director of the Regional Development Department, was appointed as Director of the Communications Department with effect from 19 January 2021 and subsequently he was appointed as Director of the Regional Development Department with effect from 24 November 2021.
- vii. Mrs. R D T Gunasekara, Director of the Communications Department, was appointed as Director of the Policy Review and Monitoring Department with effect from 19 January 2021.
- viii. Mr. C P S Bandara, Director of the Policy Review and Monitoring Department, was appointed as Director of the Risk Management Department with effect from 19 January 2021.
- ix. Mrs. D S W Samaratunga, Director of the International Operations Department, was appointed as Director of the Centre for Banking Studies with effect from 19 January 2021.
- x. Mr. A M Gunathilake, Superintendent of the Currency Department, was appointed as Director of the Facilities Management Department with effect from 19 January 2021 and subsequently he was appointed as Director of the Human Resources Department with effect from 24 November 2021.
- xi. Mr. M D S N Gunatileka, Additional Director of the Department of Foreign Exchange, was appointed as the Additional Director of the Facilities Management Department with effect from 22 February 2021 and was subsequently appointed as the Additional Director of the Resolution and Enforcement Department with effect from 19 April 2021.
- xii. Mr. G C A Ariyadasa, Additional Director of the Regional Development Department, was appointed as the Additional Director of the Department of Foreign Exchange with effect from 22 February 2021.
- xiii. Dr. (Mrs.) T M R P Yatigammana, Additional Director of the Risk Management Department, was appointed as the Additional Chief Accountant of the Finance Department with effect from 19 April 2021.
- xiv. Dr. E W K J B Ehelepola, Additional Director of the Economic Research Department, was appointed as the Additional Superintendent of the Public Debt Department with effect from 27 April 2021.
- xv. Mr. W G Prabath, Additional Superintendent of the Public Debt Department, was appointed as the Additional Director of the Human Resources Department with effect from 27 April 2021.
- xvi. Mr. R R Jayaratne, Director of the Department of Foreign Exchange, was appointed as Director of the Security Services Department with effect from 10 May 2021.
- xvii. Dr. (Mrs.) A A I N Wickramasinghe, Additional Director of the Legal and Compliance Department, was appointed as Director of the Department of Foreign Exchange with effect from 10 May 2021.
- xviii. Dr. R A A Perera, Additional Director of the Domestic Operations Department, was appointed as Director of the Domestic Operations Department with effect from 27 July 2021.
- xix. Mr. J P Gamalath, Director of the Financial Consumer Relations Department, was appointed as Director of the Department of Supervision of Non-Bank Financial Institutions with effect from 21 September 2021.
- xx. Mr. J D S J Nanayakkara, Director of the Department of Supervision of Non-Bank Financial Institutions, was appointed as Director of the Financial Consumer Relations Department with effect from 21 September 2021.
- xxi. Dr. (Ms.) D S T Wanaguru, Additional Director of the Economic Research Department, was appointed as Director of the International Operations Department with effect from 28 September 2021.
- xxii. Dr. B H P K Thilakaweera, Additional Director of the Macroprudential Surveillance Department, was appointed as Director of the Foreign Remittance Facilitation Department with effect from 03 November 2021.
- xxiii. Mrs. K N N M Bandara, Director of the Human Resources Department, was appointed as the Secretary of the Central Bank with effect from 24 November 2021.
- xxiv. Mr. D M D B Dissanayake, Director of the Resolution and Enforcement Department, was appointed as the Director of the Security Services Department with effect from 24 November 2021.
- xxv. Mrs. E H Mohotty, Director of the Financial Intelligence Unit, was appointed as the Director of the Communications Department with effect from 24 November 2021.
- xxvi. Mr. M R Wijewardane, Additional Director of the Payments and Settlements Department, was appointed as the Director of the Payments and Settlements Department with effect from 24 November 2021.
- xxvii. Mr. J M Ameer, Additional Secretary of the Secretariat Department, was appointed as the Director of the Facilities Management Department with effect from 24 November 2021.
- xxviii. Dr. (Mrs.) H K J Ekanayake, Additional Director of the Statistics Department, was appointed as the Director of the Risk Management Department with effect from 24 November 2021.
- xxix. Mrs. D R Karunaratne, Additional Director of the Bank Supervision Department, was appointed as the Director of the Financial Intelligence Unit with effect from 24 November 2021.
- xxx. Mr. W M Priyankara, Additional Director of the Policy Review and Monitoring Department, was appointed as the Additional Director of the Financial Intelligence Unit with effect from 24 November 2021.

- xxxi. Dr. (Mrs.) W G S S J Keerthiratne, Additional Director of the Financial Intelligence Unit, was appointed as the Additional Director of the Legal and Compliance Department with effect from 03 December 2021.
- xxxii. Dr. (Mrs.) Y M Indraratna, who reported for duty after serving as the Alternate Executive Director at the International Monetary Fund, was appointed as the Director in charge of Special Projects attached to the Governor's Secretariat Department with effect from 13 December 2021.
- xxxiii. Mr. N Y D C Weerasinghe, Additional Superintendent of the Public Debt Department, was appointed as the Additional Director of the Regional Development Department with effect from 31 December 2021.
- xxxiv. Mr. D L Nihal, Additional Director of the Regional Development Department, was appointed as the Additional Superintendent of the Public Debt Department with effect from 31 December 2021.

16.7 Employees on Release

- (a) Dr (Mrs). Y M Indraratna, Staff Class Grade IV officer, to the International Monetary Fund as an Alternate Executive Director until 30 November 2021.
- (b) Mrs. S Ranasinghe, Staff Class Grade II officer released to the International Monetary Fund as an Administrative Assistant

16.8 Retirements/Resignations

During the year of 2021, a total of 44 officers retired from the Bank Service, including two Deputy Governors, four Heads of Department and one Deputy Head of Department. A total of 14 officers resigned from Central Bank service including one Additional Head of Department and two Deputy Heads of Department.

17. INFORMATION TECHNOLOGY

The Information Technology Department (ITD) continued to fulfill its dynamic role of contributing towards accomplishing the core objectives of the Central Bank, by providing enterprise level integrated Information Technology (IT) solutions and corporate services through secure infrastructure, despite the challenges of having to undergo a forced adaptation to new realities due to the COVID-19 pandemic.

During the year, ITD provided its services under the major areas of (a) Delivery of cost-effective application software solutions; (b) Continuous enhancement of IT infrastructure; (c) Contribution to establishment of state-of-the-art financial market infrastructure; (d) Strengthening of IT security and resilience; and (e) IT support and enhancement of competencies of the staff.

(a) Delivery of Cost-effective Application Software Solutions

ITD played a pivotal role in implementing a state-of-the-art Reserve Management System (RMS) for managing

the foreign reserves of the country. Further, in order to process other foreign currency (FX) related transactions, a separate system, Non-Reserve Management System (NRMS), was developed and implemented by ITD, facilitating the activities of the Payments and Settlements Department (PSD), the Finance Department (FD) and the Public Debt Department (PDD). This system manages FX transactions and facilitates financial messages required to process several types of foreign payments, including Asian Clearing Union related payments, foreign debt payments, Treasury payments, and other payments made by the Central Bank.

Stemming from a key strategic initiative of the Central Bank, ITD completed development of an International Transaction Reporting System (ITRS) for the collection of granular data on cross border and domestic foreign currency transactions from Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) for the purpose of enhancement of operational and policy decision making process. ITD also provided technical expertise to banks to ensure the successful implementation of ITRS.

Open Market Operations (OMO) settlement activities were enhanced through the implementation of a new web-based portfolio management module for PSD, with improved functionalities for securities allocation, authorisation, and report generation.

To strengthen the continuous supervision and examination process of financial institutions, the FinNet System was further enhanced to collect financial information in line with Sri Lanka Financial Reporting Standards (SLFRS-9) from LCBs, LSBs, Licensed Finance Companies (LFCs), and Specialised Leasing Companies (SLCs). In the same vein, Licensed Microfinance Companies (LMFCs) were also included to FinNet, enabling digital data submissions.

During the year, ITD also facilitated the implementation of a new website for the Centre for Banking Studies (CBS) together with an institute management system, to manage programmes and facilities of CBS through an automated, secure, and easy-to-use solution.

ITD provided the Employees' Provident Fund (EPF) Department with required technologies facilitating the implementation of a new web application, enabling extended employer and member services. This web application was launched along with the new and improved EPF website, supporting employers with online contribution payments through the Common Electronic Fund Transfer Switch (CEFTS) and facilitating automation of member account updates, providing convenience to both employers and members.

The Currency Management System (CMS) of the Currency Department (CRD) was integrated with currency

destruction machines. This eliminated the inefficiencies related to manually recording destructed currency notes in the CMS and improved the transparency and security of the destruction process.

In addition to the completed projects mentioned above, ITD initiated and progressed with several other new systems and enhancements vital to the mission of the Central Bank.

ITD initiated development of a new system for refinance, interest subsidy and credit guarantee schemes required by the Regional Development Department (RDD) to streamline the processing of loans.

The development of a deposit data collection tool to collect data from banks and finance companies required by the Resolution and Enforcement Department (RED) was also continued.

In order to monitor export proceeds received by the country, ITD commenced development of an Export Proceeds Monitoring System. This system will facilitate Department of Foreign Exchange (DFE) to monitor export proceeds repatriations for goods and services exports along with their conversion status.

To increase the efficiency of staff loan processing, ITD initiated development of a new and improved web based loan granting system for the Staff Services Management Department (SSMD).

ITD catered to special data requirements of departments and also facilitated audits carried out on software systems and related processes.

Further, ITD expanded the use of the Document Management System (DMS) by completing physical document digitisation processes in several departments, increasing personnel productivity related to document handling.

(b) Continuous Enhancements of the IT Infrastructure

IT infrastructure of the Central Bank was upgraded during the year to ensure all information systems are resilient and on par with latest technology advancements.

ITD continued setting up the new Head Office Data Centre to comply with the Telecommunications Industry Association (TIA) 942 Rated-3 standard.

In order to strengthen the security of the Disaster Recovery Site, ITD installed and configured new firewalls equipped with latest technologies.

The Virtual Private Network (VPN) of the Central Bank was enhanced by incorporating two-factor authentication and other secure connectivity mechanisms, complying with industry standards.

(c) Contribution to the Establishment of State-of-the-art Financial Market Infrastructure

Technical expertise was provided by ITD to several national level IT projects during the year.

ITD contributed to the modernization of the RTGS System by serving in the Technical Evaluation Committee (TEC) for the selection of a suitable vendor.

Further, ITD provided technical expertise for the ongoing financial market infrastructure development project to establish an Electronic Trading Platform (ETP), a Central Securities Depository (CSD), and a Clearing House (CH) with a Central Counter Party (CCP) solution.

(d) Strengthening IT Security and Resilience

ITD took measures to secure all IT assets of the Central Bank, while facilitating a secure Work from Home (WFH) environment for all employees of the Central Bank.

In addition to frequent vulnerability assessments performed internally on software applications, an assessment was also performed on the financial messaging network related IT infrastructure to ensure that the systems are well prepared for any cyber security threats. An external information security assessment was also carried out targeting the financial messaging network and other mission critical systems to ensure a high level of security. ITD also progressed with implementing a Security Incident and Event Management (SIEM) Analyser to strengthen the security posture of the Central Bank.

Virtual user awareness programmes were carried out to provide employees of the Central Bank with knowledge and guidance on usage of enterprise applications without compromising any security guidelines.

(e) IT Support and Enhancement of Competencies of the Staff

WFH arrangements were supported by ITD, in order to continue daily operations of the Central Bank, while ensuring secure access to systems, adopting industry best practices. ITD was able to simultaneously provide assistance to all help desk queries, and maintained a high level of availability of critical infrastructure (above 99.5 per cent), on par with industry standards, amidst diverse challenges.

In order to uplift the IT competencies of the staff and to nurture a more technologically savvy and threat-ready community within the Central Bank, ITD continued to publish awareness banners on the intranet and circulated security advisory alerts through email to the staff.

In addition, the staff of ITD actively participated in local and international webinars, virtual workshops, and conferences to enhance their skills and knowledge on IT advancements required to uplift the quality of IT systems and related infrastructure of the Central Bank.

18. INTERNAL AUDIT

The internal audit function has been in operation in the Central Bank since 1951. The vision, mission, scope of work, authority, responsibility, accountability, and independence of the Director and the staff of the Internal Audit Department (IAD) have been included in the Internal Audit Charter approved by the Monetary Board. In conducting audits, Global Standards are followed. A summary of the activities carried out by the Department during 2021 is given below.

18.1 Internal Audit Plans

Strategic Audit Plan for 2022 – 2024 and Annual Audit Plan for 2022 were compiled during the year.

18.2 Conduct of Audit Assignments

(a) Process Audits and Information Systems Audits

In 2021, process and information systems audits were conducted. Each audit engagement was carried out in four sequential steps, i.e. planning, performing, communicating audit results and taking resolution actions. A three-step process was followed for the communication of audit results, i.e. conducting closing conference with Auditee Department to get audit observations validated, issuing of draft audit report and issuing of final report. Implementation of audit recommendations by process owners was also followed-up during the year.

(b) Progress Reporting

Progress of the conduct of audit assignments was reported to the Monetary Board and the Monetary Board Advisory Audit Committee (AAC). Audit reports were submitted to the Superintendent of National Audit Office through the AAC.

(c) Submission of Internal Audit Reports to the Ministry of Finance

During the year, Internal Audit Reports were submitted to the Director General of the Management Audit Department of the Ministry of Finance as requested and in line with the National Audit Act No. 19 of 2018.

18.3 Awareness Programmes

IAD conducted an awareness programme for the Audit Coordinating Officers of the Bank on the "Internal Audit Facilitation Guidelines" in 2021. A Guest Auditor Presentation on Information Systems (IS) Audit was also conducted by an IS Audit professional for the benefit of IAD staff.

18.4 Facilitated the Monetary Board Advisory Audit Committee

AAC is a sub-committee of the Monetary Board which advises the Monetary Board on financial reporting, internal controls, internal audit, external audit and any other matters assigned by the Monetary Board. The Secretary to the Monetary Board is the Secretary to AAC. The Director of IAD functions as the

Assistant Secretary to the AAC. Accordingly, IAD provided secretarial facilities to the AAC during the year.

19. INTERNATIONAL OPERATIONS

In terms of the enabling provisions of the Monetary Law Act (MLA) No. 58 of 1949, the International Operations Department (IOD) is entrusted with performing the functions of managing official foreign exchange reserves and monitoring of the domestic foreign exchange (FX) market activities to ensure orderly and smooth operations of the domestic FX market.

19.1 International Reserves Management

IOD continued its foreign reserves management activities in line with the Investment Policy Statement and the Investment Guidelines approved by the Monetary Board, under the supervision of the International Reserves Investment Oversight Committee (IRIOC), taking into consideration the safety, liquidity and return objectives. Since 2016, the Central Bank has been managing foreign reserves in line with a model based scientific framework stemming from the asset and liability structure, which mainly considers the objectives of liquidity requirements, capital preservation, income generation and the risk tolerance of the Central Bank. Accordingly, foreign reserves of the Central Bank are objectively divided into three main tranches, and each tranche has distinctive investment horizons, asset compositions and currency compositions. Under these tranches, different portfolios are maintained.

However, traditional liquidity, safety and return exercises of the reserve management turned to a different edition since 2020, with a series of unprecedented events occurred with the outbreak of the COVID-19 pandemic. The possible stressed scenarios became simple realities to the entire globe with capital markets recording unnerving struggles with extreme volatilities. In an outset of this nature, the reserve management operations of the Central Bank were no exception. It was one of the most challenging years in known history, where the optimal reserve management operations were restrained and forced to adopt to situation and time specific approaches. With the declaration of a global pandemic situation with lockdowns, the external sector of the country was disturbed heavily as the tourism sector been completely halted, whilst the ratings of the country got revised downward.

In this context, the main revenue and credit generation sources of the country were dampened. Consequently, the Central Bank had to deploy foreign reserves constantly since April 2020, especially to settle dues on foreign currency debt obligations of the Government. This was an extremely challenging task for an emerging economy amidst an extremely volatile external setting, where the focus was primarily on liquidity management. In order to settle the debt obligations, the Government and the Central Bank executed extensive measures, i.e. execution of repo facilities with several central banks, change of asset compositions,

negotiations with other Governments in terms of financing facilities, restoration of different methodologies in settling debt payments and facilitating swap arrangements. In such a context, the adoption of usual reserve management policies deviated from the standard practices and focused on the country's specific foreign currency requirements, policy settings and the external circumstances.

Meanwhile, the Central Bank successfully implemented the new Reserve Management System (RMS) on 01 January 2022, replacing the system that was in operation from January 2014. The implementation process of RMS commenced in December 2020 and development, integration, designing, and parallel testing were carried out in 2021 to ensure the installation and commissioning of a sophisticated and the most pertinent system for the reserve management activities of the Central Bank. The new system is expected to bring several improvements in terms of reserve management of the Central Bank, including the introduction of performance and attribution tool, and the launch of advanced portfolio analytics and the risk management tool.

19.2 Performance Analysis and Facilitation Activities

Despite the sharp decline in foreign reserve levels, the Central Bank managed reserves and gross official reserves were compiled on a daily basis as usual, while assessing the performance of reserve management activities based on the total return approach and presenting the same to the Monetary Board on a quarterly basis.

With a view to provide a buffer even with short term foreign exchange liquidity until a buildup of official reserves is in place, IOD continued to negotiate and process several Bilateral Currency Swap Agreements (BCSAs) with regional central banks. Entering into a BCSA is a lengthy process, which involves numerous rounds of communications and negotiations between the providing party and the requesting party, in respect of legal provisions and financial terms, followed by approvals of the Monetary Board and the Cabinet of Ministers. Accordingly, the Central Bank entered into two BCSAs during 2021 with the People's Bank of China and the Bangladesh Bank in March and August 2021, respectively. Under the provisions of the BCSA with the Bangladesh Bank, a total of US dollars 200 million was drawn in three tranches and CNY 10 billion (equivalent to US dollars 1.5 billion) was drawn in December 2021 for a period of one year under the BCSA signed with the People's Bank of China, which is kept as a standby arrangement. Furthermore, discussions were held with several other regional central banks aiming at securing swap facilities.

Meanwhile, IOD conducted the annual review in terms of evaluating the adherence/compliance with Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) requirements of foreign counterparties for existing active counterparties in 2021, despite the extremely challenging global and local foreign exchange market conditions.

19.3 Domestic Foreign Exchange Market Developments

IOD continued its active engagement in monitoring of the domestic FX market activities and keeping the external value of the Sri Lanka rupee stable during the year, despite the challenging market conditions due to lingering issues stemming from the COVID-19 pandemic and the impact of continuous sovereign credit rating revisions by the global rating agencies. Since end of April 2021, banks mutually agreed to execute FX transactions within the USD/LKR exchange rate band of Rs. 200 - Rs. 203, in order to curb the depreciation pressure and market speculation on the exchange rate to a certain extent. Furthermore, since early September 2021, following the Governor's instructions to all banks to execute FX transactions within the USD/LKR exchange rate between Rs. 200 - Rs. 203, the average spot exchange rate in the domestic interbank FX market hovered within the specified range. Moreover, in order to address forex liquidity issues in the domestic FX market, the Central Bank implemented several new measures, where IOD had to actively engage in making such efforts successful. During 2021, the Central Bank instructed all Licensed Banks to sell a portion of converted export proceeds and converted workers' remittances to the Central Bank to strengthen the official foreign reserve position.

In terms of dissemination of information, IOD issued several press releases and conducted awareness programmes to banks as and when necessary. IOD continued to publish the indicative exchange rate for the US dollar along with indicative exchange rates for fifty-six other world currencies. IOD also published average Telegraphic Transfer (TT) buying and selling exchange rates of Licensed Commercial Banks (LCBs) against the Sri Lanka rupee for nine major currencies, on the Central Bank website, on a daily basis. Further, IOD facilitated the requests of various government institutions and other stakeholders, including the general public, by providing necessary exchange rate related data. Meanwhile, to ensure high standard of market conduct, IOD strengthened measures to quell any speculative behaviors of LCBs and to revise the Net Foreign Exchange Open Position (NOP) limits applicable to respective LCBs on temporary and case-by-case basis in 2021, to facilitate smooth functioning of the domestic FX market. At the same time, appropriate regulatory actions were taken against market participants, as necessary, for misconduct or misbehavior in the domestic FX market.

In observing market sentiments, IOD, as per its entrusted responsibility of ensuring the orderly conduct of the domestic FX market, provided its recommendations to curb undue volatility in the exchange rate, while continuing to provide its views, observations and recommendations on possible implications of various policy proposals and regulations, and related matters suggested by other departments of the Central Bank as well as external organisations throughout the year 2021.

IOD continued to be the Secretariat of the Market Operations Committee (MOC) and provided the same with all relevant information to make effective recommendations. IOD also provided its insights on the developments in terms of the domestic foreign exchange market and official reserves to the Monetary Policy Committee (MPC). Especially, the Monetary Board was continuously apprised and provided appropriate recommendations, highlighting concerns and way forward on the developments in the domestic foreign exchange market in a timely manner. IOD also delivered presentations and submitted several notes to the senior management on the recent developments in the domestic FX market and foreign exchange requirements as and when required. In 2021, IOD continued to engage with market participants, including customers, to address their foreign exchange related concerns, while assisting to ensure the uninterrupted supply of essential imports, including oil, gas, coal, pharmaceuticals and other essential food commodities, enabling the economy to function as smoothly as possible, amidst the FX liquidity shortage that prevailed in the domestic FX market.

Moreover, with the objective of attracting more FX inflows to the country and thereby to improve the liquidity in the domestic FX market, the Government together with the Central Bank, offered several incentives for workers' remittances channeled through formal banking sector. The public were also incentivized with a number of measures, including an additional Rs. 10 per US dollar when converting their foreign currency notes into Sri Lanka rupees. The implementation of these incentives was promptly facilitated by IOD.

Meanwhile, IOD continued to provide its contribution and inputs to the Capital Market Development Project (CMP), which is to be implemented by the Central Bank, aiming at developing the domestic FX market, while improving the market monitoring activities, and through the implementation of an electronic trading platform for domestic FX market, the independent price discovery and the market liquidity are expected to improve.

20. LEGAL AND COMPLIANCE

The Legal and Compliance Department (LCD) was established with a view to safeguarding the interests of the Central Bank whilst enhancing the level of compliance and governance standards thereof. LCD is charged with the duty of introducing law reforms to the financial sector namely, developing new laws, incorporating suitable amendments to the existing laws administered by the Central Bank, and strengthening the regulatory and supervisory framework thereof. In 2021, despite the challenges faced by the Central Bank due to the COVID-19 pandemic, LCD continuously contributed to perform a wide array of activities of the Central Bank, which could be summarised as follows.

LCD engaged in reviewing and introducing major legislation administered by the Central Bank, including the new Banking Act and the amendments to the Finance Business Act No. 42 of 2011. Such reforms will be essentially required to provide a stronger legal foundation for the regulatory and supervisory framework of the Central Bank. The second round of discussions pertaining to the proposed Banking Act has been concluded in 2021 to further strengthen and streamline the provisions thereof on par with the international standards. The amendments proposed to the Finance Business Act will also enhance regulatory and supervisory powers of the Central Bank over non-bank financial institutions including the resolution authority of the Central Bank.

In addition to the major legislative enactments as aforesaid, LCD was largely involved in developing new legislation namely, the Trading, Clearing and Netting Act, Financial Assets Management Agency Act and Microfinance and Credit Regulatory Authority Act. The Financial Assets Management Agency Act was aimed at introducing a concept based legal framework to establish financial asset management companies in Sri Lanka with a view to easing the burden of the balance sheets of regulated financial institutions due to underperforming assets. The new Microfinance and Credit Regulatory Authority Act was drafted to establish a separate regulatory authority for the regulation and supervision of business of money lending and business of microfinance and to ensure consumer protection in respective businesses. LCD continuously engaged in the above process during 2021.

With a view to facilitating the Capital Market Development Project undertaken by the Central Bank, initiatives were taken to introduce a new Trading, Clearing and Netting Act for Sri Lanka. It primarily aimed at introducing a comprehensive legal and technology infrastructure designed to transform the markets for government securities and foreign exchange into safer, modern, competitive and fair marketplaces supported by modern post-trade clearing, central counterparty systems, multi-currency Real Time Gross Settlement System etc. LCD engaged in this project throughout the year. Simultaneously, amendments were proposed to the Registered Stock and Securities Ordinance No. 7 of 1937 and subsidiary legislation issued thereunder to strengthen the issuance of Treasury Bonds and to restore the public confidence on government securities market in Sri Lanka.

Apart from that, LCD reviewed several pieces of legislation, which are relevant to the Central Bank and the financial sector drafted by several other stakeholders, such as the Colombo Port City Economic Commission Bill, Coronavirus Disease 2019 (COVID-19) (Temporary Provisions) Bill, Finance Bill, Data Protection Bill, proposed amendments to the Foreign Exchange Act, National Savings Bank Act, and the Bank of Ceylon Ordinance, etc. In doing so, LCD assessed the impact of such enactments/amendments to the existing regulatory and supervisory framework of the Central Bank given the national importance embedded therein.

During 2021, LCD engaged in revisiting the governance-driven policies of the Central Bank namely, whistle blowing policy, codes of conduct applicable for Central Bank staff and the members of the Monetary Board. Meanwhile, LCD as the focal point of the compliance function of the Central Bank promptly attended to compliance requirements of foreign counterparties of the Bank and conducted annual Know Your Customer/Customer Due Diligence reviews pertaining to such counterparties to ensure their compliance when engaging in foreign exchange operations of the Central Bank.

In order to ensure the Central Bank's compliance with provisions of the Right to Information Act No. 12 of 2016 (RTI Act), the RTI Unit of LCD handled 144 information requests and 13 appeals relating to the Central Bank under the RTI Act during 2021. Further, LCD defended the Central Bank before the RTI Commission. The RTI Unit of LCD dealt with information requests received from citizens and entities established in Sri Lanka in a prompt manner, notwithstanding the challenging effects of the COVID-19 pandemic such as frequent lockdowns, travel restrictions, and work from home protocol, etc.

The year 2021 was a crucial year for the Central Bank as several lawsuits were initiated by third parties against some of the policy initiatives taken by the Bank to alleviate the impact of COVID-19. Debt moratoriums on affected sectors of the economy, rules issued under the Monetary Law Act No. 58 of 1949 to augment repatriation of export proceeds into Sri Lanka, and winding-up of failed finance companies whose licences have been cancelled by the Monetary Board, etc. were such initiatives challenged in courts during 2021. LCD handled all such litigations in a successful manner liaising with relevant authorities.

LCD cooperated with other affiliated departments of the Central Bank to develop and amend subsidiary legislations such as Directions, Regulations, Guidelines, Orders, Rules pertaining to their operations. LCD advised and provided recommendations for such departments, especially focusing on the legal and/or compliance risk that would be associated therewith.

Officers of LCD have largely contributed to the awareness programmes conducted by the Central Bank to enhance the financial inclusiveness of the country. The contribution of LCD was focused on the Central Bank legal and regulatory framework, prohibited schemes, unauthorised finance business, issues relating to finance leasing, hire purchase, and financial consumer protection, etc. Moreover, officers of LCD served on several special committees set out for various subject matters; such as, Steering and Technical Evaluation Committees for Procurement and Implementation of a New Real Time Gross Settlement System, the Committee on national financial inclusion strategy of Sri Lanka etc. pertaining to the activities of the Central Bank and the financial sector during 2021.

21. MACROPRUDENTIAL SURVEILLANCE

The Macroprudential Surveillance Department (MSD) conducts a vast array of analyses on possible systemic risks affecting the financial sector with a view of facilitating the Central Bank to achieve financial system stability, which is one of the core statutory objectives of the Central Bank. Such analyses compliment the microprudential regulation and supervision, which is also an approach followed by central banks in maintaining financial system stability. In this process, MSD conducts systemic risk analysis by using data provided by financial institutions and MSD also gathers data from a myriad of other sources as and when necessary. In addition, MSD conducts stress testing under plausible adverse scenarios to ensure the resilience of the financial system against any adverse shocks. These analyses contribute to the forward-looking policy formulation process of the Central Bank to mitigate and/or avoid systemic risk to maintain financial system stability. A summary of the main activities undertaken by the MSD during 2021 is given below.

(a) Macroprudential Surveillance

MSD conducted analyses on risks emanating from global and domestic macroeconomic developments, financial institutions and financial markets using the data reported by regulated financial institutions and data collected by MSD from several other sources. Analysis on data related to household and corporate sector debt dynamics in order to identify the impact from such sectors to the financial sector was also conducted by the MSD. In addition, MSD continued to compile a number of composite financial system stability indicators based on the stability and soundness of different subsectors of the domestic financial system, while taking steps to improve the reliability of these indices. Consequent to such analysis, a number of board papers including quarterly risk assessments were submitted to the Monetary Board containing risk assessments which highlight possible threats to the stability of the financial system, and other contemporary concerns regarding financial system stability with policy recommendations during 2021.

(b) Stress Testing Framework

MSD continued with the Technical Assistance (TA) obtained from the International Monetary Fund (IMF) in 2020 to expand the width and depth of the macroprudential surveillance framework in Sri Lanka. With the help of the TA, MSD developed a new dynamic solvency stress testing framework for banks which provides inferences to make proactive policies to assure system stability. The new bank solvency stress test model provides a macroprudential perspective by assessing resilience of the financial system as a whole under hypothetical scenarios. The macroprudential perspective emphasises, in particular a systemic viewpoint that ultimately links key sources of risk, transmission mechanisms and vulnerabilities in the

banking system to the real economy and vice versa. The framework thus differs from supervisory stress tests that focus predominantly on resilience of individual institutions. The Bank solvency stress tests are an integral part of central banks' macroprudential policy. MSD involved in data collection and maintaining the data infrastructure, generating stress testing scenario with a set of applied tools, and execution of the quantitative toolkit which embodies risk modules with transmission mechanisms accommodating envisaged shocks to the banks' balance sheets and resilience. With the view of building the banking sector capacities to facilitate data collection, a descriptive user guide has been developed and several virtual training sessions were conducted.

The TA also entailed establishment of liquidity stress testing framework for the banking sector through which the resilience of the banking system to liquidity shocks will be assessed. Maturity Ladder Template has been developed by MSD in consultation with BSD to bridge the data gap and to perform liquidity stress testing. The template identifies cash inflow-outflow mismatches and counterbalancing capacities of financial assets and financial liabilities denominated in major reporting currencies and their respective maturities. During 2021, a pilot data collection and the first round of formal data collection were conducted while technical implementation of liquidity stress testing has been concluded. It is envisaged to conduct the pilot liquidity stress testing and present the results to the Financial System Stability Committee in early 2022.

(c) Surveys and Data Collection

MSD continued to conduct the Systemic Risk Survey (SRS) on a biannual basis during the year. SRS is a forward-looking survey which quantifies and tracks market participants' perceptions on the potential risks to financial system stability signaling any build-up of systemic vulnerabilities and perceived probability of a high impact event. Materialisation of these risks could potentially disrupt the financial intermediation process and affect the public confidence on the financial system stability. Further, SRS helps to validate the internal assessments of MSD on vulnerabilities of the financial system.

(d) Contributing to Statutory Reports and Other Publications of the Central Bank

The Financial System Stability Review (FSSR): To present an independent evaluation of risks and vulnerabilities faced by the Sri Lankan financial sector and to discuss risk mitigation measures adopted, MSD publishes the FSSR. The FSSR contains five chapters, namely, Macrofinancial Conditions; Financial Markets; Financial Institutions; Household Sector & Corporate Sector and Financial System Infrastructure. MSD drafted the FSSR 2021 which will be published in early 2022.

Statutory Publications: MSD continued to contribute to key publications of the Central Bank via coordinating and compiling the Chapter on "Financial Sector Developments and Stability" of the Central Bank Annual Report 2020 and the "Recent Economic Developments 2021". Further, MSD contributed to the formulation on the section related to the financial system of the September 15th Report which is a confidential report submitted to the Minister in charge of Finance. In addition, MSD also contributed to other publications of the Central Bank by way of compiling financial sector data and providing analyses on subsectors of the financial system.

(e) Conducting Corporate Sector and Household Sector Analysis

MSD conducts the assessment of Corporate Sector Vulnerabilities based on data collected from non-financial listed companies in the Colombo Stock Exchange. This analysis is focused on assessing the dynamics of corporate sector which is regarded as early warning indicators of economic downturn and financial vulnerabilities as macroeconomic and financial sector developments affect corporate sector performance and balance sheets. The solvency of corporates was assessed to identify the spillover effects of corporates' balance sheets on financial institutions.

Surveillance of household and institutional sector debt to identify plausible build-up of systemic risks in the financial system is an important aspect in the area of Macroprudential Surveillance. This analysis assesses the corporate & government sector and household sector vulnerabilities using the data received from Credit Information Bureau (CRIB). The CRIB provides quarterly data on outstanding credit of the banks and LFCs/SLCs sector on aggregate basis which is used for this analysis.

(f) Coordination of Committees on Financial System Stability

Financial System Stability Committee (FSSC): MSD functioned as the secretariat of the FSSC, which is an interdepartmental forum in the Central Bank established for the identification of risks affecting the financial sector and to facilitate discussion of measures to mitigate risks and strengthen the inter-departmental coordination efforts to promote financial system stability. Eight FSSC meetings were held during 2021. MSD presented its Quarterly Risk Assessment (QRA) reports at FSSC meetings to obtain the views of the members and QRAs were submitted to the Monetary Board along with the recommendations proposed and endorsed by the FSSC members.

Financial System Stability Consultative Committee (FSSCC): MSD provides the secretarial services to the FSSCC which is comprised of key personnel from external sector institutes in the Sri Lankan financial system. FSSCC was reconstituted in September 2021 by appointing

new members while some of the existing members were discontinued from the committee. Six FSSCC meetings were held during the year. The policy suggestions provided by the FSSCC is informed to the Monetary Board by MSD.

Financial System Oversight Council (FSOC): MSD took over the secretariat function of FSOC which is an inter-regulatory committee from the Bank Supervision Department at the latter part of 2021 as the Terms of Reference of the FSOC was amended incorporating macroprudential aspects. Accordingly, MSD will provide secretariat services to the FSOC in future.

(g) Coordination with International Agencies

MSD as the coordinating department of the Financial System Stability cluster engaged with the IMF in responding to the Macroprudential Survey. Further, as a member of the steering committee on implementing the Sustainable Finance Road Map, MSD coordinated the initiatives on developing the Sustainable Finance Taxonomy with the International Finance Corporation (IFC), World Bank Sustainable Banking Network and the United Nations Development Programme (UNDP). MSD facilitated in liaising with stakeholders, sustainable development finance experts and the technical experts in developing the green finance taxonomy via organising stakeholder meetings and collating responses for green finance questionnaire during 2021.

22. PAYMENTS AND SETTLEMENTS

The Payments and Settlements Department (PSD) discharges the responsibilities entrusted to the Central Bank under Section 62A of the Monetary Law Act, No. 58 of 1949, which gives the authority to the Central Bank to establish and operate systems for transfer of funds, settle payment obligations and issue system rules to participating institutions. In addition, the statutory mandate entrusted to the Central Bank under the Payment and Settlement Systems Act, No. 28 of 2005, to regulate and oversee the payment and settlement systems, and to implement the national payment system policy with the objective of ensuring safety, efficiency, competitiveness and stability of the payment and settlement systems in Sri Lanka, is also carried out through PSD.

Main functions carried out by PSD are operations of the Real Time Gross Settlement System, providing back-office service for financial transactions, management of the SWIFT Communication System, facilitating transactions under the Asian Clearing Union (ACU), regulation and oversight of Payment and Settlement Systems (PSS). A summary of the functions performed by PSD during 2021 is given below.

22.1 Operations of the Real Time Gross Settlement System

PSD continued to operate the Real Time Gross Settlement (RTGS) System, which settles time critical large value inter-

participant payments as well as customer payments on real time gross basis. In order to ensure smooth functioning of the RTGS System, PSD facilitated and monitored the provisioning of the Intraday Liquidity Facility (ILF) to the Participating Institutions (PIs) which requested extra funds. PIs of the RTGS System are the Central Bank, 24 Licensed Commercial Banks (LCBs), 7 standalone Primary Dealers (PDs), Employees' Provident Fund and the Central Depository System of the Colombo Stock Exchange. During 2021, the RTGS System settled 449,828 transactions to a total value of Rs. 294,602 billion. The average volume and value of RTGS transactions settled per day were 1,867 and Rs. 1,222 billion, respectively. With regard to ILF operations, on average, Rs. 208.5 billion per day was released to PIs. Adhering to international best practices, system availability of the LankaSettle System, which consists of the RTGS System and LankaSecure System was maintained at a high level of 99.9 per cent on average during the year.

22.2 Providing Back-office service for financial transactions of the Central Bank

(a) Back-office service for Foreign Exchange Transactions

During 2021, PSD settled 9,712 transactions relating to foreign exchange trading and funding, money market, fixed income securities, gold trading, Asian Clearing Union, and Repo/Reverse Repo amounting to US Dollars 163.05 billion.

(b) Back-office service for Open Market Operations

The settlement of open market operations related transactions with LCBs and PDs was carried out to facilitate the management of market liquidity. Accordingly, during 2021, PSD effected and facilitated 387 Repo transactions amounting to Rs. 1,576.8 billion, 4,961 Standing Deposit Facility transactions amounting to Rs. 29,297.06 billion, 1,797 Reverse Repo transactions amounting to Rs. 28,892.6 billion, and 14 Outright Sale transactions amounting to Rs. 14.35 billion.

22.3 Management of the SWIFT Communication Network

PSD maintained the SWIFT system on behalf of all users of the Central Bank in accordance with the procedures laid out by the SWIFT Headquarters such as governance arrangements, structures, processes, risk management procedures and controls. To maintain robust connectivity (both globally and locally) and provide an efficient and secure financial messaging service, the Central Bank obtained connectivity to SWIFT-Net via Lanka Financial Services Bureau Ltd. New mandatory and security updates were carried out annually and quarterly to strengthen the SWIFT interface and to provide a highly secure and more efficient service for SWIFT users in line with the international standards for the facilities provided by the SWIFT service during the year 2021. Further, SWIFT is in the process of adhering to the mandatory requirement of ISO 20022 standards for message formats from MT to MX categories.

22.4 Facilitating Transactions under the Asian Clearing Union (ACU)

PSD continued to facilitate the settlement of eligible transactions with respect to trade and other transactions among member countries of the ACU through respective central banks on a multilateral net basis in US dollars during the year 2021. The total number of transactions effected through the ACU mechanism was 6,307 and the value of total transactions was Rs. 714.4 billion. The value of net settlement made under the ACU mechanism was Rs. 581.9 billion. The 49th meeting of the Board of Directors of ACU and the Standing Technical Committee meeting of ACU which were organised by the Reserve Bank of India (RBI) were held virtually in May 2021.

22.5 Regulation and Oversight of Payment and Settlement Systems (PSS)

PSD facilitated introduction of new payment technologies and continued its regulatory and oversight activities to ensure safety and efficiency of the electronic payment systems. Accordingly, the following major activities were carried out by PSD during 2021.

- (a) In order to promote implementation of LANKAQR for retail payments, a nation wide rollout campaign was launched on 25 October 2021. In addition, PSD participated in the events organised by financial institutions to popularise the usage of LANKAQR. Considering the need of encouraging more merchants to join the LANKAQR initiative, the reduced rate of 0.5 per cent maximum Merchant Discount Rate (MDR) was extended till 31 December 2021.
- (b) The maximum per transaction value of JustPay, which is a Mobile Application based payment solution for low value payments operated by LankaClear (Pvt) Ltd. was increased to Rs. 50,000 with effect from 01 February 2021.
- (c) Evaluated applications and issued licences to two financial institutions to issue debit cards as service providers of payment cards, in terms of the provisions of the Payment Cards and Mobile Payment Systems Regulations No. 1 of 2013. In addition, approval was granted to several product enhancements submitted by Licensed Operators of Mobile Phone based e-money systems. Conducted on-site and off-site supervision on Licensed Operators of Mobile Phone based e-money systems to ensure reliability and smooth functioning of the said systems.
- (d) Completed the development of POCs for the Blockchain based shared Know Your Customer (KYC) solution and successfully concluded the testing with LCBs that were interested in joining the testing of POC. The final report was presented to the Governor in October 2021.
- (e) Internal committees appointed within PSD to study Digital Banking, Artificial Intelligence and Central Bank Digital Currency completed their studies and submitted their reports to the Governor.

- (f) Drafted a Regulation to regulate and supervise Money or Value Transfer Service Providers and submitted the Monetary Board approved Regulation to the Ministry of Finance for the signature of the Minister.
- (g) Conducted the self-evaluation to assess the compliance of the RTGS System with Principles for Financial Market Infrastructure and submitted the report to the World Bank for independent assessment.
- (h) Evaluated the Business Continuity Plans of the LankaSettle participants and LankaClear Pvt. Ltd. (LCPL) in order to ensure their ability to continue business operations in a contingency situation.

22.6 National Payment Council

The National Payments Council (NPC), which is the industry consultative and monitoring committee on payment systems had six meetings during the year 2021, and PSD functioned as the secretariat of NPC. In 2021, NPC monitored the progress of implementing the Road Map for 2020-2022 and the progress of committees appointed to focus on new technologies and concepts such as digital payment platforms, virtual currencies, open banking and to decide the way forward of the 'Digital Year' programme. Committees appointed to study virtual currencies and open banking submitted the reports to NPC. Considering the increased involvement of finance companies in the digital payment eco system, two members were appointed to represent the non-bank financial sector in the NPC. In addition, as the regulator of the non-bank financial sector, Director, Department of Supervision of Non-Bank Financial Institutions was also appointed as a member of NPC.

22.7 Public Awareness

PSD continued to publish the quarterly "Payments Bulletin" on the Central Bank website for dissemination of information and statistics on payment and settlement systems operating in the country. In addition, PSD conducted awareness programmes on a need basis and issued press notices to educate the general public and the banking community on payment systems and other related issues.

23. POLICY REVIEW AND MONITORING

The Policy Review and Monitoring Department (PRMD) facilitates the strategic planning process of the Central Bank, aligning departmental functions towards achieving the core objectives of the Bank. Accordingly, PRMD facilitates formulation of bank-wide strategies and Departmental Action Plans and compiles the Strategic and Action Plan for the forthcoming year which is made available as an e-document for the information of the internal staff. Periodic reviews are conducted to evaluate the progress made in implementing the plan. In this regard, PRMD conducts the annual Strategic Planning Retreat (SPR) and quarterly reviews on Departmental Action Plans with each department. Progress of individual Departmental Action Plans are reported to the Corporate Management Committee

(CMC) for its review and subsequently to the Monetary Board for required guidance.

PRMD also conducts policy studies/surveys on current issues of importance and/or any other subject area assigned by the management related to activities of the Central Bank to assess the effectiveness of policies implemented in an independent manner.

23.1 Strategic and Action Plan 2021 of the Central Bank

The Strategic and Action Plan of the Central Bank 2021 consisted of annual targets for 2021 and was launched by the Governor at the New Year Work Commencement Ceremony held on 01 January 2021.

23.2 Progress Monitoring and Review

In 2021, PRMD conducted Review Meetings quarterly, to assess the progress of implementation of Departmental Action Plans in terms of the level of achievement of outputs planned on a quarterly basis under each Key Performance Indicator and reported to the management and the Monetary Board.

23.3 Policy Review

Two policy studies were conducted during the year to assess the effectiveness of the Work from Home arrangement adopted by the Central Bank during the pandemic and to assess the effectiveness of the Library and Information Centre of the Central Bank as the Central Knowledge Hub in terms of achieving its objectives.

23.4 Virtual Panel Discussion on "Central Banking in Challenging Times"

PRMD in collaboration with Economic Research Department organised a virtual panel discussion on "Central Banking in Challenging Times" with three eminent internationally recognised professionals as the panelists. Topics which are timely and with a common interest for central banks such as the role of a central bank in financing their respective economies and governments during the pandemic situation and its limitations, need for greater financial inclusion, rapid adoption of new technologies, and the role of international financial organisations during the pandemic were deliberated in this discussion. The importance of maintaining exchange rate stability, external reserves, low interest rates, and low inflation were also extensively discussed.

23.5 Facilitation of Achievement of Sustainable Development Goals Applicable to the Central Bank

PRMD facilitated the Coordinating and Monitoring Committee appointed to align and monitor Sustainable Development Goals (SDGs) in identifying the activities/indicators coming under the purview of the Central Bank. Information with respect to the SDG indicators was provided

to the Sustainable Development Council. PRMD represented the Central Bank at the Voluntary National Review on SDG implementation at the Sri Lanka Stakeholders Consultative Workshop in 2021.

24. PUBLIC DEBT

The Public Debt Department (PDD) is responsible for discharging statutory obligations of the Central Bank, as the agent of the Government for management of public debt in terms of section 113 of the Monetary Law Act (MLA) No. 58 of 1949. Accordingly, PDD was established on 28 August 1950 at the inception of the Central Bank. The strategic priority of PDD is to ensure that the government's financing needs are met at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk, adhering to best standards and practices of the government securities market.

In achieving this strategic priority, the key functions of the PDD include, but are not limited to,

- i. formulation and implementation of a sound debt management strategy to improve the debt profile of the government;
- ii. raising funds in line with the gross borrowing requirement of the Government as per the Appropriation Act or other relevant legislation/authorisations accessing both domestic market and the international capital market through issuances of securities based on conducive market conditions and in concurrence with the Ministry of Finance;
- iii. Servicing of Government debt accurately and on time as instructed by the General treasury.
- iv. developing the government securities market by deepening and broadening the secondary market for government securities thereby increasing the demand for government securities;
- v. maintaining the LankaSecure system where the title registry of government securities are managed in order to facilitate smooth functioning of the settlement of market transactions in government securities;
- vi. undertaking analytics on debt dynamics for risk management of the Central Government debt portfolio and communicating with stakeholders appropriately.

24.1 Raising of Funds to Meet the Government's Gross Borrowing Requirement

- (a) The Government's borrowing requirement in 2021 was met primarily through the issuance of Treasury bills, Treasury bonds, and Sri Lanka Development Bonds (SLDBs).
- (b) The shift in investor preferences towards short term securities and recourse of the Government at times of

cash flow volatilities resulted in a significant increase in Treasury bill issuances, and the issuances in relatively shorter tenure Treasury bonds and SLDBs led to a marginal decline in Average Time to Maturity (ATMs) across all three instruments compared to the previous year.

- (c) During 2021, PDD was able to double the issuances of SLDBs compared to 2020, to gradually phase-off a part of external debt.
- (d) Despite challenging market conditions, and to offset the impact of higher Treasury bill issuances, PDD diligently issued Treasury bonds to raise substantive volume of finance and thereby maintained ATMs at satisfactory levels in 2021.
- (e) An abridged table of activities under each of the source of funds is given in Table II-16.

24.2 Servicing of Government Debt

A total of Rs. 2,375.6 billion debt service payments was facilitated during 2021 which includes domestic debt service payment of Rs. 1,590.1 billion and foreign debt service payment of Rs. 785.5 billion.

In servicing domestic currency debt, 224 International Securities Identification Numbers (ISINs) were processed during 2021 as coupon and maturity payments. Comparatively, 215 ISINs were processed during the year 2020. Similarly, in servicing foreign currency debt 1,836 foreign loans were processed in 2021 compared to 1,894 foreign loans processed in 2020.

24.3 Maintenance of the Title Registry in Government Securities

The Title Registry of scripless government securities is recorded in the Central Depository System (CDS) which ensures the safekeeping of government securities. The total holdings in scripless securities as at end December 2021 amounted to Rs. 9,238.6 billion in face value. This consisted of Rs. 2,270.7 billion in Treasury bills and Rs. 6,967.9 billion in Treasury bonds. The number of registered CDS accounts holders as at end December 2021 was recorded at 96,825.

Periodic statements to CDS account holders on their holdings, transactions and payments were sent continuously throughout the year. PDD sent 1,458 statements in electronic form and

15,270 semi-annual statements of holdings, 35,452 monthly statements of transactions, and 14,320 payment statements by post to CDS account holders during 2021.

The real-time notification facility for CDS account holders, which was introduced in 2019, delivers real-time notification for each and every debit and credit record of scripless securities carried out in each Securities Account, by way of an SMS or/ and e-mail alert to such CDS account holders who have opted for the facility. During the year, LankaSecure sent 147,744 emails and 47,561 SMS alerts as real-time notifications compared to 129,941 and 40,063 respectively in 2020.

In addition, CDS account holders were provided with the facility to view account details online, among other facilities introduced to enhance the safety features of government securities investments.

24.4 Facilitation of the Settlement of Government Securities

CDS together with the Scripless Security Settlement System (SSSS) constitutes the LankaSecure system which is operated and maintained by PDD. SSSS provides the settlement services for the primary and secondary market transactions in government securities. PDD plays a main role in facilitating settlement of transactions in government securities by ensuring uninterrupted real-time operation of LankaSecure system.

The LankaSecure system consists of 31 Dealer Direct Participants (24 licensed commercial banks and 7 primary dealer companies) maintaining accounts on their own behalf and on behalf of their customers who are the investors of government securities and 3 Direct Participants (Central Bank of Sri Lanka, Colombo Stock Exchange and Employees' Provident Fund) who hold accounts on their own behalf only.

24.5 Debt Management Initiatives and Market Developments

In order to enhance the efficiency, effectiveness and transparency while meeting the required resources through appropriate sources, with the purpose of developing the government securities market, following initiatives were undertaken during 2021.

Table II-16
Instruments and Issuance Performance 2020 and 2021

Instrument	2020				2021			
	Issuances Rs. billion	WAYR (%)	ATM (Years)	No. of Auctions	Issuances Rs. billion	WAYR (%)	ATM (Years)	No. of Auctions
Treasury bills (a)	2,590.5	5.8	0.6	52	3,821.4	6.1	0.5	53
Treasury bonds	1,332.1	7.4	5.3	15	1,762.0	8.7	5.1	22
	Issuances USD million	WAYR (%) (b)	ATM (Years)	No. of Auctions	Issuances USD million	WAYR (%)	ATM (Years)	No. of Auctions
Sri Lanka Development Bonds	507.0	6.2 [4.2]	1.7	7	1,041.3	7.3	1.5	5

WAYR: Weighted Average Yield Rate/ Cost; ATM: Average Time to Maturity
(a) Gross Treasury bill issuance including Treasury bills issued to Central Bank.
(b) Values in [] indicate the WAYR of Spreads above the LIBOR for Floating Rate SLDBs. No floating rate SLDBs were issued in 2021.

(a) Prudent Debt Management Strategy

The share of debt maturing within one year increased marginally in 2021, having to rely more on Treasury bills during the COVID-19 pandemic period to facilitate the increased cashflow requirement of the Government to ensure smooth functioning of critical government services during the pandemic while also maintaining timely servicing of debt obligations.

In executing its responsibilities as the agent of the Government for managing the public debt, PDD took necessary actions to keep the relevant Government and policy authorities informed about the mounting challenges in meeting debt service payments, particularly the foreign currency debt service payments in the medium term, given the unfavourable international capital market access conditions in the midst of the COVID-19 pandemic, less liquidity for securities issued by developing market economies, rating downgrades and elevated secondary market yield levels of International Sovereign Bonds (ISBs) and keeping policy authorities alerted of possible measures and sources to rely upon until market conditions improve.

Less reliance on government financing from foreign sources compared to domestic sources during the year resulted in an improvement in the Average Time to Maturity (ATM) in foreign currency denominated debt by end 2021 compared to end 2020, while lowering the foreign currency debt exposure during 2021 despite challenging circumstances.

(b) Introduction of Trade Reporting

Measures were taken to record all secondary market trades of government securities on the trade date to enhance and strengthen the secondary market trading practices and to improve the reliability of trading practices of government securities as well as to increase investor safety and confidence.

Accordingly, all participants of the LankaSettle System were required to report details of all trades on the trade date to Central Bank, effective from 01 April 2021.

(c) Cessation of Publication of Maximum Yield Rate of Acceptance at Treasury Bill and Treasury Bond auctions

Facilitating the Government's policy of maintaining a low interest rate environment to stimulate the economic growth and to minimise the borrowing cost during the COVID-19 pandemic, PDD with the concurrence of the Monetary Board, introduced the maximum yield rate for acceptance for all maturities offered at Treasury bill and Treasury bond auctions effective from 06 May 2020. However, in view of the bottoming out of the yield rates and the partial acceptance in spite of the elevated yield rates at the primary auctions, publication

of the maximum yield rate of acceptance at the Treasury bill and Treasury bond auctions was ceased effective from 22 September 2021. The measure was also introduced to gradually phase off holdings of Central Bank Treasury bills and to raise required funds with a positive real return on investment.

(d) Increasing the Minimum Acceptance at Phase I of the Treasury Bond Issuance System that Triggers the Mandatory Allocation in Phase III

Imposition of Phase III at the Treasury bond primary auctions, where any shortfall from a particular series offered at the primary auction that persists after the conclusion of Phases I and II is allocated amongst the Primary Dealers (PDs) on a mandatory basis, was suspended with the commencement of publication of the maximum yield rate of acceptance. This was re-enacted with the cessation of the maximum yield rate of acceptance arrangement, albeit with the minimum acceptance requirement at Phase I that triggers the Phase III being increased to 80 per cent from 70 per cent. With the aforesaid increase, establishment of a market cleared price/yield for fair mandatory allocation among PDs at Phase III was further ensured.

(e) Limitation of Initiation of Phase III at Primary Auctions Only to Treasury Bonds with a Remaining Maturity of Maximum 5 Years

With the view of further facilitating a dynamic and vibrant secondary market for government securities, initiation of Phase III at primary auctions was limited only for Treasury bonds with a remaining maturity of less than 5 years. This initiative was also expected to address the concerns of market participants to trade longer tenure maturities allocated via mandatory allocation at Phase III, at times of significant shift in market demand for longer tenure maturities in the secondary market. Phase III was not initiated at Treasury bond auctions held during 2021.

(f) Establishment of Direct Issuance Windows for Treasury Bonds and SLDBs

With the aim of further ensuring that the funding requirement of the General Treasury is fully accommodated at the primary auctions, Direct Issuance Windows (DIWs) for Treasury bonds and SLDBs were introduced. Effective from the Treasury bond auction held on 29 July 2021, the DIW for Treasury bonds was made available only for the Treasury bond series that was fully allocated at Phase I and, at the weighted average yield rate (WAYR) determined at Phase I. Amount issued via the DIW for Treasury bonds is in addition to the amount offered for each Treasury bond series offered at the auction and is limited to 20 per cent of the amount offered for the respective Treasury

bond series. Effective from the SLDB auction held from 15 to 19 January 2021, a DIW was also opened for SLDBs post auction, at the weighted average fixed rates (WAFRs) determined for respective maturities at the relevant auction, up to the aggregate amount specified at the auction announcement.

(g) Establishment of an Investment Window for SLDBs

An investment window to facilitate recipients of goods and services export proceeds and other foreign currency holders including Sri Lankans working abroad, was established effective from 23 December 2021. In addition to broaden the investment avenues for foreign currency earners, this measure is also expected to facilitate the recent measures taken by the Government and the Central Bank to improve the foreign currency dynamics in the domestic market.

(h) Introduction of the Non-Reserve Management System to Replace the Treasury Management System

PDD Initiated the process for establishment of a new external debt payment system under the Non-Reserve Management System to replace the current Treasury Management System to settle the foreign debt obligations. The main purpose of the system is to increase the efficiency of the foreign debt service payment process. This has been effective from 01 January 2022.

(i) Capital Market Infrastructure Development Project

Proposed implementation of the state-of-the-art infrastructure under the ongoing Capital Market Development Project (CMDP) is expected to bring overall investment behaviour in Sri Lanka to match with international best practices by shifting its landscape in trading and settlements. BTA Consulting Limited of United Kingdom has been providing consultancy services for the project. CMDP is envisaged to implement an Electronic Trading Platform (ETP), a Clearing House (CH) with a Central Counterparty (CCP) arrangement, an upgraded Central Securities Depository (CSD), and a market surveillance system. During 2021, the operating model of the infrastructure, the technical specifications of the model and required legal reforms were developed.

24.6 Coordinating Sovereign Rating Review Missions

In 2021, PDD facilitated international rating agencies (Fitch Ratings, Moody's Investors Services, S & P Global Ratings) for their rating reviews in line with rating engagements. Further, rating announcements were critically reviewed in collaboration with related departments within the Central Bank and the Ministry of Finance and periodic public announcements were made, often conveying repetitive adverse implications arising from rating actions.

25. REGIONAL DEVELOPMENT

The year 2021 continued to be a challenging year to the Regional Development Department (RDD) with the impact of the COVID-19 pandemic as RDD continually engaged in implementing recovery initiatives of moratorium facilities granted from time to time while expanding lending activities to Micro, Small and Medium Enterprises (MSMEs) at concessionary interest rates and conducting awareness and capacity building programmes for many stakeholders including the general public. Complementing the conventional operations of the department, RDD continued to develop new strategies, initiatives and programmes to support MSMEs including self-employed individuals of all economic sectors, to support them in the challenging environment prevailing in the country. In this regard, the six Regional Offices of the Central Bank played a predominant role in addition to representing the Central Bank at the regional level.

As the lead player in launching country's first ever National Financial Inclusion Strategy (NFIS), with an aspiring vision of "Better quality inclusion for better lives", year 2021 was even more remarkable for RDD. Meanwhile, with the objective of establishing a sustainable market based value chain concept in the country, RDD implemented the Domestic Agriculture Development programme-Pilot Phase (DAD-PP) and continued supporting Participating Financial Institutions (PFIs) by sharing their credit risk through the guarantee schemes against loans granted to MSMEs. In addition, RDD continued implementing several new credit schemes for refinance and interest subsidy during the year.

Alongside these developments, in view of curtailment of physical meetings under the pandemic environment, RDD increased the usage of electronic media to communicate with stakeholders including general public to enhance the financial inclusion, entrepreneurship development, and project finance with the assistance of Regional Offices of the Central Bank.

25.1 Expansion of Concessionary Credit Facilities

RDD operated 20 refinance, interest subsidy and credit guarantee schemes, funded by Government, Central Bank and Donor Agencies in 2021. Summary of the schemes are given in Table II-17.

In total, RDD released Rs. 27,268.13 million covering 80,899 beneficiaries through PFIs during 2021 under 14 refinance and 6 interest subsidy and/or credit guarantee schemes. Out of total loans granted, 57.6 per cent were released through the refinance schemes while the balance 42.4 per cent was released under interest subsidy and/or credit guarantee schemes. With respect to the funding source of the schemes implemented by RDD, the Government provided funds covering 48.6 per cent of the total loan amount released while the Central Bank and donor agencies financed 49.4 per cent and 2.0 per cent, respectively.

25.1.1 Implementation of Government Funded Schemes

RDD, as an agent of the Government, initiated 11 Government funded schemes comprising 7 refinance schemes and 4 interest subsidy and credit guarantee schemes. Through these schemes, RDD released Rs. 13,263.52 million (i.e., 48.6 per cent of the total loan disbursements) during 2021 serving 68,613 beneficiaries.

(a) Interest Subsidy and Credit Guarantee Schemes funded by the Government

During the year, the New Comprehensive Rural Credit Scheme (NCRCS) namely 'Sarusara', which is an interest subsidy and credit guarantee scheme implemented three decades ago supported 61,397 farmers to meet their short term working capital requirements in cultivating 34 short term crop varieties in 2021. Under this scheme, a total amount of Rs. 9,576.68 million was released by PFIs representing 72.2 per cent of the disbursements made under Government funded schemes. To cover the interest subsidy of the scheme, the Government provided Rs. 207.9 million during the year.

Meanwhile, RDD continued to implement the Smallholder Tea and Rubber Revitalisation (STaRR) Programme, in collaboration with the Project Management Unit (PMU) of STaRR, and disbursed Rs. 107.82 million among 485 beneficiaries. Despite the initial planning of conclusion by 31 October 2021, considering the importance of continuing the scheme for beneficiaries, steps were taken to extend STaRR for a further one year period.

Further, due to the intensification of shrimp farming in Sri Lanka towards increasing the production by twofold gradually, a new interest subsidy scheme was introduced in December 2021.

(b) Refinance Schemes Funded by the Government

RDD continued 7 refinance schemes, namely, Poverty Alleviation Microfinance Project – Revolving Fund (PAMP-RF), Self-Employment Promotion Initiative Loan Scheme - Phase II (SEPI – Phase II), Swashakthi Loan Scheme, Supply Chain Re – Energising Loan Scheme (SCRELS), Revolving Fund (RF) Income Generation Loan Scheme, RF Agribusiness Loan Scheme, and RF Youth Loan Scheme under the Government funded component of the Smallholder Agribusiness Partnerships Programme (SAPP) during the year 2021.

25.1.2 Implementation of Central Bank Funded Schemes

With a view to broadening the financial outreach of the MSMEs in Sri Lanka, the Central Bank continued to implement several credit schemes during 2021. Considering the importance of maintaining a healthy business environment

under prevailing COVID-19 pandemic, moratoria for the loans granted to MSMEs were given with special attention to the tourism sector.

RDD continued to implement the Saubagya (Prosperity) Loan Scheme and disbursed Rs. 5,008.50 million among 5,660 beneficiaries during 2021. The Saubagya COVID - 19 Renaissance Facility (SCRF) - Phase IV was introduced by allocating Rs. 10,000 million as a refinance scheme to provide working capital loans to re-energise State-Owned Enterprises (SOEs).

With the intention of bearing the credit risk of PFIs lending to the rice mill owners in Sri Lanka, a credit guarantee scheme was implemented by RDD in year 2021. This scheme covers loans released by PFIs to eligible borrowers to meet their working capital requirements arising on purchasing paddy. An eligible borrower under this scheme is required to have an annual turnover of less than Rs. 750 million.

The pilot phase of the DAD programme was introduced in 2021 to identify the gaps and opportunities to develop a comprehensive market based value chain system in the country. DAD-PP covers three value chains, vegetable, dairy and spices. The Central Bank allocated Rs. 1,000 million for this programme.

25.1.3 Implementation of Donor Funded Schemes

The donor funded component of the SAPP continued its operations during 2021. This component was funded by the International Fund for Agricultural Development (IFAD) while the scheme included Public-Private-Producer-Partnership (4P) Agribusiness, 4P Youth Loan Scheme, and 4P FI Bulk Loan Scheme. These schemes disbursed Rs. 550.1 million among 2,431 beneficiaries during 2021.

SAPP acts as an agriculture value chain financing programme mainly focusing on improving access to finance among the farmers, farmer groups and youth entrepreneurs participating in the agricultural value chain.

25.2. Financial Inclusion: The National Financial Inclusion Strategy (NFIS) in Sri Lanka

Financial inclusion has become a priority of most government initiatives supporting the efforts of individuals and entities to work themselves out of poverty and contribute to economic growth in a level playing field. Having identified the need of a comprehensive and cohesive effort to further advance financial inclusion in Sri Lanka, the Central Bank, jointly with other relevant stakeholders, developed country's first ever NFIS and launched on 3 March 2021.

The Action Plan of the NFIS is actively in operation with the collaboration of implementing entities focusing on four thematic areas, namely Digital Finance & Payments, MSME Finance, Consumer Protection, and Financial Literacy & Capacity Building.

Table II-17
Summary of the Credit Schemes Implemented by RDD

Source of Funds	Name	Objective	Type of the Scheme	Release of funds in 2021 (Rs. million)	Interest Rate to the end borrower (% p.a.)	Remarks
GOSL Funded	PAMP-RF	Poverty alleviation through promotion of income generating activities and organising low income groups to link them with formal banking system	Refinance	31.20	12.00	
	Swashakthi Loan Scheme	Generate employment opportunities, for new young entrepreneurs engaged in income generating activities in the MSME Sector	Refinance	1,433.50	5.50	
	SEPI-Phase II	Provide financial assistance to youth trained by recognised vocational training institutions for establishment of their own self-employment projects	Refinance	5.35	7.00	
	SAPP-RF Income Generation Loan Scheme	Increase the production, productivity, quality and value addition of agriculture produce	Refinance	34.64	6.50	
	SAPP-RF Agribusiness Loan Scheme		Refinance	11.98	6.50	
	SAPP-RF Youth Loan Scheme		Refinance	132.26	6.50	
	SCREL	Re-energise the tea supply chain by supporting existing tea manufacturers to revamp their businesses	Refinance	39.00	3.50	
	NCRCS	Uplift the socioeconomic conditions of micro and small scale farmers who engage in cultivation of paddy and short term crops including home gardening	Interest Subsidy	9,576.68	4.00	PFI's own funds and Interest Subsidy by GOSL
	Interest Subsidy Scheme for Intensification of Shrimp Farms in Sri Lanka	Assist Shrimp farmers to upgrade their farms	Interest Subsidy	1st 18 months-4.50 Next 6 months-8.50	PFI's own funds and Interest Subsidy by GOSL	PFI's own funds and Interest Subsidy by GOSL
	STaRR	Provide concessionary credit facilities for the smallholder farmers involved in the STaRR Project, who have experienced delayed income generation from replanted and new planted tea and rubber plantations, by supporting them to establish a self-employment or a short term income generating activity until such time the income is generated from their replanted or new planted plantations	Interest Subsidy			
CBSL	Saubhya Loan Scheme	Start up or expand any micro, small and medium scale enterprise (MSME) or any MSME affected by a disaster	Refinance	5,008.50	6.00	
	SCRF-Phase IV	Fulfill the working capital requirements and setting the statutory obligations of State Owned Enterprises (SOEs)	Refinance	-	4.00	
	DAD-PP	Develop the domestic agriculture sector and to promote agriculture exports	Refinance	-	<Rs.1mn - 4.00 >Rs.1mn to Rs.25 mn - 5.00	
	SCRF-Phase I	Support the economic recovery efforts of the businesses and individuals negatively affected by the COVID-19 pandemic	Refinance	5,029.11		
	SCRF-Phase II		Refinance	3,416.90	4.00	
	SCRF-Phase III		Interest Subsidy & Credit Guarantee	1,891.09	4.00	
	Credit Guarantee Scheme for the MSME Rice Mill Owners in Sri Lanka	Provide credit guarantee to the Participating Financial Institutions (PFI's) who provide loans to the eligible borrowers under the Scheme for the purpose of purchasing paddy	Credit Guarantee	-	Prevailing market rate	CBSL - Credit Guarantee PFI's - Loan Financing
Donor Funded Agencies	SAPP - 4P Agribusiness Loan Scheme	Increase the production, productivity, quality, and value addition of agriculture produce	Refinance	234.92	6.50	International Fund for Agriculture Development (IFAD)
	SAPP - 4P Youth Loan Scheme			256.33	6.50	
	SAPP - FI Bulk Loan			58.85	6.50	

In recognition of the need for improving financial education as a priority action across all policy pillars of the NFIS, an island-wide financial literacy survey was successfully completed in 2021. Based on the outcome of the survey, designing appropriate policy responses to enhance the financial literacy level of the country is expected. Modules and educational materials are being developed by the Ministry of Education in collaboration with the Central Bank and other relevant stakeholders to incorporate financial

education into the school curriculum as a compulsory subject for Grades 6 to 11.

The Secretariat for NFIS was established at RDD to continuously coordinate, and support the implementing entities of the NFIS, while monitoring the ongoing progress of the Action Plan of the strategy. A clear governance structure has been established comprising the National Financial Inclusion Council, Management Committee and Working Groups to ensure the achieving of NFIS actions.

25.3 Financial Literacy

With the aspiration of enhancing financial literacy and financial inclusiveness among the public, RDD and Regional Offices of the Central Bank continued in-person and online financial literacy and awareness programmes in 2021. Table II-18 provides the summary of such programmes.

Table II-18
Awareness and Special Programmes Conducted during 2021

Type of Programme	No. of Programmes
Financial Literacy, Entrepreneurship and Skill Development	334
Training of Trainers (TOT) Discussions	08
TV and Radio	17
Knowledge Sharing	07
Total	366

25.4. Regional Level Representation

Regional Offices represent the Central Bank at the regional level while facilitating many aspects such as identifying underserved segments in the country, conducting awareness programmes, credit camps, and trade fairs. During 2021, the six Regional Offices of the Central Bank directly handled more than 86,800 queries relating to Employees' Provident Fund and 434 public grievances in various aspects. Further, they were involved in facilitating several Surveys conducted by other Departments of the Central Bank in 2021, covering 731 samples in different districts in the country. In line with the Central Bank efforts to encourage migrant workers to channel their worker remittances through the formal channels, a series of awareness programmes was conducted by Regional Offices of which 27 programmes were conducted in December 2021 covering more than 3,000 participants.

25.5. Other Initiatives

25.5.1 Green Village Programme

RDD introduced the Green Village Programme in 2021 to increase the quality of life of the households by introducing green initiatives and encouraging them to use natural resources efficiently and effectively, to minimise environmental degradation, and enhance green production while introducing a "Go Green" attitude among domestic communities.

25.5.2 International Affiliations

Relationship with international organisations continued in 2021 through conducting international programmes regarding financial inclusion and credit supplementation. RDD, having identified the importance of sharing knowledge among the Central Bank staff in enhancing financial inclusion and its latest policy level developments, continued conducting international programmes in collaboration

with the International Organisations in which the Central Bank holds memberships, such as Alliance for Financial Inclusion (AFI), Asian Credit Supplementation Institution Confederation (ACSC), and Asia-Pacific Rural and Agricultural Credit Association (APRACA) during the year.

25.6. Incorporating RDD Funds with the Central Bank Financial Statements

RDD was established in 2001 by amalgamating Rural Credit Department and Development Finance Department under the modernisation programme implemented by the Central Bank. For more than two decades, RDD has been maintaining many credit schemes to support the MSME sector including the self-employed to enhance their income generating activities while supporting to reduce regional level disparities and employment generation in the country. During this period, RDD continued with maintaining individual project accounts by broadly separating credit schemes between the Central Bank and Government funded schemes. Identifying the importance of integrating financial statements maintained by RDD into the Central Bank financial statements, all funds of the schemes implemented by RDD except other funds claimed by the Government were absorbed into the financial statements of the Central Bank by 31 December 2021 as such outstanding balances were recognised as accumulated income of the Central Bank originated through credit operations of RDD. The summary of the balances absorbed into the Central Bank books of accounts is given in Table II - 19.

Table II-19
Incorporated Balances of RDD under Central Bank Financial Statements

Source	Amount Rs. mn
Investment Portfolio	5,380
Refinance Receivable from PFIs ¹	9,144
Cash Balances ²	1,954

¹ Major portion of the Refinance receivable from PFIs consists of balance relating to the Saubaga Loan Scheme. The Saubaga Loan Scheme comprised of the balances transferred from several credit schemes such as Second Perennial Crop Development Project, Sabaragamuwa Province Integrated Rural Development Revolving Project, Matale Regional Economic Advancement Project, Plantation Sector Reform Project, Surathura, Small and Medium Industry Credit Fund, Small and Medium Assistant Enterprises Project, Bus Purchase Loan Credit Guarantee Scheme, Second Perennial Crop Development Project Revolving Fund, Tea Development Project Credit Guarantee Scheme, Small Holders Tea Development Project Credit Guarantee Scheme, Tea Development Project Revolving Fund Credit Scheme, Dry Zone Livelihood Support & Partnership Programme Loan Scheme, Dry Zone Livelihood Support & Partnership Programme Revolving Fund Loan Scheme, EIB contract B loan scheme, Matale Regional Economic Advancement Project Revolving Fund Loan Scheme, Krushi Navodhya Term Loan Programme, Construction Sector Development Project, Smallholder Plantation Entrepreneurship Development Programme, Policy Stimulus Fund, Revolving Fund for Resumption of Economic Activities in the Northern Province Loan Scheme, Revolving Fund for Provision of Credit to Sri Lanka Transport Board, Sabaragamuwa Integrated Rural Development Project Phase II Loan Scheme, Self-Employment Promotion Initiative Loan Scheme, Post Tsunami Coastal Rehabilitation and Resource Management Programme, Awakening North Loan Scheme - Revolving Fund - Phase II, and Repair of Damaged Houses in the North and the East.

² Cash balances reflect the following projects: Special Loan Scheme for Agricultural Sector Development Loan Scheme – Viskam, Repair of Damaged Houses in the North and the East Refinance Loan Scheme, Policy Stimulus Fund, Saubaga Loan Scheme, Mid-Country Perennial Crop Development Project Credit Guarantee, Agriculture Rehabilitation Project, Plantation Sector Reform Project Credit Guarantee, Small Holder Tea Development Project Credit Guarantee, Small and Medium Scale Industries Credit Guarantee, Small and Medium Enterprise Assistance Project Credit Guarantee, Bus Purchase Loan Credit Guarantee Scheme, and Credit Guarantee Scheme for Pawning Advances.

26. RESOLUTION AND ENFORCEMENT

The Resolution and Enforcement Department (RED) contributed towards the achievement of one of the Central Bank's two main objectives, which is maintaining financial system stability by effectively managing the Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS), conducting investigations over prohibited schemes based on the provisions of Section 83C of the Banking Act No.30 of 1988 and developing the Resolution Framework of the Central Bank.

A summary of activities carried out by the department during the year 2021 is given below.

26.1. Administration of the Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS)

During the year, two Regulations applicable to SLDILSS were issued as follows.

- i. The Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations No. 01 of 2021 was issued to increase the maximum compensation payable amount from Rs. 600,000 to Rs. 1,100,000 in respect of depositors of member institutions including the Licensed Finance Companies whose licenses were cancelled/suspended prior to 01.04.2021.
- ii. The Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations No. 02 of 2021 was issued with effect from 06.08.2021, repealing and replacing the existing regulations of SLDILSS. This change was aimed at improving operations and management of SLDILSS in line with the applicable international best practices and based on the experience gained by operating the Scheme since the establishment.

As at end 2021, the Scheme comprised sixty-nine (69) member institutions with a total fund size of approximately Rs. 67.9 billion. Financial highlights of SLDILSS are given in Table II- 20 below.

Table II - 20
Financial Highlights of SLDILSS

Item	Amount (Rs. mn)	
	As at 31.12.2020	As at 31.12.2021
Size of the fund	51,322.1	67,887.3
Total Income	20,814.0	19,298.9
Total Expenditure	31,964.4	96.6
Surplus/(Loss) for the year (before tax)	(11,150.4)	19,202.3
Total Assets	73,559.1	74,443.9
Investment in Government Securities	67,877.8	69,529.2
Loans and Receivables (net of provisions)	682.1	381.9
Other Comprehensive Income Reserve	7,778.2	(2,103.0)

26.2. Compensation payments to the depositors of distressed finance companies

RED continued compensation payments to the depositors of the license cancelled/suspended finance companies

in accordance with SLDILSS Regulations during the year 2021. Compensation payments to the depositors of Central Investments and Finance PLC (CIFL), The Standard Credit Finance Ltd (TSCFL), and TKS Finance Ltd (TKSFL) were conducted in line with the internally developed payment mechanism and compensation payments to the depositors of The Finance Company PLC (TFC), ETI Finance Ltd (ETIFL), and Swarnamahal Financial Services PLC (SFSP) were continued under the Agency Banking agreement with the People's Bank.

SLDILSS was able to pay compensation amounting to Rs. 29.2 million to 70,827 depositors of all six (06) license cancelled and suspended companies as at 31.12.2021 and details are given in Table II-21 below.

Table II - 21
Total Compensation Paid by SLDILSS as at 31.12.2021

Name of the Company	No. of Depositors paid	Compensation paid (Rs.million)
CIFL	3,451	1,802.2
TSCFL	2,509	1,193.7
TKSFL	1,788	964.5
TFC	34,192	12,029.8
ETIFL	26,280	12,212.8
SFSP	2,607	1,048.6
Total	70,827	29,251.6

26.3 Investigation Activities

RED continued to attend to a considerable number of inquiries regarding prohibited schemes mainly received via social media, written complaints, print and electronic media, and from law enforcement authorities. As the initial step, *prima facie* inquiries were conducted to identify the institutions alleged to be operating prohibited schemes in contravention of the provisions of Section 83C of the Banking Act and further investigations were initiated in respect of established *prima facie* cases.

Further, RED coordinated and followed up the investigations already referred to the Attorney General for prosecutions with the support of Legal and Compliance Department. As a preventive measure, RED conducted awareness programmes to educate different segments of the general public on prohibited schemes and to improve their financial literacy in coordination with other departments of the Central Bank.

26.4 Development of Resolution Framework of Central Bank of Sri Lanka

RED continued to develop the resolution framework for the Licensed Banks and Licensed Finance Companies within the existing legal framework.

27. RISK MANAGEMENT

In pursuing its policy objectives, the Central Bank faces various risks, both financial and non-financial in nature. Since the materialisation of any of such risks could have an adverse impact on the achievement of objectives, financial position, and the reputation of the Central Bank, having a properly designed risk management framework in place is vital.

The Risk Management Department (RMD) sets out the policies for implementation of risk management across the Central Bank as stipulated in the Risk Management Policy Statement (RMPS) developed in line with the risk management framework of the Central Bank. In this process, the Central Bank follows accepted standards, guidelines, and best practices for managing risks, while assigning risk ownership and management among different stakeholders with clear accountability.

27.1 Operational Risk

In order to keep the risk identification process up to date and to effectively manage any risk involved in operations, RMD reviewed the Operational Risk Taxonomy of the Central Bank during 2021, and incorporated amendments as required.

Continuing the facilitation provided for departmental risk assessments, RMD worked closely with other departments in assisting the development of Departmental Risk Registers.

With the view of promoting a risk culture within the Central Bank, RMD conducted risk awareness sessions for the Central Bank staff throughout the year. In addition, RMD conducted the biennial survey on operational risks to determine the level of awareness with regard to the existing operational risk management mechanism in the Central Bank with the view of enhancing the risk culture within the Central Bank and to further improve the operational risk management mechanism currently in use.

RMD continued to administer incidents reported through the Incident Reporting System, enabling the development of a central repository of incidents and tracking progress on the implementation of corrective measures. The information gathered through this system helps in identifying possible risk trends, areas of vulnerabilities and improving related risk treatment measures.

27.2 Financial Risk

As the second line of defence, RMD independently monitors, analyses, evaluates, and reports financial risks covering credit, market and liquidity risks. Further, it ensures compliance with Investment Policy Statements (IPS), Strategic Asset Allocation (SAA) and Investment Guidelines (IGs) developed in line with the RMPS, relating to International Reserves (IR), Internal Investment Funds (IIF) of the Central Bank, and Employees' Provident Fund (EPF), which is carried out as an agency function for the Government.

RMD revised SAA for IR, IPS for EPF and IGs for IIF and EPF, incorporating amendments as required. RMD reviewed Counterparty Credit Risk Management Guidelines (CCRMG) by introducing a new model for issuer and counterparty exposure limit calculations, based on the Basel III standardised approach for credit risk management. These reviewed guidelines were incorporated into the relevant IGs. RMD assessed market and credit risks by frequent analysis of the relevant risk indicators and monitored adherence to the limit framework given in SAAs, IPSs and IGs for IR, IIF and EPF. Risk assessments and non-compliances were presented at relevant monthly Investment Oversight Committee (IOC) meetings.

RMD was also involved in the process of implementing a new Reserve Management System (RMS) for IR during the year. Accordingly, some of the activities of RMD relating to market and credit risk assessments as well as compliance monitoring of reserve management were automated.

Quarterly reporting to the Non-Financial Risk Management Committee (NFRMC) on operational risks and the Board Risk Oversight Committee (BROC) and Monetary Board on both operational and financial risks was carried out by RMD to effectively manage risks related to operations and fund management activities of the Central Bank.

28. SECRETARIAT

The Secretariat Department (SD) is one of the few Departments that was established at the inception of the Central Bank. The main functions of SD involve overall corporate administration of the Central Bank, procurement management, administration of superannuation funds, facilitating overseas studies and training, conducting the Board of Survey for assets disposal management, and provision of secretarial and protocol assistance to the Governor.

(a) Overall Corporate Administration

During the year 2021, overall corporate administration was performed in line with governing regulations, accountability, risk management and other key attributes of good governance. In doing so, SD conducted a survey on Central Bank's properties and having identified the risk areas, obtained a comprehensive insurance cover for all the properties of the Central Bank, facilitated incoming and outgoing postal services of the Central Bank through its mail management service, ensured efficient and economical stationery store management, organised variety of events for the Central Bank, and signed several agreements with service providers on behalf of the Monetary Board during the year.

(b) Procurement Management

During 2021, SD carried out the procurement of goods and services required for the bank in accordance with

the procurement plan that was prepared based on the Monetary Board approved Annual Budget of the Central Bank. Procurements were done through tender procedures as well as non-tender procedures in line with the procurement procedures set out in the Central Bank Manual which are broadly consistent with National Procurement Guidelines. In addition, SD promptly attended to a number of time critical ad-hoc procurements. Further, SD contributed to the procurement of goods and services under the Financial Sector Modernisation Project of the World Bank.

(c) Administration of Superannuation Funds

SD continued to administer the payments relating to the Superannuation Funds of the Central Bank which involved 2,312 beneficiaries. Accordingly, SD engaged in paying gratuities, commuted pensions, releasing provident fund balances and making monthly pensions, Widows' and Orphans' Pension (W&OP) payments, and Widowers' and Orphans' Pension (WR&OP) payments. Further, SD attended to a number of correspondences with the beneficiaries in order to fulfill their requirements including collection of life certificates in line with Pension Rules specified in the Central Bank Manual.

(d) Facilitating overseas studies and Training

During 2021, SD facilitated postgraduate studies for employees and duty travels abroad for members of the senior management. In this regard, SD was involved in making payments to universities and to the employees who travelled abroad for aforesaid purposes. In addition, SD issued visa letters and Provident Fund balance confirmation letters enabling obtaining visas and facilitated purchasing air tickets and travel insurance. However, compared to previous years, the number of opportunities for such foreign travel was at a subdued level due to the COVID-19 pandemic.

(e) Conducting Board of Survey

The Board of Survey is the method employed by the Central Bank for disposal of its fixed assets. Accordingly, the survey to identify obsolete, damaged, unserviceable and irreparable assets was completed during the year.

(f) Provision of Secretarial and Protocol Assistance to the Governor

The Governor's Secretariat Division of SD provided secretarial and protocol assistance to the Governor during the year until the establishment of the Governor's Secretariat Department on 23 September 2021. The secretarial and protocol assistance provided included scheduling of appointments and meetings, preparation and compilation of presentations and speeches for the Governor, coordinating and arranging the Governor's

local travels, arranging official functions hosted by the Governor, and protocol services provided to VIP visitors of the Governor and the Central Bank.

29. SECURITY SERVICES

The Security Services Department (SSD) continued its operations to protect its employees, visitors and properties of the Central Bank including Regional Offices and other establishments in spite of the various challenges encountered during the year as a result of the COVID-19 pandemic. Special Security arrangements were provided for currency consignment in transit coordinating with the Sri Lanka Police as organisational priorities. SSD actively contributed to all business continuity drills of the Central Bank.

(a) System Improvements

Operational fitness of all fire-fighting equipment located at the Head Office and other premises were inspected, maintained and replaced on a regular basis during the year. Maintenance services of all other security equipment including baggage scanners and cargo scanners were carried out as per the service agreements with the respective service providers. SSD continuously updated itself with intelligence information and maintained relationships with relevant authorities.

(b) Surveillance Activities

SSD screened and facilitated 13,478 visitors to the Head Office of the Central Bank and all visitors to its Regional Offices. 28,309 currency boxes in transit were screened throughout the year.

(c) Prevention of COVID-19

SSD conducted prevention measures such as monitoring the temperature of the staff, visitors and screened and registered all the visitors through the Visitor Management System before entering the premises according to the guidelines issued by the health authorities. SSD supported documentation and mail management systems of all the departments who could not receive the services of their staff due to the pandemic situation. SSD introduced a new duty roster system for its staff to reduce human contact inside the Bank's premises.

(d) Assessment of Security Controls

The security plan was updated based on the findings of the security control assessment. Accordingly two baggage scanners were procured for the Centre for Banking Studies and Employees' Provident Fund Department. In view of the above assessment, arrangements have been made to replace mobile communication system from analog to digital to ensure smooth functioning of SSD. Further, SSD is in the process of procuring of two explosive detectors for the use of the Central Bank.

(e) Strengthening Human Capital and Competency Building

SSD is in the process of recruiting Assistant Security Officers in order to meet the increasing demand for security duties at the Central Bank. A training programme was conducted on newly installed IP based Closed-Circuit Television (CCTV) for a selected group of security officers to enhance skills on modern technology.

30. STAFF SERVICES MANAGEMENT

The role of the Staff Services Management Department (SSMD) is to facilitate the wellbeing of the staff of the Central Bank, ensuring an efficient, healthy and satisfied labour force for the Bank. Hence the welfare facilities of SSMD are designed to foster good physical and mental health of Central Bank employees and thus promote a healthy working environment. Key services rendered by the department includes disbursement of loans under the Staff Housing (mortgage) Loan Scheme, Provident Fund Loan Scheme and Staff Benefit Scheme, reimbursement of medical expenses under the Employer Contributory Medical Benefit Scheme (MBS), provision of medical facilities to the staff, provision of restaurant facilities, and other staff welfare services. These services covering housing, vehicle, medical and other welfare needs of staff help in raising employees' standard of living and facilitating a contended and motivated work force that can work with a high level of efficiency. Moreover, medical needs of dependents of the Central Bank staff as well as pensioners are also looked after under the MBS scheme.

Amidst the challenging environment caused by the COVID-19 pandemic, SSMD continued to extend welfare facilities to all beneficiaries during the year 2021. Special measures were taken to comply with the guidelines issued by the health authorities regarding the COVID-19 pandemic and facilitate new services required by staff. SSMD organised 08 PCR test programmes in collaboration with 03 private hospitals at the Central Bank head office premises during the year. In addition, SSMD made arrangements for its employees to obtain vaccinations against COVID-19 at 03 designated vaccination centers and also organised a booster vaccination programme at the Central Bank head office premises in December 2021. SSMD continued the disbursement of housing and other welfare loans to the staff and reimbursed medical expenses incurred by all beneficiaries registered under the MBS during the year. The number of beneficiaries under the MBS consisting of employees, pensioners and their registered dependents together with widows/widowers stood at approximately 10,837 as at end 2021. Further, SSMD provided medical facilities to the staff through the Medical Centre during office hours with medical tests and laboratory services provided at a reasonable charge. In April 2021, SSMD conducted an awareness programme for the staff on building a "Beautiful & Lovely Home" by a Chartered Architect.

Restaurant services were provided to members of staff during working hours through an outsourced service provider.

The SSMD supervised the operations of the restaurant to ensure provision of quality food and beverages to the staff at reasonable prices.

31. STATISTICS

The Statistics Department (STD), in 2021, continued its contribution towards achieving the Central Bank's objectives of maintaining economic and price stability and maintaining financial system stability by effectively engaging in departmental operations. Despite the limits on mobility and the challenging work environment that remained throughout the year due to the pandemic, the Department was able to carry out its activities as planned using modern technology.

31.1 Conducting Surveys and Compiling Indices

(a) Business Surveys

The Purchasing Managers' Index (PMI) Surveys were conducted during the year on a monthly basis. The PMI surveys target large companies predominantly concentrating on the Western province, covering manufacturing, construction and services activities.

The results were used to evaluate the month-on-month developments in the respective sectors of the economy and as high frequency leading indicators in the indicator-based GDP forecasting process. Further, the evaluations that were made based on the survey findings were reported to the Monetary Policy Committee (MPC) and Monetary Board for policymaking purposes. The results of Manufacturing and Services PMIs were released as press notices for the use of industry analysts and the general public. These survey findings are widely used by business professionals, economic analysts and policymakers in assessing the industry and economic conditions.

The Business Outlook Survey (BOS) was continued as a quarterly survey during 2021 to capture current and expected developments of the economy from the viewpoint of the corporate sector. The target population of this survey was large scale enterprises covering agriculture, industry and services activities of the economy. The aggregate results and the key insights were submitted to the MPC and the Monetary Board while economic growth forecasts were made based on the survey findings using statistical methodologies. Further, an Executive Summary, along with key indices, was published quarterly on the Central Bank website for the information of the external users.

Credit Conditions Surveys, namely the Credit Demand Survey (CDS) and Credit Supply Survey (CSS), which capture the demand and supply side developments of the credit market activities were continuously conducted during the year 2021. CDS, targeting Small and Medium Enterprises (SMEs) of the economy, continued as an annual survey in association with the Regional Offices of the Central Bank. CDS in 2021 was designed to identify

credit-related developments and issues experienced by SMEs, particularly due to the pandemic, in financing their needs. On the other hand, CSS is designed to capture the recent developments and outlook of the credit supply related activities on a quarterly basis, covering all Licensed Commercial Banks and Licensed Specialised Banks in Sri Lanka. The results of both CDS and CSS were used in the policy formulation process of the Central Bank while results of CSS were also published on the Central Bank website for the benefit of the general public.

The Retail Sales Volume Survey (RSVS) and the Supermarket Retail Trade Survey (SRTS) were continued in monthly and quarterly frequencies, respectively, to understand the developments in the general trade and modern trade segments of the retail sector. Based on the findings of these surveys, fluctuations in the retail trade volumes were identified. The Survey on Transportation Services, which includes land transportation, air transportation, port, and logistic services, was continued as a monthly survey during 2021 to capture the developments in the transportation sector. Further, a survey was carried out to identify the developments during 2021 and the prospects for 2022 related to the Information Technology and Business Process Management (IT & BPM) sector. The findings of these surveys were used for internal economic analyses of the Central Bank, particularly in the economic growth forecasting process.

STD initiated an online survey to capture the household sector sentiments about the economic condition, job availability, family income, family expenditure, and savings level in comparison to the status prevailed six months before and their expectations on the same for the upcoming six months. The sample of respondents was randomly selected from a pool of registrants to various online programmes conducted by the Central Bank and an average of 100 responses were recorded on a monthly basis. Using the outcome of the online survey, the Consumer Confidence Index (CCI) was compiled on a monthly basis using a methodology adapted internationally. A summary report on CCI was submitted to the management and STD intends to publish a quarterly CCI in future for the benefit of various stakeholder groups interested in household sector sentiments.

The Land Valuation Indicator (LVI) was compiled and the Condominium Market Survey (CMS) was conducted during 2021 to assess the developments in the real estate property market as indicators of financial system stability. Compiling LVI for Colombo District was continued on a semi-annual basis with three sub-indices, which represent Residential, Commercial, and Industrial lands, based on per perch bare land price assessments collected from the Government Valuation Department under the said three land categories. Two press releases on LVI were published in 2021 for public information.

CMS, which was initiated with the objective of collecting data on the condominium sector developments, was continued on a quarterly basis to gather information on actual sales prices, demand, reasons for price changes, the number of current and upcoming housing units, project occupancy levels, and buyer portfolio details from major condominium developers. With the advent of adverse conditions related to the pandemic, comments were also sought from the developers to better comprehend the sector's future trajectory, which would enhance the Central Bank's policy-making process in terms of the financial system stability. A summary report of the survey findings continued to be published quarterly on the Central Bank website during the year.

Based on the CMS information, a quarterly price index was compiled to monitor price changes in the primary condominium market. Concurrently, a property price index for the secondary condominium market was compiled on a monthly basis utilising the publicly available property advertisement data. The process was extended to compile property price indices for lands and houses. These property price indices were further improved during 2021 with the technical assistance of the IMF.

(b) Inflation Expectations Survey (IES)

IES was continued on a monthly basis to collect data and information on inflation expectations of two main categories of economic agents namely, the Corporate Sector and the Household Sector. During 2021, the Corporate Sector surveys were continued as email-based surveys, while the Household Sector surveys were conducted in virtual mode, in addition to the email and telephone-based methods. These virtual surveys were conducted for the employees of selected institutions of the Public Sector located in the vicinity of the Matale, Anuradhapura, Kilinochchi, Trincomalee and Nuwara Eliya Regional Offices of the Central Bank, with the help of the respective Regional Offices. Moreover, awareness sessions were also conducted to enhance the knowledge on inflation and inflation expectations of the Household Sector, while carrying out these surveys. Household Sector survey responses were collected continuously from the Teacher Investigators (TIs) of the Country Wide Data Collection System (CWDSC) on a monthly basis. The survey findings were reported to the MPC and the Monetary Board for consideration in the policymaking process.

(c) Country Wide Data Collection System (CWDSC)

Operations of CWDSC, were continued and carried out during 2021 on time amidst the pandemic, with the engagement of 53 TIs in order to collect retail prices of an identical basket of goods to that of the National Consumer Price Index (NCPI)—producer prices of agricultural commodities and building materials, daily wages of the

informal sector workers, inflation expectations, and retail sales volumes of selected categories of goods—thereby providing the Central Bank with timely inputs for in-house policymaking processes. Upgrading the operations of CWDSCS, Tableau software was connected to CWDSCS for generating reports. Aiming to improve the quality of data collected through CWDSCS, on-site and off-site supervisions of data collection were conducted in collaboration with the Regional Offices of the Central Bank. The annual seminars to discuss the issues faced by TIs during the data collection process and the remedial actions were conducted in 2021 in virtual mode. In addition, as per the request of Consumer Affairs Authority, selected data from CWDSCS were shared with them on a weekly basis.

Moreover, the services of non-teacher data investigators were obtained to collect data/information on wholesale and retail prices from the Pettah market, Marandagahamula rice market, Dambulla and Narahenpita Special Economic Centres, and Negombo and Peliyagoda Fish markets on a daily basis in order to strengthen the management information system on the current price movements of essential food items and for forecasting purposes. Furthermore, a summary of the price data was published on the Central Bank website, on a daily basis. The quality and timeliness of data collection was enforced by conducting on-site supervisions and constant monitoring of data submitted by the non-teacher data investigators. The data collection process was maintained without interruptions even during the COVID-19 pandemic.

STD continued improving CCPI and NCPI based inflation forecasts considering leading indicators compiled using food prices available on websites of three leading supermarkets. In this regard, prices of all items in the CCPI food basket were collected from the websites of the respective supermarkets on a daily basis. Afterwards, month-on-month price changes of all food items in the food basket were derived and used as a leading indicator for CCPI and NCPI based inflation forecasting.

(d) Public Sector Employment Survey and Labour Force Information

The annual Public Sector Employment Survey was continued in 2021 covering all public sector institutions i.e. institutions under central government and provincial councils to assess the developments in the public sector employment. Furthermore, overall labour market data analysis on labour force, employment, unemployment, foreign employment, labour relations, and labour market reforms was done by STD, based on the statistics of the Department of Census and Statistics (DCS), Sri Lanka Bureau of Foreign Employment (SLBFE), Department of Labour (DOL), and other data sources.

STD compiled wage rate indices for public, formal and informal private sectors to assess the movements of salaries and wages of the economy. Further, wage movements of the public, formal private and informal private sectors were analysed separately. Based on the public administration salary circulars issued from time to time, nominal and real wage rate indices for the public sector were compiled on a monthly basis. In terms of the formal private sector, real wage rate indices were compiled monthly, based on the nominal wage rate indices for employees whose wages are governed by the wage boards, provided by the DOL. The Informal Private Sector Wage Rate Index, which was used to analyse the movements of the Informal private sector wages was compiled based on information collected through CWDSCS. The wage rate indices were submitted monthly to the Special Data Dissemination System (SDDS) in 2021 as well.

31.2 Forecasting Short Term Inflation and GDP

STD continued to contribute towards the Forecasting and Policy Analysis System (FPAS) of the Central Bank by engaging in forecasts of short term inflation and GDP. Accordingly, the model based and indicator based forecasts were produced using relevant inputs from various sources. Model based forecasts were further strengthened during the year by using the Principal Component Analysis (PCA) approach for the sub-indices of the BOS to generate near term GDP forecasts. The finalised forecasts were detailed and discussed at regular monetary policy cycles and submitted to the Monetary Board to facilitate policy decision-making.

Latest price trends and expected price movements associated with market developments and econometric techniques were used to forecast short term inflation based on both CCPI and NCPI. As a continuous effort to improve inflation forecasts, the Department explored new variables and data sources which reflect both supply and demand side impact on inflation. In addition, STD continued exploring identification of suitable inflation forecasting models using time series and machine learning techniques.

31.3 Compiling Regional Statistics

(a) Sri Lanka Prosperity Index (SLPI)

SLPI is a multi-dimensional indicator compiled by the Central Bank to assess the country's performance in socio-economic aspects. It is compiled annually using appropriate provincial indicators with respect to three sub-indices: Economic and Business Climate, Wellbeing of the People, and Socio-Economic Infrastructure. In December 2021, STD compiled SLPI for the year 2020 using 41 representative variables and published a press release.

(b) Provincial Gross Domestic Product (PGDP)

STD compiled PGDP for 2020 in nominal terms based on the top-down methodology, and in this process the

National Accounts estimates of the DCS, which cover agriculture, industry, and services related activities were disaggregated to the provinces using appropriate variables. Despite the pandemic related limitations in data collection, the Department was able to issue the press release on the latest PGDP estimates in December 2021. These estimates indicate the information about the contribution of each province to the national GDP, which is useful for public authorities to decide on the allocation of resources among provinces.

31.4 Uplifting Sri Lanka's Position in Global Rankings

(a) "Ease of Doing Business" Ranking

The ninth edition of the "A Step-by-Step Guide to Doing Business in Sri Lanka" publication, which contains updated information useful for the business community, potential entrepreneurs, foreign investors and investment promotion agencies was released in 2021. The publication included guiding information for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency that is used in arriving at the Ease of Doing Business ranking

31.5 Disseminating Information

STD continued to disseminate official statistics in both printed and electronic modes in 2021 despite the challenging conditions prevailed. Annual statistical publications, "Economic and Social Statistics of Sri Lanka 2021 – Volume XLIII" and "Sri Lanka Socio Economic Data 2021 – Volume XLIV" were released in July and September 2021 respectively in all three languages. The Department contributed to two chapters of the Central Bank's Annual Report and Report on Recent Economic Developments, while continuing to provide data for the Monthly Bulletin of the Central Bank.

STD's regular releases Daily Economic Indicators, which consist of high-frequency data including exchange rates, money market rates, stock market, and the energy sector statistics, Daily Price Report of selected consumer items, Weekly and Monthly Economic Indicators, were published on the Central Bank website throughout the year in a timely manner. Furthermore, various other information was disseminated to the general public via press releases, while the "Data Library," the Central Bank's online database, was updated and maintained to meet the data needs of researchers and other stakeholders.

32. SUPERVISION OF NON-BANK FINANCIAL INSTITUTIONS

The Department of Supervision of Non-Bank Financial Institutions (DSNBFI) is entrusted with the mandate to regulate and supervise Licensed Finance Companies (LFCs), Specialised Leasing Companies (SLCs) and Licensed

Microfinance Companies (LMFCs) under the provisions of the Finance Business Act, (FBA) No. 42 of 2011, the Finance Leasing Act, (FLA) No. 56 of 2000 and the Microfinance Act, No. 06 of 2016, respectively. In addition, DSNBFI supervises the non-banking sector Primary Dealer Companies (PDCs) under the provisions of Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 as amended and Local Treasury Bills (Primary Dealers) Regulations No.01 of 2009 as amended.

DSNBFI's supervisory function includes conducting statutory examinations (on-site supervision) and continuous surveillance (off-site supervision) of the licensed/registered institutions, while the regulatory function involves issuance of licences/registrations, prudential regulations, granting regulatory approvals, and investigating into companies carrying on finance business without authority. Apart from the major functions, DSNBFI also engages in several other activities such as capacity building of the sector, facilitating court proceedings and attending to public complaints.

As at end 2021, there were 39 LFCs, 3 SLCs, 4 LMFCs and 7 PDCs under the purview of the Department. In addition, there were 58 Registered Finance Leasing Establishments (RFLEs) that possess licences under the FLA, including the 3 SLCs. The names of these LFCs, SLCs, RFLEs, LMFCs, and PDCs are provided at the end of this section. The main functions and activities performed by DSNBFI during 2021 are summarised below.

32.1 Policy Measures

During the year, several prudential regulations were issued to streamline the existing regulatory framework of NBFIs in line with the current market and international best practices in consultation with NBFIs and relevant other stakeholders of the sector. Such regulations issued to LFCs, SLCs, LMFCs and PDCs during the year including extraordinary measures taken in the wake of the COVID-19 outbreak are provided in Part III of this report. A summary of the major prudential measures is given below.

- (a) An amendment was issued to the Directions on Valuation of Immovable Properties of LFCs and SLCs.
- (b) An amendment was issued to the Directions on Loan to Value (LTV) ratios of LFCs and SLCs.
- (c) A Circular was issued to LFCs and SLCs requesting to provide concessions for COVID-19 affected businesses and individuals engaged in passenger transportation services.
- (d) A Circular was issued to LFCs and SLCs requesting to extend the debt moratorium granted to tourism sector under Circular No. 09 of 2020 issued on 30 September 2020.
- (e) LFCs and SLCs were informed of deferment of the implementation of Direction No. 01 of 2020 on Classification and Measurement of Credit Facilities.

- (f) The relaxation given under Direction on Liquid Assets issued on 30 September 2020 was further extended for a period of three months until 30 June 2021.
- (g) A Direction was issued to LFCs on Foreign Currency Borrowings.
- (h) Further to the Directions on Foreign Currency Borrowings by LFCs issued earlier, the LFCs were informed that the Central Bank has decided to facilitate the foreign currency borrowings.
- (i) A Circular was issued on concessions for COVID-19 affected businesses and individuals.
- (j) LFCs and SLCs were requested to freeze seizure and repossession orders of vehicles on credit facilities of customers affected by the pandemic.
- (k) The effective date of the Finance Business Act (Classification and Measurement of Credit Facilities) Direction No. 01 of 2020 was further deferred.
- (l) A Direction was issued to PDCs on Minimum Capital Requirement.
- (m) An amendment to the Circular dated 09 June 2021 was issued requesting LFCs and SLCs to further extend the concessions for COVID-19 affected businesses and individuals.
- (n) A Circular was issued to LFCs and SLCs informing that Lanka Rating Agency Ltd. has been recognised by the Central Bank as an acceptable credit rating agency.
- (o) A Circular was issued to LFCs and SLCs requesting to extend concessions and suspend recovery actions for COVID-19 affected businesses and individuals until 31 March 2022.
- (p) LFCs were requested to pay additional incentive on inward worker remittances with an objective of encouraging more workers' remittances.
- (q) Prevailing interest margins of 2, 3 and 5 year term deposits have been revised in line with the increasing T Bill rates.
- (r) Investment in government securities under reverse REPO transactions was included in liquid assets of LFCs.
- (s) A Direction was issued to LFCs on Assessment of Fitness and Propriety of Key Responsible Persons.
- (t) A Direction was issued to LFCs on Corporate Governance.
- (u) Prevailing interest margin of 5 year term deposits and 5 year debt instruments has been revised with the intention of providing increased returns on investments for senior citizens.

32.2 Supervision of Licensed Institutions

(a) Conducting Statutory (On-Site) Examinations

- (i) DSNBFI conducted statutory examinations of 18 LFCs and 3 PDCs during 2021. The main findings of the examinations included the deterioration

of the assets' quality, risks of highly concentrated loan portfolios, and weaknesses in the governance structure including related party transactions, lapses in the risk management, internal audit and compliance functions, non-compliances with regulatory requirements and lower operational efficiency in financial intermediation.

- (ii) The Monetary Board approved Time Bound Action Plans (TBAP) including recommendations to rectify supervisory concerns identified during the examinations of LFCs/PDCs, and they were communicated to the respective companies for the attention of the Board of Directors. The actions taken by LFCs and PDCs in line with the TBAP are being monitored by the off-site surveillance division.
- (iii) Further, DSNBFI conducted spot examinations of 3 LFCs to investigate irregularities based on the information received from third parties and to review the progress of implementing the special directions issued by the Monetary Board.

(b) Conducting Continuous (Off-Site) Surveillance

- (i) All LFCs, SLCs, and PDCs were continuously being supervised based on the periodic financial information submitted by LFCs/SLCs/PDCs through the web-based fin-net system. The Department also reviewed the other financial information including auditors' reports, management letters, external ratings, and press reports. These reviews identified the potential risks of LFCs, SLCs and PDCs through early warning indicators and internal rating system on the areas of capital, liquidity and provisioning, and the necessary recommendations were made when required.
- (ii) In addition, all LMFCs were continuously being supervised based on the financial information submitted by the LMFCs. Similarly, other financial information including auditors' reports, management letters, external rating, and press reports were reviewed by the Department.
- (iii) DSNBFI took prompt corrective actions to rectify the supervisory concerns of the sector within a clearly stipulated time frame, based on the assessments and severity of the findings. Further, the sector's performance was reported to the Monetary Board on a quarterly basis in view of keeping the senior management informed of the latest developments in the sector.
- (iv) DSNBFI granted regulatory approvals to LFCs and SLCs to issue debt instruments, increase share capital, capital infusions by new investors, amend the Articles of Associations, form subsidiaries, outsource business operations, appoint new

- Directors and officers performing executive functions and ownership transfers.
- (v) In order to address the weaknesses and risks exposures in the LFCs/SLCs sector, the Masterplan for Consolidation of Non-Bank Financial Institutions Sector (Masterplan) was introduced in 2020. During 2021, the necessary due diligences, information memorandums and business valuations of 13 identified LFCs/SLCs were completed and shared with the interested parties. Similarly, the necessary interferences for negotiations were arranged by DSNBFI. Further, approvals in principle were obtained for 6 transactions from the Monetary Board under Masterplan during 2021.
- (vi) Further, Associated Motor Finance Co. PLC amalgamated with Arpico Finance Co. PLC during the year of 2021. Hence, finance business licence and finance leasing registration issued to Arpico Finance Co. PLC were cancelled.
- (vii) DSNBFI mediated to resolve a large number of complaints received from the general public with regard to the operations of LFCs and SLCs that were largely relating to policy matters and LFCs of which licenses have been cancelled.

(c) Resolution Actions

The key focus of DSNBFI during 2021 was to implement further regulatory measures in an expeditious manner, on the companies whose licences have been cancelled or suspended due to insolvent nature that have been confronted with prolonged liquidity crisis for the past several years. Accordingly, the following steps were taken in this regard.

- (i) The winding up application of The Finance Company PLC was filed at the Colombo Commercial High Court on 16.02.2021.
- (ii) The suspension order issued to Swarnamahal Financial Services PLC (SFSP) was removed for a period of three months w.e.f. 13.01.2021 to facilitate the repayment of 50% of the remaining deposits. Considering the successful completion of the repayment of 50% of the remaining deposits, the business of SFSP was again suspended w.e.f. 12.04.2021. However, the business of SFSP was again resumed for a limited period of six months on 13.10.2021 to explore the possibility of absorbing the company to the Masterplan. Approval in principle has been granted on 08.12.2021 to sell 3 investment properties of SFSP to SMB Leasing PLC, under the aforesaid Masterplan. With the completion of the said transactions, SFSP will be in a position to repay the remaining deposits in full.

- (iii) During 2021, the suspension of business of Perpetual Treasuries Ltd. was extended twice on 05.01.2021 and 05.07.2021 and continues to remain in force for a further period of six months from 05.01.2022 in order to continue the investigations being conducted by the Central Bank.
- (iv) Several consolidation proposals as per the Masterplan were initiated for the LFCs who are non-compliant with capital requirements.
- (v) Meetings were also held with the Senior Management and Management Panels of LFCs relating to the issues prevailing in the companies whose licences have been cancelled or suspended.

(d) Public Awareness and Capacity Building

(i) Public Disclosure

The names of LFCs and SLCs indicating non-compliances with prudential capital requirements and subject to regulatory restrictions, if any, were published in the Central Bank website. Further, DSNBFI published press notices to disclose the progress of the investigations initiated in terms of section 42 of FBA.

(ii) Capacity Building

The senior officers of the Department continued to serve as resource persons at the training sessions, including the programmes conducted at the Centre for Banking Studies of the Central Bank.

(iii) Meeting with LFCs/SLCs and Other Stakeholders

DSNBFI conducted three meetings with the Chief Executive Officers of LFCs/SLCs chaired by the Governor with the objective of sharing views between the Central Bank and LFC/SLC sector on matters relating to the economy and regulatory developments. In addition, the Department held continuous meetings with LFCs/SLCs, the Finance House Association, Leasing Association, external auditors, and international agencies to discuss issues relating to individual licensed institutions /sector as a whole and to implement corrective actions.

(iv) Public awareness programmes

DSNBFI provided assistance to conduct awareness programs upon requests of other Departments such as the Resolution and Enforcement Department, Regional Development Department, as and when required. Press releases were also issued with the intention of increasing public awareness.

32.3 Investigation of Unauthorised finance business entities

After assigning the investigation function on unauthorised deposit taking and finance businesses to

DSNBFI in July 2020, the Department had commenced 97 investigations by end 2021 based on complaints and information received. A special unit has been established in the Financial and Commercial Crime Investigations Division of the Sri Lanka Police to assist DSNBFI in conducting the investigations relating to unauthorised deposit taking and finance business, based on a request made by DSNBFI through the Governor. During 2021, DSNBFI issued three freezing

orders to the parties subject to investigations under Section 42 of FBA and these freezing orders were confirmed and extended by the High Court based on the requests of Director, DSNBFI. Moreover, Director, DSNBFI obtained extensions from the High Court on the freezing orders issued in 2020. Director, DSNBFI obtained court orders to suspend overseas travel of concerned parties of three entities subject to investigations.

Annex II - 4

Authorised Financial Institutions (As at end 2021)		
Licensed Finance Companies		
1. Abans Finance PLC (a)	21. Mercantile Investments and Finance PLC	
2. Alliance Finance Co. PLC	22. Merchant Bank of Sri Lanka & Finance PLC	
3. AMW Capital Leasing and Finance PLC	23. Multi Finance PLC (a)	
4. Asia Asset Finance PLC	24. Nation Lanka Finance PLC (a)	
5. Associated Motor Finance Co. PLC (a) (b)	25. Orient Finance PLC	
6. Bimputh Finance PLC (a)	26. People's Leasing & Finance PLC	
7. Central Finance Co. PLC	27. People's Merchant Finance PLC	
8. Citizens Development Business Finance PLC	28. Prime Finance PLC (a)	
9. Commercial Credit & Finance PLC	29. Richard Peiris Finance Ltd.	
10. Commercial Leasing & Finance PLC	30. Sarvodaya Development Finance Ltd. (f)	
11. Dialog Finance PLC	31. Senkadagala Finance PLC	
12. ETI Finance Ltd. (c)	32. CBC Finance Ltd.	
13. Fintrex Finance Ltd.	33. Sinhaputhra Finance PLC (a)	
14. HNB Finance PLC	34. Singer Finance (Lanka) PLC	
15. Ideal Finance Ltd. (d)	35. Siyapatha Finance PLC	
16. Kanrich Finance Ltd. (a)	36. Softlogic Finance PLC	
17. Lanka Credit and Business Finance Ltd. (e)	37. Swarnamahal Financial Services PLC (a)	
18. LB Finance PLC	38. UB Finance Co. Ltd.	
19. LOLC Development Finance PLC	39. Vallibel Finance PLC	
20. LOLC Finance PLC		
Registered Finance Leasing Establishments		
(A) Licensed Commercial Banks		
1. Amana Bank PLC	(B) Licensed Specialised Banks	
2. Bank of Ceylon		
3. Commercial Bank of Ceylon PLC		
4. DFCC Bank PLC		
5. Hatton National Bank PLC	1. Housing Development Finance Corporation Bank of Sri Lanka	
6. MCB Bank Ltd.	2. Pradeshiya Sanwardana Bank	
7. National Development Bank PLC	3. Sanasa Development Bank PLC	
8. Nations Trust Bank PLC	4. Sri Lanka Savings Bank Ltd.	
9. Pan Asia Banking Corporation PLC	(C) Specialised Leasing Companies	
10. Sampath Bank PLC	1. Assetline Leasing Co. Ltd.	
11. Seylan Bank PLC	2. Co-operative Leasing Co. Ltd.	
12. Union Bank of Colombo PLC	3. SMB Leasing PLC	

(D) Licensed Finance Companies	
1. Abans Finance PLC (a)	21. Mercantile Investments and Finance PLC
2. Alliance Finance Co. PLC	22. Merchant Bank of Sri Lanka & Finance PLC
3. AMW Capital Leasing and Finance PLC	23. Multi Finance PLC (a)
4. Asia Asset Finance PLC	24. Nation Lanka Finance PLC (a)
5. Associated Motor Finance Co. PLC (a) (b)	25. Orient Finance PLC
6. Bimputh Finance PLC (a)	26. People's Leasing & Finance PLC
7. Central Finance Co. PLC	27. People's Merchant Finance PLC
8. Citizens Development Business Finance PLC	28. Prime Finance PLC (a)
9. Commercial Credit & Finance PLC	29. Richard Peiris Finance Ltd.
10. Commercial Leasing & Finance PLC	30. Sarvodaya Development Finance Ltd. (f)
11. Dialog Finance PLC	31. Senkadagala Finance PLC
12. ETI Finance Ltd. (c)	32. CBC Finance Ltd.
13. Fintrex Finance Ltd.	33. Sinhapatra Finance PLC (a) (g)
14. HNB Finance PLC	34. Singer Finance (Lanka) PLC
15. Ideal Finance Ltd. (d)	35. Siyapatha Finance PLC
16. Kanrich Finance Ltd. (a) (g)	36. Softlogic Finance PLC
17. Lanka Credit and Business Finance Ltd. (e)	37. Swarnamahal Financial Services PLC (a)
18. LB Finance PLC	38. UB Finance Co. Ltd.
19. LOLC Development Finance PLC	39. Vallibel Finance PLC
20. LOLC Finance PLC	
Licensed Microfinance Companies	
1. Berendina Micro Investments Company Ltd.	3. Dumbara Micro Credit Ltd.
2. Lak Jaya Micro Finance Ltd.	4. Sejaya Micro Credit Ltd.
Primary Dealer Companies	
1. Acuity Securities Ltd.	5. NSB Fund Management Co. Ltd.
2. Capital Alliance Ltd.	6. Perpetual Treasuries Ltd. (i)
3. Entrust Securities PLC (h)	7. Wealth Trust Securities Ltd.
4. First Capital Treasuries PLC	
<p>(a) Non-compliant with the minimum capital adequacy requirement as at 31.12.2021 or minimum core capital requirement as at 01.01.2022. Those companies are required to comply with the requirements of the Masterplan introduced to Non-banking sector by the Monetary Board, or capital restoration plan approved by the Monetary Board within a given time frame.</p> <p>(b) Associated Motor Finance Co. PLC amalgamated with Arpico Finance Co. PLC w.e.f.01.04.2021.</p> <p>(c) Business operations were suspended on 13.07.2020 by the Monetary Board. On 06.01.2021, the Monetary Board decided to cause Director, Supervision of Non-Bank Financial Institutions to make an application to a competent court for the winding up.</p> <p>(d) The name of Ideal Finance Ltd. has been changed to Mahindra Ideal Finance Ltd w.e.f. 28.01.2022.</p> <p>(e) The name of Lanka Credit and Business Finance Ltd. has been changed to Lanka Credit and Business Finance PLC w.e.f. 21.01.2022 due to the listing requirement under the Masterplan.</p> <p>(f) The name of Sarvodaya Development Finance Ltd. has been changed to Sarvodaya Development Finance PLC w.e.f. 06.01.2022 due to the listing requirement under the Masterplan.</p> <p>(g) Restrictions were imposed by the Monetary Board on conducting new leasing business.</p> <p>(h) Participation in government securities primary auction was refrained w.e.f. 24.07.2017.</p> <p>(i) Suspended carrying on the business and activities of a primary dealer w.e.f. 06.07.2017 and current suspension is effective until 05.07.2022.</p>	

PART III

PART III

ADMINISTRATIVE MEASURES ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING THE YEAR RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

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Circular No. 01 of 2021

13 January 2021

**SUSPENSION OF RECOVERY ACTIONS AGAINST
SMALL AND MEDIUM ENTERPRISE (SME) PADDY MILLERS**

Considering the Government initiatives to support the SME Paddy Millers amidst COVID-19 pandemic for the upcoming harvesting seasons, licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), are required to suspend recovery actions against SME Paddy Millers for a period of six months commencing from 1 January 2021 as specified below.

- (1) In the case where a licensed bank has commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990 or Mortgage Act No. 06 of 1949 as amended or Finance Leasing Act No. 56 of 2000 or any other relevant Act in this regard, such recovery actions shall be suspended on condition that the concerned licensed bank and the borrower reach a debt repayment agreement.
- (2) Licensed banks shall defer passing new resolutions under the above Acts, for recovery of loans and advances. In instances where resolutions for recovery have already been passed, auctioning of assets will be suspended until 30.06.2021.
- (3) In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to enter into an agreement by submission of affidavit to Courts agreeing to comply with the requirements set out in (1) above.
- (4) Licensed banks shall suspend any other legal or recovery action until 30.06.2021.

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Banking Act Directions No. 01 of 2021

19 January 2021

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 outbreak and the importance of maintaining appropriate levels of liquidity and capital buffers in the licensed banks, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

- | | |
|---|---|
| 1. Empowerment | 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed bank, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. |
| 2. Scope of Application | 2.1 These Directions shall be applicable to every licensed bank incorporated or established in Sri Lanka and every licensed bank, which is a branch of a bank incorporated or established outside Sri Lanka, on a standalone basis. |
| 3. Restrictions on Discretionary Payments | 3.1 Every licensed bank incorporated or established in Sri Lanka shall defer payment of cash dividends until the financial statements for the year 2020 are finalised and audited by its External Auditor.
3.2 Every licensed commercial bank incorporated outside Sri Lanka shall defer repatriation of profits not already declared for financial years 2019 and 2020 until the financial statements for the year 2020 are finalised and audited by its External Auditor.
3.3 Licensed banks shall give due consideration to the requirements of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the impact of COVID-19 pandemic when deciding on payments of cash dividends and profit repatriation.
3.4 Licensed banks shall adhere to the following with immediate effect, until 30 June 2021. |

- (a) refrain from buying-back of its own shares;
- (b) refrain from increasing management allowances and payments to Board of Directors;
- (c) exercise prudence and refrain to the extent possible from incurring non-essential expenditure such as advertising, business promotions, gift schemes, entertainment, sponsorships, travelling and training etc.; and
- (d) exercise extreme due diligence and prudence when incurring capital expenditure, if any.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 02 of 2021

25 January 2021

**FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE BY
LICENSED COMMERCIAL BANKS**

Issued in terms of the powers conferred by Section 46(1) of the Banking Act No. 30 of 1988, as amended.

In view of the need to avoid excess volatility in the foreign exchange market and the impact on banks' risk management, licensed commercial banks are hereby informed to refrain from entering into forward contracts of foreign exchange for a period of three months with immediate effect.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Direction No. 03 of 2021

25 January 2021

AMENDMENTS TO DIRECTIONS ON CAPITAL REQUIREMENTS UNDER BASEL III FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

Banking Act Directions No. 1 of 2016 on Capital Requirements under Basel III for licensed commercial banks and licensed specialised banks are hereby amended by replacing the following Directions.

SCHEDULE I

Appendix IV

PART III(A) – COMPUTATION OF RISK WEIGHTED AMOUNT FOR CREDIT RISK

Web Based Return Code	Assets	Risk Weight (%)
20.3.1.1.1.2	Foreign Claims on Central Government All foreign claims on Government of Sri Lanka (The revised risk weight is applicable for the year 2021 only)	10
20.3.1.9.0.0	Claims Secured by Residential Property The amount must agree with the sum of the claims secured by residential property that qualify for regulatory capital purposes and claims secured by residential property that do not qualify for regulatory capital purposes. (WBRC 20.3.1.9.1.0 to 20.3.1.9.2.0) The exposures secured by mortgages on commercial real estates shall be excluded from here.	
20.3.1.9.1.0	Claims that Qualify for Regulatory Capital Purposes a) Subject to conditions below, residential housing loans fully secured by a primary mortgage over such residential property that is or will be occupied by the borrower or rented.	35

	<p>b) The claims should strictly meet the following qualifying criteria to be able to use the preferential risk weight:</p> <ul style="list-style-type: none"> • A margin of at least 25% on the forced sale value of the property based on the latest valuation report; • Valuation of property: valuation of property is carried out by an external independent valuer or current internal assessment of the value of the properties subject to the conditions stated in the Directions on Classification of Loans and Advances, Income Recognition and Provisioning issued under Banking Act. <p>c) Mortgages other than primary mortgages will qualify for the same risk weight, subject to the above conditions, if:</p> <ul style="list-style-type: none"> • The mortgage is with the same bank • The purpose of the loan is for residential purposes. 	
20.3.1.9.2.0	<p>Claims that do not Qualify for Regulatory Capital Purposes Performing claims that do not meet the criteria given above.</p>	100

Prof. W D Lakshman

Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Circular No. 02 of 2021

25 January 2021

AMENDMENTS TO CIRCULAR NO. 04 OF 2018 ON GUIDELINES TO LICENSED BANKS ON THE ADOPTION OF SRI LANKA ACCOUNTING STANDARD – SLFRS 9: FINANCIAL INSTRUMENTS

The Central Bank of Sri Lanka, having considered the current exceptional circumstances, latest Budget proposal on International Sovereign Bonds and with a view to establishing consistent practices on the adoption of Sri Lanka Accounting Standard – SLFRS 9: Financial Instruments by licensed banks, hereby issues the amendment to the Annex I of the Circular No. 04 of 2018 on Guidelines to Licensed Banks on the Adoption of Sri Lanka Accounting Standard – SLFRS 9: Financial Instruments.

Guideline 2.5 (c) shall be inserted immediately after Guideline 2.5 (b) as follows:

2.5 (c) However, it is permitted to apply a minimum LGD of 10 per cent when computing expected losses for the year 2021.

Director of Bank Supervision

Circular No. 03 of 2021

10 March 2021

CONCESSIONS FOR LEASE FACILITIES OBTAINED BY BUSINESSES AND INDIVIDUALS IN PASSENGER TRANSPORTATION SECTOR

With a view to meeting the challenges faced by businesses and individuals engaged in passenger transportation sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to provide concessions for lease facilities obtained by COVID-19 affected businesses and individuals engaged in passenger transportation services (hereinafter referred to as the Scheme) for six months commencing from 1 April 2021 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

1. Period of deferment of lease installments

1.1 Licensed banks shall defer the lease installments for a period not exceeding 6 months commencing from 1 April 2021 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers.

1.2 The lease installment (both capital and interest) shall be deferred on the request made by affected borrowers.

2. Deadline for submission of the application

- 2.1 Eligible borrowers may request on or before 19 April 2021, for deferring the lease installments in writing or through electronic means. Licensed banks shall expeditiously communicate the concessions, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including email and SMS.
- 2.2 Licensed banks shall accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable.

3 Eligible borrowers

- 3.1 Businesses and individuals engaged in providing public passenger transportation, private passenger transportation such as school transport service, office transport service, taxis including three wheelers, etc. and providing passenger transportation services to tourism sector.
- 3.2 Licensed banks may request the eligible borrower to submit necessary documentation to ensure that the vehicle is used to provide passenger transportation to the sectors referred in 3.1 above.

4 Eligible credit facilities

Performing lease facilities including lease facilities under moratorium as at 31 March 2021 obtained by eligible borrowers referred to under paragraph 3 above.

5 Structuring of the concession

5.1 Extending the existing tenure of lease facilities

- (a) Licensed banks shall extend the existing tenure of lease facilities eligible for deferment by the respective period of deferment.
- (b) Licensed banks may charge an interest rate for the deferred period only on the lease instalments falling due during the deferred period, not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 1 per cent per annum.
- (c) Such interest shall be recovered from April 2023 along with the existing lease installment falling due during this period. In the case where, the remaining tenure of the lease facility ends before April 2023, financial institutions may commence recovery of such interest at the completion of the remaining tenure of the lease facility.
- (d) Once the remaining tenure of the existing lease facility is over, borrowers shall commence repayment of the deferred installments referred to in paragraph 5.1(a) above.

5.2 Recovery of amounts due on the moratorium

- (a) Considering that the use of public and private transportation is gradually returning to normalcy due to reopening of schools (monthly payments being collected uninterruptedly by many transport providers), offices, airport, etc., potential impact of the extended debt moratoriums on the licensed banks, and the ongoing vaccination program, licensed banks shall commence recovery of installments falling due in relation to the moratorium granted during 01 April 2019 to 31 March 2020, 01 April 2020 to 30 September 2020 and 01 October 2020 to 31 March 2021 (hereinafter referred to as moratoriums), as applicable, during the deferred period of the existing lease facility referred to in paragraph 5.1(a) above.
- (b) Once the deferred period of the existing lease facility (referred to in paragraph 5.1(a) above) is over, the repayment of the installments due on the moratoriums shall be deferred until the remaining tenure including the deferred period of the existing lease facility is over.
- (c) For such deferred period of the installments due on the moratoriums, interest shall accrue at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 1 per cent per annum.
- (d) Such interest shall be recovered immediately after completing the payment of interest referred to in 5.1(b) and (c) above along with the installments on the existing lease facility and deferred installments relating to moratoriums, as applicable.
- (e) Once the remaining tenure including the deferred period of the existing lease facility is over, borrowers shall commence repayment of the deferred installments relating to the moratoriums referred to in paragraph 5.2(b) above.

5.3 If the borrower submits a written request to settle the lease instalments falling due during the deferred period including the dues of moratoriums and interest for the deferred period, early, licensed banks shall facilitate such requests. In such case,

licensed bank and the borrower shall agree on the structure, interest rate and the tenure. The interest rate shall be in line with the current market rate.

5.4 Licensed banks may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. In such case, licensed banks shall clearly explain the interest computation under all options including the structure proposed in this Circular to the borrower, prior to approving such concession.

5.5 Licensed banks shall waive off the penal interest accrued and unpaid as at 01 April 2021, if any. Penal interest shall not be accrued and charged during the period of deferment.

5.6 Licensed banks shall not levy excessive fees or charges in relation to granting of the concessions.

5.7 In the case of declined requests, licensed banks shall clearly mention the reason for such decline.

6 Accounting considerations on the deferment of lease installments

Licensed banks shall account for the deferment of lease installments as per Sri Lanka Accounting Standards and any additional guidance provided by CA Sri Lanka (CASL) on Financial Reporting implications due to the outbreak of COVID-19. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7 Reporting requirement

Licensed banks shall report the details of deferment of lease installments availed by their borrowers to the Bank Supervision Department as at the 30th of each month, within 15 working days, commencing 01 May 2021, as per the attached format.

Prof. W D Lakshman

**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Annex 1 of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_3_of_2021_e.pdf

Banking Act Direction No. 04 of 2021

18 March 2021

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka with a view to easing pressure on the exchange rate and considering the substantial amount of possible/potential outflow of foreign exchange by banks and its impact on banks' risk management, licensed commercial banks and National Savings Bank are hereby informed to suspend the purchase of Sri Lanka International Sovereign Bonds with effect from 23 March 2021 until 09 April 2021.

Prof. W D Lakshman

**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 04 of 2021

19 March 2021

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by businesses and individuals engaged in tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to extend the debt moratorium granted for tourism sector under Circular No. 08 of 2020 dated 26 August 2020 for another six months commencing 1 April 2021 as specified below. However, licensed banks may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. The aforementioned extension is granted in order to provide adequate time for borrowers to come up with proposals for a long-term arrangement. Therefore, borrowers shall submit acceptable plans to licensed banks for restructuring of credit facilities over a long period of time, prior to the expiry of the extended moratorium period. Such plans

shall be assessed on a case-by-case basis by licensed banks. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

The following provisions of the Circular No. 08 of 2020 have been amended and other provisions of the cited Circular will remain unchanged:

1. General Terms and Conditions

- 1 (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of six months commencing 1 April 2021 to 30 September 2021.
- 1 (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant licensed bank on or before 19 April 2021. Licensed banks are requested to accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable. Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for this extension.

2. Structuring the debt moratorium

- 2 (i) Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 April 2021 to 30 September 2021 into a term loan. Licensed banks may amalgamate the capital and interest falling due during the previous moratorium granted with the capital and interest falling due during 1 April 2021 to 30 September 2021, except for EMI loans for which the interest rate for the moratorium period is capped at 7 per cent per annum.
- 2 (ii) Licensed banks may commence recovery of such converted loan once the extended moratorium period is over.
- 2 (v) Licensed banks shall waive off the accrued and unpaid penal interest as at 1 April 2021, if any, on credit facilities considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

Prof. W D Lakshman
**Chairman of the Monetary Board and Governor
of the Central Bank of Sri Lanka**

Banking Act Directions No. 05 of 2021

09 April 2021

**INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED
COMMERCIAL BANKS AND NATIONAL SAVINGS BANK**

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka with a view to easing pressure on the exchange rate and considering the substantial amount of possible/potential outflow of foreign exchange by banks and its impact on banks' risk management, requires the licensed commercial banks and National Savings Bank to suspend the purchase of Sri Lanka International Sovereign Bonds until 23 April 2021.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 01 of 2021

21 April 2021

**PRIORITY SECTOR LENDING TARGETS FOR
LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS
TO THE MICRO, SMALL AND MEDIUM SCALE ENTERPRISES SECTOR**

Having recognised the need to promote economic sectors with high potential in terms of domestic economic growth and export earnings, leading to the broad-based revival of the economy, CBSL introduces priority sector lending target on credit granted by licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to individuals and businesses in the Micro, Small and Medium Enterprises (MSME) sector, as follows:

- 1. Empowerment
 - 1.1 In terms of Section 101 (1) (b) of the Monetary Law Act No. 58 of 1949 (as amended), the Monetary Board may from time to time fix limits to the rate at which the amount of loans and investments may be increased within specified periods by licensed banks.

2. Priority Sector Lending Target
- 2.1 Licensed banks shall grant credit to individuals and businesses in MSME sector and ensure a growth rate of not less than 20 per cent per annum on Y-o-Y basis, over the outstanding stock of lending to MSMEs at the end of the previous year.
- 2.2 The lending target in 2.1 above shall be prioritised in the following economic sub-sectors that display higher potential in terms of domestic growth and export earnings within the broader MSME sector, but shall not be restricted to the said sectors:
- (i) Food and beverage processing
 - (ii) Production of medical utilities and related products
 - (iii) Development of distance learning facilities
 - (iv) Domestic cottage industry
 - (v) Rubber and rubber products
 - (vi) Ship and boat building
 - (vii) Cosmetics
 - (viii) Batik and handloom
 - (ix) Gem and Jewellery
 - (x) Health and wellness
 - (xi) Electronics and electrical components
 - (xii) Motor vehicle assembly
 - (xiii) Pharmaceutical manufacturing
 - (xiv) Porcelain, ceramics, and pottery
3. Applicability
- 3.1 Credit facilities shall include term loans, leasing, overdrafts, and trade finance facilities including off-balance sheet exposures, denominated in the Sri Lankan Rupee and foreign currencies granted by licensed banks to all businesses and individuals in MSME Sector in Sri Lanka.
- 3.2 Enterprises with an annual turnover not exceeding Rs. 1,000 mn will be considered as MSMEs for the purpose of this Order in line with the definition of SME provided in Banking Act Directions No. 07 of 2020 on Amendments to the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks.
4. Exclusions
- 4.1 Advances for pawning granted by licensed banks to individuals and businesses in MSME sector shall be excluded from the priority sector lending target in 2.1 above.
5. Monitoring and Reporting
- 5.1 Licensed banks shall have a continuous monitoring mechanism once credit facilities under this Order are disbursed.
- 5.2 Licensed banks shall report details of lending to MSMEs in the format in Annex I, to the Director of Economic Research and the Director of Bank Supervision within 30 days from the end of each quarter commencing 01 April 2021.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Annex 1 of this MLA Order can be accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_monetary_law_act_order_1_of_2021_e.pdf

Banking Act Directions No. 06 of 2021

23 April 2021

**INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED
COMMERCIAL BANKS AND NATIONAL SAVINGS BANK**

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka with a view to easing pressure on the exchange rate and considering the substantial amount of possible/potential outflow of foreign exchange by banks and its impact on banks' risk management, requires the licensed commercial banks and National Savings Bank to suspend the purchase of Sri Lanka International Sovereign Bonds until further notice.

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Banking Act Directions No. 07 of 2021

25 April 2021

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE BY LICENSED COMMERCIAL BANKS

Issued in terms of powers conferred by Section 46(1) of the Banking Act No. 30 of 1988, as amended.

In view of the need to avoid excess volatility in the foreign exchange market and the impact on banks' risk management, licensed commercial banks (LCBs) shall refrain from entering into forward contracts of foreign exchange with value date beyond Spot date except for the following, until further notice.

- (i) Forward purchases of foreign exchange from their customers including from exporters.
- (ii) Facilitate SWAP arrangements on foreign exchange borrowings of Licensed Specialised Banks and Licensed Finance Companies regulated by the Central Bank of Sri Lanka (CBSL), in order to hedge their FX exposures arising from foreign currency borrowings, approved by CBSL.
- (iii) Facilitate SWAP arrangements on foreign exchange borrowings of corporate clients in order to hedge their FX exposures arising from foreign currency borrowings, approved by CBSL.
- (iv) Amend/extend the value date of existing forward/SWAP contracts of clients at historical rates based on express requests from clients, after verifying the bona fide of the transactions.
- (v) Enter into inter-bank forward and SWAP transactions with single counterparty (i.e. only between two banks).
- (vi) Enter into forward cross currency transactions.

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Banking Act Directions No. 08 of 2021

25 May 2021

**AMENDMENTS TO BANKING ACT DIRECTIONS NO. 11 OF 2018 ON
FOREIGN CURRENCY BORROWINGS BY LICENSED BANKS**

The Monetary Board of the Central bank of Sri Lanka having considered the need to stimulate capital formation within the real economy and supplement the foreign currency needs of the country, hereby issues the following amendments to Banking Act Directions No. 11 of 2018 on foreign currency borrowings by licensed banks.

Accordingly licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, are hereby informed that:

1. With immediate effect, for a period of one year, the existing short-term foreign currency borrowing limits are revoked, while maintaining the existing total foreign currency borrowing limit up to 10 per cent subject to the licensed banks ensuring, through appropriate risk mitigation practices, that such foreign currency borrowings do not give rise to any excessive foreign exchange risk and informing details specified in Direction 9.1 of the Banking Act Directions No. 11 of 2018 on foreign currency borrowings by licensed banks to the Director of Bank Supervision, prior to such borrowings.
2. Licensed banks shall ensure compliance with all other Directions of the cited Directions.

3. Licensed banks shall report the position of total foreign currency borrowings as at end of each month to the Bank Supervision Department, within 15 working days, commencing 30 June 2021, as per the attached format.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Annex 1 of these Directions can be accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act.Directions_No_8_of_2021.pdf

Circular No. 05 of 2021

25 May 2021

CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

With the outbreak of the third wave of COVID-19 in Sri Lanka, requests from many concerned parties and Government Authorities were received by the Central Bank of Sri Lanka (CBSL) to consider granting certain concessions to the affected borrowers/customers. Accordingly, with a view to meeting the challenges faced by businesses and individuals due to the third wave of COVID-19, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme). Further, licensed banks may offer additional concessions to businesses and individuals affected due to the third wave of COVID-19, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks, with a view to easing the burden on the borrowers of banks that are affected by the current disruption in business /income generating activities to duly repay their loans.

1. Deferment or restructuring of existing credit facilities in the performing category as at 15 May 2021

- (a) Licensed banks shall defer recovery of capital, interest, or both of the existing credit facilities of borrowers who are affected by the third wave of COVID-19, on a case-by-case basis, during the period up to 31 August 2021, considering the financial difficulties faced by the eligible borrowers, such as loss of job, loss or reduction of income/salaries or sales, closure of business, etc.
- (b) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted in Rupees or in foreign currencies, considering the financial difficulties and repayment capacity of the eligible borrowers.
- (c) In the case of any Rupee facilities considered for the above deferment, licensed banks may charge an interest rate not exceeding the 364-days Treasury Bills auction rate as at 19 May 2021 plus 1 per cent per annum (i.e., 5.18% + 1% = 6.18% p.a.), for the deferred period and only on the amount deferred amount. In the case of foreign currency loans, licensed banks may charge a concessionary interest rate considering the prevailing low interest rates.
- (d) Alternatively, licensed banks may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
- (e) Licensed banks shall extend the due dates of revolving credit facilities, including but not limited to facilities such as working capital, pawning, temporary overdrafts, short-term trade finance facilities, etc., during the period up to 31 August 2021, provided such due dates fall during 15 May 2021 to 31 August 2021. Licensed banks may charge interest for the deferred period and only on the amount deferred amount as stated in 1 (c) above.
- (f) Penal interest shall not be accrued or charged during the concessionary period, i.e., 15 May 2021 to 31 August 2021.
- (g) Licensed banks shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 10 working days) due to the ongoing travel restrictions, without deferring or re-structuring such facilities. Licensed banks shall not charge any additional interest or other charges for such delay.
- (h) Borrowers who are currently enjoying deferment of lease repayments under Circular No. 03 of 2021 issued on 13 March 2021 or moratorium under Circular No. 04 of 2021 issued on 19 March 2021 are not eligible for concessions provided above.

2. Concessions for credit facilities in the non-performing category as at 15 May 2021

- (a) Licensed banks may reschedule the existing non-performing credit facilities as at 15 May 2021, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on the terms and conditions including the interest rate.

- (b) Licensed banks shall waive-off penal interest accrued or charged during the period 1 April 2020 to 15 May 2021, provided such facilities are considered for rescheduling under this scheme.
 - (c) Licensed banks shall suspend all types of recovery actions until 31 August 2021, against credit facilities that have been classified as non-performing on or after 01 April 2020.
3. Licensed banks shall not levy excessive fees or charges in relation to granting of concessions.
4. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 30 June 2021.
5. Licensed banks shall discontinue charging for cheque returns and stop payments in relation to all cheque payments until 30 June 2021.
6. Licensed banks shall discontinue late payment fee on credit cards and other credit facilities during the period up to 30 June 2021, for those who are demonstrably affected.
7. Licensed banks shall not charge any early settlement fee, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 31 August 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities.
8. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka
 - (a) Licensed banks shall not decline loan applications from eligible borrowers under this Scheme solely based on an adverse CRIB record.
 - (b) Licensed banks, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
9. **Deadline for submission of request**
 - (a) Eligible borrowers may request for the above concessions on or before 21 June 2021 in writing or through electronic means. Licensed banks shall expeditiously communicate the concessions, deadline, and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
 - (b) Licensed banks shall accept any request submitted after 21 June 2021, if the reasons for delay in making such request is acceptable.
 - (c) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
 - (d) Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of declined requests, licensed banks shall clearly mention the reasons for such decline.

10. Accounting considerations on the moratorium

Licensed banks shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under Circular No. 09 of 2020 dated 28 October 2020. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

11. Reporting requirement

Licensed banks shall report the details of concessions availed by their borrowers to the Bank Supervision Department as at 30th of each month, within 15 working days, commencing 30 June 2021. The reporting format will be circulated in due course.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 06 of 2021

07 June 2021

PROVISION OF BANKING SERVICES AMIDST THE COVID-19 OUTBREAK

The Central Bank of Sri Lanka (CBSL), upon obtaining approval/consent of the Director General of Health Services and the Inspector General of Police (IGP), has already requested licensed commercial banks and licensed specialised banks (licensed banks) to carry out essential banking services, strictly adhering to all relevant safety measures and guidelines issued in providing banking services under the on-going travel restrictions to control the spread of COVID-19.

1. Accordingly, all licensed banks shall make necessary arrangements to provide uninterrupted banking services during the COVID-19 outbreak complying with the following:
 - (i) Opening of bank branches only to provide essential services such as trade financing, treasury operations, clearing activities, payment of pensions/salaries, responding to other urgent requests/inquiries of customers, etc.;
 - (ii) The number of staff permitted to report to work in branches of licensed banks shall not exceed 15 per branch;
 - (iii) Staff shall report to work on a roster basis, or the branches shall only be opened on specified days taking note of specific requirements of customers of each branch; and
 - (iv) Branch Managers shall obtain prior approval of the nearest Police Station for the travel of the relevant staff by producing a request letter containing relevant information including those provided in the specimen Annexed.
2. Licensed banks shall:
 - (i) Publish notices informing the general public how essential banking services can be obtained;
 - (ii) Take adequate measures to keep the banks' customers informed of the contact details for obtaining essential banking services during this period, including display of contact details of branch staff at the branch and Hot-line numbers, considering the various preferred modes of transacting;
 - (iii) Ensure that the customer inquiries are answered and resolved expeditiously; and
 - (iv) Continue to facilitate use of electronic/digital channels, including Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs), Cash Recycling Machines (CRMs), and mobile banking vehicles.

Prof. W D Lakshman
**Chairman of Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex 1 of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_6_of_2021_e.pdf

Banking Act Directions No. 09 of 2021

16 June 2021

RECOVERY PLANS FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

In terms of the powers conferred by Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board hereby issues these Directions on the requirement of maintaining Recovery Plans (RCP) for licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks).

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| 1. Empowerment | 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act, the Monetary Board is empowered to issue Directions to all licensed banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. |
| 2. Scope of Application | <p>2.1 RCP shall identify the full range of recovery options available to a licensed bank to deal with shocks to capital, liquidity and all other aspects that may arise from institution-specific stresses, market-wide stresses, or a combination of both.</p> <p>2.2 Each licensed bank shall have an RCP in place and the RCP shall include the following:</p> <ol style="list-style-type: none"> (a) Scope of RCP formulated considering the nature, scale, complexity, and interconnectedness of the licensed bank. (b) Entities of the banking group covered under the recovery framework. |
| 3. Critical Functions and Critical Shared Services | <p>3.1 Critical functions and critical shared services shall be clearly identified and defined in RCP.</p> <p>3.2 Critical functions and critical shared services shall be organised in a way that ensures the continuous availability of shared services to the entire bank under the possible recovery and resolution options.</p> |
| 4. Recovery Triggers and Indicators | <p>4.1 Each licensed bank shall identify recovery indicators, recovery triggers, recovery actions and conditions for activation of resolution measures.</p> <p>(a) The recovery plan shall include appropriate indicators, triggers, and procedures to ensure the timely implementation of recovery actions.</p> |

- (b) Identified indicators and triggers shall comprise a range of quantitative and qualitative triggers.
- (c) Quantitative indicators and triggers should be set at levels above the associated supervisory requirements, wherever applicable.
- (d) In addition to such triggers, early warning indicators shall be used to identify negative trends for monitoring.
- 5. Recovery Options**
- 5.1 An RCP shall identify the full range of credible and flexible recovery options available to a bank to deal with shocks to capital, liquidity and all other aspects that may arise from institution-specific stresses, market-wide stresses, or a combination of both, and shall include the following as a minimum:
- (a) The anticipated impact or result of the option in terms of capital, liquidity and/or any other area, if any.
 - (b) Time and resources required to implement the option.
 - (c) Potential impediments to implementation of the option.
 - (d) Actions being taken to remedy the impediments.
 - (e) Details on costs of implementation.
 - (f) Details on option-specific communication planning.
- 5.2 Recovery options of a bank shall be capable of being executed within a reasonable timeframe and sustainability and viability of the options must be evaluated intensely.
- 5.3 RCP shall take into account any legal, reputational, and operational impediments on recovery and formulate processes to ensure timely implementation of recovery options.
- 5.4 Each licensed bank shall appropriately include Business Continuity Planning (BCP) arrangements when formulating RCPs.
- 6. Board of Directors and Management**
- 6.1 Each licensed bank shall appoint a member of the senior management to oversee its RCP process and shall put in place a robust governance structure and sufficient resources to support RCP process. The roles and responsibilities of each person involved in RCP process should be clearly assigned within the bank and specified in RCP.
- 6.2 RCP shall be approved or endorsed by the Board of Directors for a locally incorporated licensed bank and the regional/ global head office for a licensed bank incorporated outside Sri Lanka.
- 6.3 RCP shall be a dynamic process and be updated at least annually and must be integrated with the existing risk management framework and processes.
- 6.4 Clear responsibilities of key management personnel, respective departments / divisions, and other relevant officers for formulating, maintaining/regularly reviewing, executing, and activating the RCP shall be assigned and documented.
- 6.5 Licensed banks incorporated outside Sri Lanka shall inter alia include the following in their RCP:
- (a) The manner in which the local operations are integrated to the recovery and resolution framework of the parent bank.
 - (b) Brief description of the submissions made to the home regulator on RCP, if any.
 - (c) A copy of the written undertaking supported by a resolution of the Board of Directors of the head office or parent body, under section 3 (2) (c) (i) of the Banking Act No. 30 of 1988 as amended, stating that such bank as the case may be, shall on demand by the Central Bank, provide funds as may be necessary to meet all obligations incurred in or in connection with its business in Sri Lanka.
- 7. Management Information and Communication Planning**
- 7.1 Each licensed bank shall maintain information within the prevailing management information systems that are capable of producing information necessary for recovery process of the bank.
- 7.2 Each licensed bank shall maintain up to date information on following areas, but not limited to:

- (a) List of depositors including, account number, deposit type, deposit balance, contact details and any other relevant details.
- (b) Information on all contracts of the licensed bank.
- (c) Information on intra-group transactions.
- 7.3 A communication plan shall be in place to ensure timely communication with internal and external stakeholders on RCP.
- 8. Regulatory Submissions**
- 8.1 Commencing 2022, licensed banks with assets above Rs. 1 Trillion shall formulate and submit RCPs to Director of Bank Supervision (DBS) annually, by 30 June of each year or whenever the recovery plan is significantly amended.
- 8.2 Commencing 2022, licensed banks with assets below Rs. 1 Trillion shall maintain RCPs from 30 June 2022 and such RCPs will be subjected to review during the statutory examination of the respective bank.
- 8.3 Licensed banks shall immediately inform the Director of Bank Supervision when a bank reaches a trigger point activating RCP actions or when a licensed bank is experiencing a high level of stress.
- 8.4 A model format providing a broad template for licensed banks to draft RCPs is attached in Schedule I. However, a fair degree of variation in the depth and presentation of RCPs is expected, based on the size, banking business model, complexity, interconnectedness, risk profile and systemic importance of each bank.
- 9. Interpretations**
- 9.1 Critical functions shall mean activities performed for third parties where failure would lead to disruption of services vital for the functioning of the real economy and for financial stability due to size or market share, external and internal interconnectedness, and complexity or cross-border activities of the banking group.
- 9.2 Critical shared services shall mean activities performed within the firm or outsourced to third parties, where failure would lead to the inability to perform critical functions and, therefore, to disruption of services vital for the functioning of the real economy or for financial stability.
- 9.3 Third parties shall include all entities or individuals that have entered into a business relationship with the licensed bank.

Prof. W D Lakshman
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Schedule 1 of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_9_of_2021.pdf

Banking Act Directions No. 10 of 2021

16 June 2021

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

1. The Central Bank of Sri Lanka (CBSL) hereby revokes the Banking Act Directions No. 06 of 2021 dated 23 April 2021 on Investments in Sri Lanka International Sovereign Bonds (ISBs) by Licensed Commercial Banks (LCBs) and National Savings Bank (NSB), subject to the conditions set out in this Direction.
2. LCBs and NSB may purchase ISBs in the secondary market subject to the following conditions:
 - (i) Source of funds to be limited to fresh borrowings from overseas and it should be established to the satisfaction of the CBSL. For this purpose, LCBs and NSB are required to provide documentation of the borrowings overseas as specified in Direction 9.1 of the Banking Act Directions No. 11 of 2018 on Foreign Currency Borrowings by Licensed Banks, to the Director of Bank Supervision (DBS).
 - (ii) Investment of funds sourced as per 2 (i) above in Sri Lanka Development Bonds (SLDBs) and ISBs in the proportion of 50 per cent each, and LCBs and NSB shall submit the following information on their investments in ISBs and SLDBs to DBS and the Superintendent, Public Debt Department.

- a. Date of investment
 - b. International Securities Identification Number (ISIN)
 - c. Amount invested in ISBs and SLDBs
- (iii) LCBs and NSB to adopt risk mitigation measures to prevent maturity mismatches between the borrowings and the ISB/ SLDB investments, adopting appropriate risk mitigation arrangements to bridge any short-term maturity mismatches that may occur, in addition to other risk mitigation measures already prescribed/followed.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Order No. 01 of 2021

18 June 2021

**BANKING (OFF-SHORE BANKING BUSINESS SCHEME) ORDER
DESIGNATED FOREIGN CURRENCIES**

Order made by the Monetary Board of the Central Bank of Sri Lanka with the approval of the Minister, under Sections 23, 25 and 26 of the Banking Act, No. 30 of 1988, as amended.

1. Designated Foreign Currencies
- 1.1 The foreign currencies set out in the Schedule below in this Order are determined as the Designated Foreign Currencies under the Banking (Off-Shore Banking Business Scheme) Order.
 - 1.2 The Schedule in this Order, replaces the Schedule in the Banking (Off-Shore Banking Business Scheme) Order No. 01 of 2011, dated 27.10.2011.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Schedule

Designated Foreign Currencies

- | | |
|-----------------------|--------------------------|
| 1. Australian Dollar | 9. Norwegian Krone |
| 2. Canadian Dollar | 10. Pound Sterling |
| 3. Chinese Renminbi | 11. Singapore Dollar |
| 4. Danish Krone | 12. Swedish Krone |
| 5. Euro | 13. Swiss Franc |
| 6. Hongkong Dollar | 14. Thai Baht |
| 7. Japanese Yen | 15. United States Dollar |
| 8. New Zealand Dollar | |

Banking Act Directions No. 11 of 2021

13 July 2021

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 outbreak and the importance of maintaining appropriate levels of liquidity and capital buffers in licensed banks while managing cash flows prudently, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

1. **Empowerment**
- 1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.

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| 2. Scope of Application | 2.1 These Directions shall be applicable to every licensed bank incorporated in Sri Lanka and every licensed bank, which is a branch of a bank incorporated or established outside Sri Lanka, on a standalone basis. |
| 3. Restrictions on Discretionary Payments | 3.1 Every licensed bank incorporated or established in Sri Lanka shall defer payment of cash dividend until the financial statements/interim financial statements for 2021 are finalised and audited by its External Auditor. |
| | 3.2 Every licensed commercial bank incorporated outside Sri Lanka shall refrain from repatriation of profits not already declared for financial years 2020 and 2021 until the financial statements/interim financial statements for 2021 are finalised and audited by its External Auditor. |
| | 3.3 Licensed banks shall give due considerations to the requirements of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the potential impact of the COVID-19 pandemic and prevailing market conditions when deciding on payments of cash dividends and profit repatriation. |
| | 3.4 Licensed banks shall adhere to the following, until 31 December 2021. |
| | (a) Refrain from buying-back of its own shares; |
| | (b) Refrain from increasing management allowances and payments to Board of Directors; |
| | (c) Exercise prudence and refrain to the extent possible from incurring non-essential expenditure such as advertising, business promotions, gift schemes, entertainment, sponsorships, travelling and training etc.; and |
| | (d) Exercise extreme due diligence and prudence when incurring capital expenditure, if any. |
| 4. Effective Date | 4.1 These Directions shall be in effect from 01 July 2021. |

Prof. W D Lakshman
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Circular No. 07 of 2021

21 August 2021

PROVISION OF BANKING SERVICES DURING THE ONGOING QUARANTINE CURFEW PERIOD

Consequent to the issuance of the press release dated 20 August 2021 by the Director General of Health Services outlining the functions that are permitted under quarantine curfew period effective from 10 p.m. 20 August 2021 to 4 a.m. 30 August 2021, the Central Bank of Sri Lanka requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to carry out essential banking services uninterruptedly. Accordingly, all licensed banks shall make necessary arrangements to provide banking services during this period complying with the following:

- (i) Open bank branches only to provide essential services such as trade financing, treasury operations, clearing activities, payment of salaries, responding to other urgent requests/inquiries of customers, etc.;
- (ii) Operate with the minimal staff required to provide very restricted, essential banking services on a roster basis, or the branches shall only be opened on specified days taking note of specific requirements of customers of each branch;
- (iii) Strictly adhere to all relevant safety measures and guidelines;
- (iv) Publish notices informing the general public how essential banking services can be obtained;
- (v) Take adequate measures to keep the banks' customers informed of the contact details for obtaining essential banking services during this period, including display of contact details of branch staff at the branch and Hot-line numbers, considering the various preferred modes of transacting;
- (vi) Ensure that the customer inquiries are answered and resolved expeditiously; and

- (vii) Continue to facilitate and encourage the use of electronic/digital channels, including Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs), Cash Recycling Machines (CRMs), and mobile banking vehicles.

Prof. W D Lakshman
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Monetary Law Act Order No. 02 of 2021

24 August 2021

**MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS
OF LICENSED COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK**

Issued under Section 104(1)(a) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the anomalies in the interest rates offered and paid by licensed commercial banks on the rupee and foreign currency deposits, the Monetary Board hereby issues an Order on maximum interest rates to be paid in respect of foreign currency deposit products of licensed commercial banks and the National Savings Bank.

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| 1. Empowerment under the Monetary Law Act | 1.1 In terms of Section 104(1)(a) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which licensed commercial banks and licensed specialised banks may pay upon various classes of deposits. |
| 2. Maximum interest rates on FCY deposits | 2.1 The maximum interest rates that may be offered or paid by a licensed commercial bank and the National Savings Bank on all foreign currency (FCY) deposits shall not exceed an Annual Effective Rate (AER) of up to 5 per cent.

2.2 In the case of Special Deposit Accounts in FCY, the additional interest rate that can be offered or paid shall be over and above the interest rate applicable in 2.1 above. |
| 3. Regulatory Reporting and Disclosure | 3.1 Every licensed commercial bank and the National Savings Bank shall;
(i) submit details of the interest rates offered on FCY deposit products in accordance with the weekly return on 'Rates of Interest', and
(ii) make arrangements to inform and display the interest rates offered to customers on FCY deposit products. |
| 4. Implementation | 4.1 These Orders shall be effective from the date of the Order and shall be applicable for new FCY deposits, existing FCY savings deposits and at the renewal of FCY term deposits. |

Prof. W D Lakshman
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Circular No. 08 of 2021

01 September 2021

CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

Considering the new surge in COVID-19 outbreak in Sri Lanka, requests from many concerned parties were received by the Central Bank of Sri Lanka (CBSL) to consider extending the concessions granted to the affected borrowers/customers under the Circular No. 05 of 2021 dated 25 May 2021. Accordingly, with a view to facilitating to meet the challenges faced by businesses and individuals due to the ongoing COVID-19 pandemic, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to extend the concessions granted under Circular No. 05 of 2021 dated 25 May 2021 as specified below. Further, licensed banks may offer additional concessions to businesses and individuals affected due to the COVID-19 pandemic, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular.

This Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks, with a view to easing the burden on the borrowers of banks that are affected by the current disruption in business /income generating activities to duly repay their loans. This Circular is not applicable for borrowers in the tourism sector, who are eligible to obtain concessions granted for the tourism sector.

1. Deferment or restructuring of existing credit facilities in the performing category as at 01 September 2021

- (a) Licensed banks shall defer recovery of capital, interest or both of the existing performing credit facilities of borrowers who are affected by COVID-19, on case-by-case basis, during the period up to 31 December 2021, considering the financial difficulties faced by such borrowers, including loss of job, loss or reduction of income/salaries or sales, reduction or impairment business operations or the closure of business, etc.
- (b) Licensed banks shall prioritise accommodating the requests for concessions made by borrowers in the Micro, Small and Medium Enterprises (MSME) sector.
- (c) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted in Rupees and/or in foreign currencies, considering the financial difficulties and repayment capacity of the eligible borrowers.
- (d) Licensed banks shall amalgamate the amounts fallen due during the previous moratorium/deferment schemes (i.e., capital, interest and applicable interest for the respective moratorium/deferment period on the respective moratorium/deferred amount) and the amounts falling due during the current scheme (i.e., capital and interest) in to one new loan. Licensed banks may charge an interest rate as stated in 1 (e) below commencing from 01 September 2021, on the new loan referred above and for the agreed period of repayment as referred in 1 (f) and (g) below, based on a separate loan amortization schedule for this period.
- (e) In the case of Rupee facilities considered for the above deferment, licensed banks may charge an interest rate not exceeding the latest available 364-days Treasury Bills auction rate as at 31 August 2021 plus 1 per cent per annum (i.e., 5.93% + 1% = 6.93%). In the case of foreign currency loans, licensed banks may charge a concessionary rate of interest. Further, interest for the remaining capital outstanding balance, excluding the deferred capital amount of the existing facility will continue to accrue at the contracted interest rate after the end of the deferment period.
- (f) In the case of installment loans including lease facilities, a licensed bank and the respective borrower need to agree on a repayment period commencing from 01 July 2022, up to 6 months, to settle the new loan referred to in 1 (d) above, considering the financial difficulties faced by such borrowers as stated in 1 (a) above. The borrower may commence the repayment of the new loan at an earlier date, if the borrower wishes to do so. However, the borrower shall commence repayment of existing facilities from 01 January 2022.
- (g) In the case where a borrower requests for a period beyond 6 months to settle the new loan referred to in 1 (d) above, the borrower and the bank need to agree on a concessionary interest rate beyond the 6 months period.
- (h) Licensed banks shall explain the benefits of commencing early repayment and the implications of extending the repayment period to the borrower, in order to encourage the borrower to commence early repayment of deferred amount.
- (i) Alternatively, licensed banks may restructure the existing credit facilities, on a case-by-case basis, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
- (j) Licensed banks shall extend the due dates of revolving credit facilities, including but not limited to facilities such as working capital, pawning, temporary overdrafts, short-term trade finance facilities, etc., on a case-by-case basis, during the period up to 31 December 2021, provided such due dates fall during 01 September 2021 to 31 December 2021. Licensed banks may charge interest for the deferred period and only on the deferred amount as stated in 1 (e) above.
- (k) Penal interest shall not be accrued or charged during the concessionary period, i.e., 01 September 2021 to 31 December 2021, for the amounts falling due during this period.
- (l) Licensed banks shall accommodate any request from affected borrowers to delay the due dates of loan repayments by few days (maximum 15 working days) due to the ongoing quarantine lockdown, without deferring or re-structuring such facilities. Licensed banks shall not charge any additional interest or other charges for such delay.

2. Concessions for credit facilities in the non-performing category as at 01 September 2021

- (a) Licensed banks may reschedule the existing non-performing credit facilities as at 01 September 2021, on a case-by-case basis, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on the terms and conditions including the interest rate, considering the prevailing low interest rates.
- (b) Licensed banks shall waive off penal interest accrued or charged during the period 1 April 2020 to 01 September 2021, provided such facilities are considered for restructuring under this scheme.
- (c) Licensed banks shall suspend all types of recovery actions until 31 December 2021 against credit facilities that have been classified as non-performing on or after 01 April 2020. Further, licensed banks shall take all the precautions not to excessively contact/force the borrower or visit the borrower as part of the routine collection procedure with regard to the above borrowers. In instances where there are on-going litigations in Courts relating to recovery, borrowers shall enter into an agreement in the Courts to obtain this concession.

3. Licensed banks shall not levy excessive fees or charges in relation to granting of concessions and shall inform such fees or charges in writing to the borrower.
4. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 31 October 2021.
5. Licensed banks shall discontinue charging for cheque returns and stop payments in relation to all cheque payments until 30 September 2021.
6. Licensed banks shall discontinue late payment fee on all credit cards and other credit facilities during the period up to 31 October 2021 for those who are demonstrably affected.
7. In the case where a borrower who is eligible for concessions under this scheme, has expressed his/her willingness to settle his/her existing credit facilities or amounts fallen due during the moratorium period, instead of opting for concessions under this scheme, licensed banks are encouraged to provide interest rebates. Further, licensed banks shall waive-off early settlement fees and other fees and charges including recovery of future interest of lease facilities, if any, to such borrowers.

8. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- (a) Licensed banks shall not decline loan applications from eligible borrowers under this scheme solely based on an adverse CRIB record.
- (b) Licensed banks, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

9. Concessions for credit facilities granted under refinance/ interest subsidy schemes

Licensed banks are required to seek necessary guidelines from the relevant agencies with regard to providing concessions for credit facilities granted under various refinance or interest subsidy schemes.

10. Deadline for submission of request

- (a) Licensed banks shall circulate this Circular to all branches within 3 days and provide necessary internal guidelines/ circulars within 7 days.
- (b) Eligible borrowers may request for the above concessions on or before 21 September 2021 in writing or through electronic means. Licensed banks shall expeditiously communicate the concession, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- (c) Licensed banks shall accept any request submitted after 21 September 2021, if the reasons for delay in making such request is acceptable.
- (d) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
- (e) Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval and the consent of the borrower shall be obtained in writing or through electronic means.
- (f) In the case of a rejection of the application, licensed banks shall inform the applicant, preferably within 14 days, in writing/ through electronic medium, the reasons for such rejection, and that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), Central Bank of Sri Lanka requesting for a review. The licensed bank shall advise the applicant by and through the same letter of rejection that the applicant is entitled to duly avail himself of the review facility, if the borrower so wishes.

11. Accounting considerations on the moratorium

Licensed banks shall account for the concession granted under this scheme as per Circular No. 09 of 2020 dated 28 October 2020. In the case of risk elevated borrowers or sectors, licensed banks are required to make adequate impairment charges. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.

12. Reporting requirement

Licensed banks shall report the details of concessions availed by their borrowers to the Bank Supervision Department as at 30th of each month, within 15 working days, commencing 30 September 2021. The reporting format will be issued in due course.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 09 of 2021

08 September 2021

RECOGNITION OF LANKA RATING AGENCY LTD AS AN ACCEPTABLE CREDIT RATING AGENCY

The Central Bank of Sri Lanka recognises Lanka Rating Agency Ltd (LRA) as an acceptable External Credit Assessment Institution for the purpose of Banking Act Directions No. 01 of 2016 on Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks and other related regulatory requirements pertaining to licensed commercial banks and licensed specialised banks.

Accordingly, Table 1 and Table 3 under the item No. 2.3 of Schedule I Appendix IV of the Banking Act Directions No. 01 of 2016 on Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks are revised as in Annex.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Table 1 of this Circular can be accessed via:

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_9_of_2021_e.pdf

Banking Act Directions No. 12 of 2021

08 September 2021

MARGIN REQUIREMENTS AGAINST IMPORTS

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka, with a view to preserving the stability of the exchange rate and foreign currency liquidity in the banking system, requires licensed commercial banks (LCBs) and National Savings Bank (NSB) to adopt the following measures on imports of certain non-essential and non-urgent goods, with immediate effect until further notice.

1. A 100 per cent non-interest bearing cash margin shall be kept on the invoiced value of imports specified in Schedule A, made under Documents against Acceptance (DA) terms.
2. In the case of NSB, the margin requirements specified in Directions 1 above, shall be applicable for such imports made under Letter of Credit (LC) terms.
3. In the case of existing DAs covering the importation of goods covered by this Direction, no increase in the value of such DAs shall be permitted by LCBs and NSB unless such increase is covered by the cash margin deposits as required in Directions 1 above.
4. Such non-interest bearing cash margin shall be placed by the importer with the bank that releases documents, at the time of acceptance of documents by the importer.
5. Such non-interest bearing cash margin requirement shall be on the total value of the invoice, regardless that the same invoice includes goods that are not covered under this Directions.
6. LCBs and NSB shall endorse the invoice to the effect that the margin deposit has been obtained.
7. The margin deposit shall be released on providing documentary evidence on payments through the banking channels in Sri Lanka and customs documents relating to clearance of imports.
8. LCBs and NSB shall not grant any loan facilities to enable importers to place the margin deposits in respect of these imports.
9. The provisions of this Directions shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Schedule A of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_12_of_2021.pdf

Circular No. 10 of 2021

13 September 2021

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by businesses and individuals engaged in tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to extend the debt moratorium granted for tourism sector under Circular No. 08 of 2020 dated 26 August 2020 (hereinafter referred to as the Scheme) for another nine months commencing 1 October 2021 as specified below. However, licensed banks may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

- A.** The following provisions of the Circular No. 08 of 2020 have been amended and other provisions of the Circular No. 08 of 2020 will remain unchanged:

1. General Terms and Conditions

- 1 (i) (b) Employees of eligible businesses and members of eligible associations who are affected by COVID-19. In the case of such employees and members, the registration of the business or the association with the relevant institutions referred in (a) above shall be considered sufficient.
- 1 (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of nine months commencing 1 October 2021 to 30 June 2022.
- 1 (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant licensed bank on or before 15 October 2021. Licensed banks are requested to accept any request submitted after 15 October 2021, if the reasons for delay in making such requests are acceptable. Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for this extension.

2. Structuring the debt moratorium

- 2 (i) Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2021 to 30 June 2022 into a term loan. Licensed banks shall amalgamate the capital and interest falling due during the previous moratorium granted with the capital and interest falling due during 1 October 2021 to 30 June 2022
- 2 (ii) Licensed banks may commence recovery of such converted loan once the extended moratorium period is over.
- 2(v) Licensed banks shall waive off the accrued and unpaid penal interest as at 1 October 2021, if any, on performing loans considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

3. Reporting Requirement

Licensed banks shall continue to report the details of moratorium availed by borrowers to the Director of Bank Supervision as at 30th of each month, within 15 working days as per the reporting format prescribed under Circular No. 08 of 2020.

- B.** The following new provisions are included in this Circular:

1. Alternatively, licensed banks may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on terms and conditions including a concessionary interest rate, considering the prevailing low interest rates.
2. In the case where an eligible borrower has expressed his/her willingness to settle the existing credit facilities or amounts fallen due during the moratorium period, instead of opting for moratorium under this Circular, licensed banks are encouraged to provide interest rebates. Further, licensed banks shall waive-off early settlement fees and other fees and charges including recovery of future interest of lease facilities, if any.
3. Licensed banks shall suspend all types of recovery actions against non-performing facilities until 30 June 2022, provided that such facilities have been classified as non-performing on or after 01 April 2020. Further, licensed banks shall take all the precautions not to excessively contact/force the borrower or visit the borrower as part of the routine collection procedure with regard to the above borrowers. In instances where there are on-going litigations in Courts relating to recovery, borrowers shall enter into an agreement in the Courts to obtain this concession.

4. Licensed banks shall account for the concession granted under this scheme as per guidelines issued by CBSL to licensed banks on adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments. Licensed banks shall identify tourism sector as a risk elevated sector and provide accordingly. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.
5. Licensed banks are required to seek necessary guidelines from the relevant agencies with regard to providing concessions for credit facilities granted under various refinance or interest subsidy schemes.
6. Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of a rejection of the application, licensed banks shall inform the applicant, preferably within 14 days, in writing/ through electronic medium, the reasons for such rejection, and that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), CBSL requesting for a review. The licensed bank shall advise the applicant by and through the same letter of rejection that the applicant is entitled to duly avail himself of the review facility, if the borrower so wishes.
7. Licensed banks shall circulate this Circular to all branches within 3 days and provide necessary internal guidelines/circulars within 7 days.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 13 of 2021

14 September 2021

CLASSIFICATION, RECOGNITION AND MEASUREMENT OF CREDIT FACILITIES IN LICENSED BANKS

In the exercise of the powers conferred by Sections 46A, 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended, the Monetary Board of the Central Bank of Sri Lanka (CBSL) hereby issues the following Directions on Classification, Recognition and Measurement of credit facilities in licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to further strengthening and harmonising the regulatory framework on classification, recognition and measurement of credit facilities in licensed banks with the Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments' (hereinafter referred to as SLFRS 9) and establishing consistent and prudent practices in the banking industry.

- 1. Empowerment**
 - 1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76(J)(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
- 2. Scope and Applicability**
 - 2.1 All requirements in these Directions shall be applicable to licensed banks in addition to the requirements of the Sri Lanka Accounting Standards.
- 3. Definitions**
 - 3.1 The following definitions shall be applicable for purposes of these Directions.
 - 3.1.1 Credit facilities shall mean:
 - a. On balance sheet loans and advances which are measured under amortized cost or fair value through other comprehensive income and net investment in lease receivables; and
 - b. Off-balance sheet assets including commitment to accept contingent liabilities, and include guarantees, bonds, letters of credit, acceptances and undrawn commitment component of credit facilities such as credit cards and overdraft facilities etc.
 - 3.1.2 Borrower shall include individuals, companies, the Government of Sri Lanka, public corporations, statutory bodies, firms, state owned entities (SOEs), associations of persons and any other entity.
 - 3.1.3 Board of Directors shall mean the Board of Directors of locally incorporated licensed banks and in the case of foreign banks, the Head Office/ Regional Monitoring Office.

- 3.1.4 Chief Executive Officer (CEO) and Key Management Personnel (KMP) shall mean CEO and Officers Performing Executive Functions of licensed banks as determined under the Banking Act.
- 4. Governance Framework for Credit Facilities**
- 4.1 The Board of Directors, CEO and the respective KMP are responsible for ensuring that the licensed bank has robust credit risk management policies and practices, including an effective system of internal controls, to manage the credit risk in the licensed bank in accordance with the policies and procedures, applicable Sri Lanka Accounting Standards and relevant regulatory and supervisory guidance.
- 4.2 The Board of Directors shall ensure that the credit policy of the licensed bank includes the following at a minimum in addition to requirements stipulated in Banking Act Directions on Integrated Risk Management Framework for licensed banks:
- 4.2.1 A policy on classification, measurement and recognition of credit facilities;
- 4.2.2 Adequate credit risk management policies and processes to identify, measure, monitor, report and mitigate credit risk on a timely basis covering the full credit life cycle. Such process shall be documented, while adhering to sound methodologies, procedures and controls for assessing and measuring the credit risk of loans and advances;
- 4.2.3 Adequate policies and processes in place for the timely identification of credit facilities and management of under-performing/non-performing assets and determining an adequate impairment allowance, and to strengthen the credit risk management process in accordance with the Sri Lanka Accounting Standards and the regulatory framework;
- 4.2.4 Ensure that clear guidelines are provided on;
- (a) Staging of loans, including how to differentiate stage 2 and 3 loans based on potential risk criteria;
 - (b) Methodologies for determining the Probability of Default (PD), Loss Given Default (LGD), Economic Factor Adjustment etc. for impairment purposes ;
 - (c) Assessment thresholds and borrower-wise coverage of credit facilities to be assessed individually for impairment;
 - (d) Collateral to be considered for impairment along with valuation requirements on such collateral and specification of techniques and data to be used for such valuations in line with Direction 12 below;
 - (e) Use of overlays to impairment models to ensure expected loss computations reflect potential economic shocks, which are not captured otherwise; and
 - (f) On upgrading of credit facilities in line with Direction 11 below.
- 4.2.5 A comprehensive validation policy in respect of models used for classification, recognition and measurement of credit facilities in the licensed bank including clear roles & responsibilities, validation frequency and procedures & methodologies to be used by the bank;
- 4.2.6 Establish a mechanism to segregate non-performing credit facilities from other credit facilities to ensure close follow-up action and to monitor and streamline the recovery process;
- 4.2.7 A well-designed write-off/write down policy established by the Board of Directors delineating the approach, authority, accountability for negligence and inappropriate follow-up, independent review and audit, continuous monitoring, reporting, etc. Such policy shall also aim to recover the maximum salvage value through enforcement of collateral / guarantees, etc; and
- 4.2.8 Ensure transparency and comparability by establishing mechanisms to provide timely, relevant, accurate and useful information of the licensed bank through public disclosures and maintaining adequate data/records and systems to identify, reconcile and report the requirements under the Sri Lanka Accounting Standards and the existing regulatory framework.

- 4.3 CEO and KMPs of the licensed bank shall ensure that Board approved policies, procedures and processes on credit facilities are implemented as intended, and adequate internal controls and validation processes are established to ensure same.
- 4.4 Licensed Bank shall not fund the recovery of any credit facility provided to any borrower by the same bank.
- 5. Classification of Credit Facilities**
- 5.1 Licensed bank shall classify all credit facilities for the purpose of impairment assessment, risk mitigation and monitoring into performing and non-performing loans and advances as follows:
- 5.1.1 Performing credit facilities shall mean:
- (a) All the credit facilities classified as Stage 1 under SLFRS 9; and
 - (b) All credit facilities identified as significantly increased credit risk facilities and classified as Stage 2 under SLFRS 9 (under-performing credit facilities).
- 5.1.2 Non-performing credit facilities (NPCF) shall mean all credit facilities where contractual payments of a customer are past due for more than 90 days (the number of days past due shall be calculated starting from the contractual due date of the payment) or has remained in excess of the sanctioned limit for more than 90 days, and any other credit facilities classified as Stage 3 credit facility under SLFRS 9 (facilities classified as NPCF based on potential risk and impaired assets at origination).
- 5.2 A licensed bank shall not consider the value and type of security obtained by the bank against their credit facilities when determining the classification status of a credit facility.
- 5.3 In cases where a borrower has several current accounts with overdraft limits with the bank, the aggregate sanctioned limit and the daily outstanding aggregate balance on all such accounts shall be considered for the purposes of classification of Overdrafts.
- 6. Sub-Categorisation of non-performing Credit Facilities**
- 6.1 Licensed bank shall sub-categorise NPCF into the following categories based on the criteria mentioned below:
- 6.1.1 **Special mention**
- (a) Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 90 days but less than or equal to 180 days.
 - (b) Based on potential risk: All credit facilities that exhibit potential weaknesses where, if not corrected in a timely manner, may adversely affect repayment by the borrower at a future date, and those that warrant close attention by the licensed bank.
- 6.1.2 **Substandard**
- (a) Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 180 days but less than or equal to 270 days.
 - (b) Based on potential risk: All credit facilities that exhibit definable weaknesses, either in respect of the business, cash flow or financial position of the borrower, that may jeopardise repayment on existing terms and where there is uncertainty that part or the entire facility will be repaid and involves more than normal risk of loss due to unsatisfactory debt servicing record/financial condition of the borrower, insufficiency of collateral or any other factors which give rise to some doubts as to the ability of the borrower to comply with the present repayment terms.
- 6.1.3 **Doubtful**
- (a) Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 270 days but less than or equal to 360 days.
 - (b) Based on potential risk: All credit facilities that exhibit a high risk of partial default or where full collection is improbable and there is a high risk of default and where the outstanding credit facility exhibits more severe weaknesses than those in a substandard category.

- 6.1.4 Loss**
- (a) Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 360 days.
 - (b) Based on potential risk: All credit facilities that are deemed to be uncollectable or are almost certain that such will not be repaid and which are categorised as NPCF but not included under special mention, substandard and doubtful categories.
- 7. Significant Increase in Credit Risk / Default Facilities**
- 7.1 For the purpose of calculating life-time expected losses under SLFRS 9, at a minimum, if one or more of the following factors/conditions are met, it shall be considered as significant increase in credit risk or as defaulted facilities.
- 7.1.1 Contractual payments of a borrower are past due for more than 30 days (subject to the rebuttable presumption under SLFRS 9).
 - 7.1.2 Credit rating of a borrower has been subsequently downgraded to B+ or below under the Sri Lankan National Rating Scale by an External Credit Assessment Institution (ECAI).
 - 7.1.3 A two-notch downgrade under the internal rating of the licensed bank. Licensed banks are required to map their internal credit risk ratings with the ratings issued by ECAI. For this purpose, licensed banks are required to refer the mapping of external credit ratings given in Banking Act Directions on capital requirements;
 - 7.1.4 Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of a customer/group of customers;
 - 7.1.5 A significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers;
 - 7.1.6 The value of collateral is significantly reduced and/or realisability of collateral is doubtful. Licensed banks shall define relevant thresholds/limits and document the same;
 - 7.1.7 The borrower is subject to litigation that significantly affects the performance of the credit facility;
 - 7.1.8 Frequent changes in the Board of Directors and Senior Management of an institutional customer;
 - 7.1.9 Delay in commencement of business operations/projects by more than two years from the originally agreed date;
 - 7.1.10 Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc.;
 - 7.1.11 The borrower is deceased/insolvent;
 - 7.1.12 Licensed bank is unable to contact or find the borrower; and
 - 7.1.13 A fall of 50% or more in the turnover and/or profit before tax of the borrower when compared to the previous year for two consecutive years and/or erosion of net-worth of the borrower by more than 25% (other than due to changes in equity structure and dividend policy) when compared to the previous financial year.
 - 7.1.14 Restructure and rescheduled credit facilities as per guidance provided in Direction 10 below.
- 7.2 Licensed banks may rebut one or more criteria listed from 7.1.2 to 7.1.14 when determining significant increase of credit risk, subject to the following:
- 7.2.1 The KMP heading the Risk Management Function shall recommend such rebuttal criteria to the Board of Directors providing valid rationale and justifications to ensure that such criteria do not result in significant increase of credit risk to the bank, and Board of Directors shall grant approval or reject the proposal after considering the information provided.
 - 7.2.2 Disclose the rebutted criteria if any and the estimated impact of such rebuttal on the respective bank's impairment provisions and profitability in their audited annual financial statements.
- 8. Impairment Charges for Credit Facilities**
- 8.1 Licensed banks shall measure the impairment charges for credit facilities as per the Sri Lanka Accounting Standards and Directions/Guidelines issued by CBSL in this regard from time to time.

- 8.2 The measurement of impairment charges should build upon robust methodologies and result in the appropriate and timely recognition of expected credit losses in accordance with the applicable Sri Lanka Accounting Standards.
- 8.3 At each reporting date, licensed banks shall measure the loss allowance for credit facilities at an amount equal to life-time expected losses, if the credit risk of loans and advances has increased significantly since initial recognition (except for the credit facilities purchased and/or originated as credit-impaired credit facilities).
- 8.4 In respect of purchased or originated credit impaired credit facilities, lifetime expected credit losses shall be measured unless upgraded in line with Direction 11 below.
- 8.5 In principle, lifetime expected credit losses and/or credit impaired credit facilities shall be assessed on an individual basis. However, the licensed bank may perform the assessment on appropriate groups or portfolios on a collective basis for their portfolios.
- 8.6 The aggregate amount of impairment allowances of the licensed bank, regardless of whether such allowances are determined on a collective or an individual basis, should be adequate and consistent with the objectives of the applicable Sri Lanka Accounting Standards.
- 8.7 Impairment of Stage 1 credit facilities
 - 8.7.1 From 01.01.2022, licensed banks shall maintain a minimum Stage 1 impairment ratio of 0.5% as a percentage of total Stage 1 credit facilities i.e., Stage 1 impairment / Stage 1 credit facilities.
 - 8.7.2 In instances where a licensed bank does not maintain a minimum Stage 1 impairment ratio of 0.5% as a percentage of total Stage 1 credit facilities such deficit shall be required to be maintained in a special reserve account against equity.
 - 8.7.3 Such reserve shall not be used to declare dividends by licensed banks.
 - 8.7.4 However, this shall only be used as a minimum value for Stage 1 impairment and licensed banks shall ensure the adequacy of Stage 1 impairment as per the relevant Sri Lanka Accounting Standards and internal policies.
- 8.8 Further Directions on impairment of credit facilities in licensed banks are provided in Annex I.

9. Models for Calculation of Impairment

- 9.1 The CEO and relevant KMP of the licensed bank under the guidance provided by the Board of Directors, shall ensure that the licensed bank:
 - 9.1.1 Develops robust models to determine expected credit losses as per the Sri Lanka Accounting Standards, which should be in line with the licensed bank's business model and risk profile;
 - 9.1.2 Considers all available and relevant internal and external data when estimating expected credit losses, ensuring that the estimates are robust, unbiased and reflective of current exposures;
 - 9.1.3 Consists relevant officers who are well trained, competent and have a thorough understanding of the models adopted by the bank;
 - 9.1.4 Adheres to rigorous governance and internal control procedures, when obtaining support from external vendors/consultants in respect of model development.
 - 9.1.5 Documents the reasons for selecting a specific model as the appropriate mode, if different models are used for different portfolios and instruments and ensure that all credit models are reviewed at least annually;
 - 9.1.6 Establishes an effective model validation process to ensure that the credit risk assessment and measurement methods are capable of generating accurate, consistent and unbiased predictive estimates on an ongoing basis; and
 - 9.1.7 Desists from making changes in the parameters, inputs and assumptions used for the purpose of profit smoothening. However, if any changes in the credit models are required, the rationale and justification for such change shall be evaluated by the Chief Risk Officer, Integrated Risk Management Committee and approved by the Board of Directors.

- 9.2 In cases where licensed banks incorporated outside Sri Lanka use models developed by their head office or regional offices, such licensed banks shall assess the appropriateness of the credit models in the Sri Lankan context and a local team headed by a KMP shall carry out appropriate validation procedures.
- 10. Re-structured and Re-scheduled Credit Facilities**
- 10.1 Restructured credit facilities**
- 10.1.1 Restructured credit facilities are where the original repayment terms have been amended due to a deterioration in credit quality, while the respective credit facilities remain as performing facilities as defined under Direction 5.1.1 above.
- 10.1.2 Credit facilities which are restructured up to two times other than upgraded credit facilities as defined under Direction 11 below, shall be classified as Stage 2 credit facilities under SLFRS 9.
- 10.1.3 Credit facilities restructured more than two times other than upgraded credit facilities as defined under Direction 11 below, shall be considered as Stage 3 credit facilities under SLFRS 9.
- 10.2 Rescheduled credit facilities**
- 10.2.1 Rescheduled credit facilities are where the original repayment terms have been amended while the respective credit facilities remain as NPCFs as defined under Direction 5.1.2 above.
- 10.2.2 All rescheduled credit facilities, other than upgraded credit facilities as defined under Direction 11 below, shall be considered as Stage 3 credit facilities under SLFRS 9.
- 10.3 Licensed banks shall consider the factors listed under Direction 7.1 above in assessing any deterioration in credit quality. However, such assessment shall not be limited to factors specified in Direction 7.1 and shall ensure adequate provisions are made in respect of restructured and rescheduled credit facilities to commensurate with the significant increase in the credit risk.
- 10.4 Licensed banks shall not grant new credit facilities for repayment of NPCF to the same borrower unless the new credit facility is also classified as NPCF.
- 11. Upgrading of Credit Facilities**
- 11.1 Licensed banks may upgrade credit facilities from a higher stage (Stage 3 or 2) to a lower stage (Stage 2 or 1) subject to the following:
- 11.1.1 Upgrading of credit facilities shall be in accordance with a policy approved by the Board of Directors, and the rationale for such upgrading shall be properly documented. Such policy at a minimum shall ensure the following:
- (a) Settlement of the due payment
- (i) Credit facilities other than the restructured credit facilities in stage 3 and rescheduled credit facilities shall be upgraded, if due payments are fully settled by the customer and bank is satisfied that the customer is able to service debt service obligations up to a foreseeable future;
- (b) Restructured credit facilities upgrading from stage 3 and rescheduled credit facilities
- (i) Licensed bank exercises prudence in upgrading NPCFs/ under-performing credit facilities; and
- (ii) Upgraded credit facility has exhibited a sustained trend/status/ of improvement to justify the improved classification status.
- 11.1.2 Upgrading of re-scheduled and re-structured credit facilities shall only be carried out by the Risk Management Department and shall be independent from the credit facility review mechanism.
- 12. Valuation of Collateral for Impairment Purposes**
- 12.1 Licensed bank shall consider the valuation of assets in a prudent manner considering the available reliable market valuations in assessing LGD / cash flow. Such valuations shall appropriately reflect the inherent uncertainty associated with distressed property liquidation (including the time taken for such realisation).
- 12.2 Licensed bank shall substantiate any increase in the valuation with appropriate evidence that such increases are sustainable.

- 12.3 Licensed bank shall estimate the net realisable value of the credit risk mitigants or use the forced sale value of the collateral to provide more realistic estimates. Impairment charges shall take into account the updated and realistic valuations of such credit risk mitigants.
- 12.4 Assets that can be considered as collateral shall be limited to cash, deposits, property mortgage, guarantees by the Government, CBSL and licensed banks, assignment of life insurance policies, gold articles, assignment of shares, mortgage over motor vehicles, plant, machinery and equipment, debt mortgages quoted debentures, equity shares and any other types of security as specifically approved by the Director of Bank Supervision on a case-by-case basis.
- 12.5 Licensed bank shall comply with the following in relation to valuation of collateral:
- 12.5.1 Banking Act Directions issued by CBSL from time to time, on Regulatory Framework on Valuation of Immovable Properties of Licensed Banks.
- 12.5.2 Guidelines issued by the CA Sri Lanka on Valuation of Property, Plant and Equipment, Investment Property and Biological Assets for the purpose of Financial Reporting.
- 13. Recognition of Interest Income**
- 13.1 Licensed bank shall recognise the interest income for credit facilities based on the Sri Lanka Accounting Standards.
- 14. Role of Internal Audit**
- 14.1 The Internal audit function shall independently evaluate the effectiveness of the credit risk assessment, measurement systems and processes of the licensed bank and shall ensure the acceptability of credit judgments.
- 14.2 The Internal audit function shall at least annually, validate and evaluate all credit risk assessment models, inputs and assumptions used along with data smoothing, if any.
- 14.3 The Internal audit function shall provide an assurance on the adequacy and effectiveness of back testing in order to ensure that the key drivers have been captured and calibrated accurately.
- 15. Regulatory Reporting**
- 15.1 Licensed bank are required to submit the statutory returns introduced for these Directions, as stipulated below, or as stipulated otherwise by the Director of Bank Supervision.
- 15.1.1 Monthly Returns - on or before the 15th day of the following month.
- 15.1.2 Quarterly Returns - on or before the 15th day from the end of a quarter.
- 15.2 Licensed bank shall publish the following Key Performance Indicators based on SLFRS information in quarterly and annual financial statements.
- 15.2.1 Stage 3 Loans (net of Stage 3 impairment) to Total Loans.
- 15.2.2 Stage 3 Impairment to Stage 3 Loans.
- 16. Effective Date**
- 16.1 These Directions shall be in effect from 01 January 2022.
- 17. Revocation of Directions**
- 17.1 The following Directions/Circulars will be revoked from 01 January 2022:
- 17.1.1 Banking Act Direction Nos. 3 and 4 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning dated 08 May 2008.
- 17.1.2 Banking Act Direction Nos. 3 and 4 of 2010 - Amendments to Directions on Classification of Loans and Advances, Income Recognition and Provisioning dated 27 September 2010.
- 17.1.3 Circular No. 04 of 2018 - Guidelines to Licensed Banks on Adoption of Sri Lanka Accounting Standard - SLFRS 9: Financial Instruments dated 31 December 2018. The one-time permission to stagger first day audited additional credit loss provisions from adoption of SLFRS 9, net of any other adjustment on first day impact to retained earnings and net of tax effects, will continue to be in effect until 31 December 2021.
- 17.1.4 Circular No. 06 of 2019 - Supplement to Circular No. 04 of 2018 on the Adoption of Sri Lanka Accounting Standards - SLFRS 9: Financial Instruments in Licensed Banks dated 26 April 2019.

Prof. W D Lakshman
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Annex 1 of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_13_of_2021.pdf

CLASSIFICATION, RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS OTHER THAN CREDIT FACILITIES IN LICENSED BANKS

In the exercise of the powers conferred by Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board of the Central Bank of Sri Lanka (CBSL) hereby issues the following Directions on Classification, Recognition and Measurement of financial assets other than credit facilities in licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to further strengthening and harmonising the regulatory framework on classification, recognition and measurement of financial assets other than credit facilities in licensed banks with the Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments' (hereinafter referred to as SLFRS 9) and establishing consistent and prudent practices in the banking industry.

- 1. Empowerment**
 - 1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
- 2. Scope and Applicability**
 - 2.1 All requirements in these Directions shall be applicable to licensed banks in addition to the requirements of the Sri Lanka Accounting Standards.
- 3. Definitions**
 - 3.1 The following definitions shall be applicable for purposes of these Directions.
 - 3.1.1 Financial assets covered by these Directions shall mean all financial assets covered under SLFRS 9, and excludes financial assets covered by the Banking Act Directions No 13 on Classification, Measurement and Recognition of Credit Facilities.
 - 3.1.2 Borrower shall include individuals, companies, the Government of Sri Lanka, public corporations, statutory bodies, firms, state owned entities (SOEs), associations of persons and any other entity.
 - 3.1.3 Board of Directors shall mean the Board of Directors of locally incorporated licensed banks and in the case of foreign banks, the Head Office/ Regional Monitoring Office.
 - 3.1.4 Chief Executive Officer (CEO) and Key Management Personnel (KMP) shall mean CEO and Officers Performing Executive Functions of licensed banks as determined under the Banking Act.
- 4. Governance Framework for Financial Assets Other than Credit Facilities**
 - 4.1 The Board of Directors, CEO and the respective KMP are responsible for ensuring that licensed banks have an approved business model and policy in place at a minimum in addition to requirements stipulated in Banking Act Directions on Integrated Risk Management Frameworks for licensed banks to facilitate classification, recognition and measurement of financial assets in accordance with the applicable Sri Lanka Accounting Standards and relevant regulatory and supervisory guidance.
 - 4.2 Such policy at a minimum shall:
 - 4.2.1 Identify objectives, definitions, characteristics, criteria and operating policies along with adequate procedures and systems for assessing the business models of financial assets on an on-going basis;
 - 4.2.2 The decision-making authorities for business model decisions, level of sales to be considered as infrequent and insignificant, time period for near term selling to be considered for trading purposes, election of fair value option for instruments through profit or loss and through other comprehensive income; and
 - 4.2.3 Document and maintain standardised processes, detailed checklists and decision trees in order to assess and identify Solely Payments of Principal and Interest (SPPI) test (contractual cash flows to meet SPPI) features of their products and contracts.

- 4.3 Board of Directors shall ensure transparency and comparability establishing a mechanism to provide timely, relevant, and useful information of the licensed bank through relevant disclosures and maintaining adequate data/records and systems to identify, reconcile and report requirements under the Sri Lanka Accounting Standards and the existing regulatory framework.
- 4.4 The Board of Directors shall establish a comprehensive validation policy in respect of models used for classification, recognition and measurement of financial assets other than credit facilities in licensed banks including clear roles & responsibilities, validation frequency and procedures & methodologies to be used by the bank;
- 4.5 A Board approved policy shall include clear guidelines on:
- 4.5.1 Staging of Investments (including how to differentiate stage 2 and 3 loans based potential risk criteria);
 - 4.5.2 Methodologies for determining the Probability of Default (PD), Loss Given Default (LGD), economic factor adjustment etc. for impairment purposes;
 - 4.5.3 Collateral to be considered for impairment along with valuation requirements on such collateral and specification of techniques and data to be used for such valuations;
 - 4.5.4 A comprehensive model validation policy including clear roles & responsibilities, validation frequency and procedures & methodologies to be used by the bank;
 - 4.5.5 Use of overlays to impairments models to ensure expected loss computations do reflect potential economic shocks, which are not captured otherwise; and
 - 4.5.6 Guidance on upgrading of Investments in line with Direction 9 below.
- 4.6 CEO and KMPs of the licensed bank shall ensure that Board approved policies and guidelines on Financial Assets are implemented as intended, and adequate internal controls and validation processes are established to ensure the same.
- 5. Classification of Financial Assets (Other than Credit Facilities) and Financial Liabilities**
- 5.1 Licensed banks shall classify Financial Assets (Other than Credit Facilities), and Financial Liabilities as per the Sri Lanka Accounting Standards. A broad summary of classification and subsequent measurement of Financial Assets and Liabilities is given in Annex 1.
- 5.2 If a licensed bank is accounting for its financial liabilities as designated through profit or loss, the licensed bank shall assess and account the changes in value of financial liabilities due to changes in its own credit risk, through other comprehensive income. The licensed bank shall formulate Board approved internal guidelines for this purpose.
- 6. Significant Increase in Credit Risk/ Default of Financial Assets other than Credit Facilities**
- 6.1 For the purpose of calculating life-time expected losses under SLFRS 9, at a minimum, if one or more of the following factors/conditions are met, it shall be considered as a significant increase in credit risk or as defaulted facilities.
- 6.1.1 Contractually obligated payments of a financial asset are past due for more than 30 days (subject to the rebuttable presumption under SLFRS 9);
 - 6.1.2 Credit rating of an instrument has been subsequently downgraded to B+ or below under the Sri Lankan National Rating Scale by an External Credit Assessment Institution (ECAI).
 - 6.1.3 A two-notch downgrade under the internal rating of the licensed bank (if available). Licensed banks are required to map their internal investment ratings with the ratings issued by ECAI. For this purpose, licensed banks are required to refer the mapping of external credit ratings given in Banking Act Directions on capital requirements;
 - 6.1.4 Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of portfolios or instruments;
 - 6.1.5 A significant change in the geographical locations or natural catastrophes that directly impact the instrument;
 - 6.1.6 Frequent changes in the Board of Directors and Senior Management and any Going Concern issues of the issuer;
 - 6.1.7 A fall of 50% or more in the turnover and/or profit before tax of the borrower when compared to the previous year for two consecutive years and/or erosion of net-worth of the borrower by more than 25% (other than due to changes in equity structure and dividend policy) when compared to the previous financial year.

- 6.1.8 The issuer is deceased/insolvent;
 - 6.1.9 Non-receipt of dividends/returns for a consecutive period of three years (along with a cumulative decline in net asset value of 30 per cent or more); and
 - 6.1.10 A continuously declining trend in market prices, with the investment value being below cost for over three years.
- 6.2 Licensed banks may request to rebut one or more criteria listed from 6.1.2 to 6.1.10 when determining significant increase of credit risk, subject to the following:
- 6.2.1 The KMP heading the Risk Management Function shall recommend such rebuttal to the Board of Directors providing valid rationale and justifications to ensure that such criteria do not result in significant increase of credit risk to the bank, and Board of Directors shall grant approval or reject the proposal after considering the information provided.
 - 6.2.2 Disclose the rebutted criteria if any and the estimated impact of such rebuttal on the respective bank's impairment provisions and profitability in their audited annual financial statements.
- 7. Impairment Charges for Financial Assets other than Credit Facilities**
- 7.1 Licensed banks shall compute the impairment charges for credit facilities as per the Sri Lanka Accounting Standards and Directions/Guidelines issued by CBSL from time to time.
- 7.2 The measurement of impairment allowances should build upon robust methodologies and result in the appropriate and timely recognition of expected credit losses in accordance with the applicable Sri Lanka Accounting Standards.
- 7.3 The aggregate amount of impairment allowances of licensed banks, regardless of whether allowance components are determined on a collective or an individual basis, should be adequate and consistent with the objectives of the applicable Sri Lanka Accounting Standards
- 7.4 Additional guidance on impairment of licensed banks is provided in Annex II.
- 8. Models for Calculation of Impairment for Financial Assets other than Credit Facilities**
- 8.1 The CEO and other relevant KMP of the licensed bank under the guidance provided by the Board of Directors, shall ensure that the licensed bank:
- 8.1.1 Develops robust models to determine expected credit losses as per the Sri Lanka Accounting Standards, which should be in line with the licensed bank's business model and risk profile;
 - 8.1.2 Considers all available and relevant internal and external data when estimating expected credit losses, ensuring that the estimates are robust, unbiased and reflective of current exposures;
 - 8.1.3 Consist of officers who are well trained, competent and have a thorough understanding of the models adopted by the bank;
 - 8.1.4 Adheres to rigorous governance and internal control processes, when obtaining support from external vendors/consultants in respect of model development.
 - 8.1.5 Documents the reasons for selecting a specific model as the appropriate mode, if different models are used for different portfolios and instruments and ensure that all credit models are reviewed at least annually;
 - 8.1.6 Establishes an effective model validation process to ensure that the credit risk assessment and measurement methods are capable of generating accurate, consistent and unbiased predictive estimates on an ongoing basis; and
 - 8.1.7 Desists from making changes in the parameters, inputs and assumptions used for the purpose of profit smoothening. However, if any changes in the credit models are required, the rationale and justification for such change shall be evaluated by the Chief Risk Officer, Integrated Risk Management Committee and approved by the Board of Directors.
- 8.2 In cases where licensed banks incorporated outside Sri Lanka use models developed by their head office or regional office, such licensed banks shall assess the appropriateness of the credit models in the Sri Lankan context and a local team headed by a KMP shall carry out appropriate validation procedures.

- 9. Reclassification of Financial Assets Other than Credit Facilities**
- 9.1 Licensed banks may reclassify financial assets under the provisions of the Sri Lanka Accounting Standards, provided the objective of the business model of the licensed bank for its financial assets has changed and its previous model assessment would no longer apply.
- 9.2 In line with the requirements under the Sri Lanka Accounting Standards, such changes in business models and reclassifications shall be approved by the Board of Directors and shall be notified to the Director of Bank Supervision within 7 working days of the date of such approval.
- 10. Upgrading of Financial Assets other than Credit Facilities**
- 10.1 Licensed banks shall upgrade Financial Assets from a higher stage in accordance with a policy approved by the Board of Directors, and the rationale for such upgrading shall be properly documented.
- 10.2 Licensed banks shall exercise prudence in upgrading Financial Assets and shall ensure that the upgraded asset has exhibited a sustained trend/status of improvement to justify the improved classification status.
- 11. Fair Value Measurement of Financial Assets other than Credit Facilities**
- 11.1 Licensed banks shall comply with the requirements given in 'Sri Lanka Accounting Standard - SLFRS 13: Fair Value Measurement' when financial instruments are subsequently measured at fair value, and are required to:
- 11.1.1 Use an appropriate valuation technique for which sufficient data is available;
- 11.1.2 Apply the selected valuation techniques consistently (exercising prudence);
- 11.1.3 Maximise the use of relevant observable inputs. In exceptional circumstances, unobservable inputs may be used; and
- 11.1.4 Obtain confirmation from the Chief Risk Officer, with regard to the appropriateness and reliability of inputs under level 3 hierarchy, if such inputs are used in the respective valuation technique.
- 12. Role of Internal Audit**
- 12.1 The Internal audit function shall independently evaluate the effectiveness of the credit risk assessment, measurement systems and processes of the licensed bank and shall ensure the acceptability of credit judgments.
- 12.2 The Internal Audit function shall at least annually, validate and evaluate all credit risk assessment models, inputs and assumptions used along with data smoothening, if any.
- 12.3 The Internal audit function shall provide an assurance on the adequacy and effectiveness of back testing in order to ensure that the key drivers have been captured and calibrated accurately.
- 13. Regulatory Reporting**
- 13.1 Licensed banks are required to submit the statutory returns introduced for these Directions, as stipulated below, or as stipulated otherwise by the Director of Bank Supervision.
- 13.1.1 Monthly Submission - on or before the 15th day of the following month
- 13.1.2 Quarterly Submission - on or before the 15th day from the end of a quarter.
- 14. Effective Date**
- 14.1 These Directions shall be in effect from 01 January 2022.
- 15. Revocation of Directions**
- 15.1 The following Directions will be revoked from 01 January 2022:
- 15.1.1 Banking Act Directions on Prudential Norms for Classification, Valuation and Operation of the Bank's Investment Portfolio dated 01.03.2006 issued to licensed commercial banks and licensed specialised banks.

Prof. W D Lakshman
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Annexes of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_14_of_2021.pdf

Circular No. 11 of 2021

30 September 2021

SUPPLEMENTARY CIRCULAR TO BANKING ACT DIRECTIONS ON CLASSIFICATION, RECOGNITION AND MEASUREMENT OF CREDIT FACILITIES AND OTHER FINANCIAL ASSETS IN LICENSED BANKS

The Central Bank of Sri Lanka, subsequent to the issuance of new Banking Act Directions No. 13 and 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities and Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks, respectively, hereby issues this Circular to licensed banks, to be effective from 01 January 2022, with a view to establishing consistent practices on the adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments by licensed banks amidst COVID-19 outbreak.

- (1) Licensed banks, with the approval of the Board of Directors, shall include clear guidelines on staging of loans and advances for impairment purposes in the related policies, amidst the extraordinary circumstances caused by the COVID-19 outbreak.
- (2) In the case where direct temporary restrictions on economic activities are/were in place due to COVID-19 outbreak, licensed banks may continue to exercise prudent judgment, on case-by-case basis, to determine whether to classify credit facilities as Stage 3 facilities or not:
 - (a) considering the borrower's inability to revive the business and generate sufficient cash flows to repay the exposure once the restrictions on economic activities are removed; and
 - (b) if a facility has been restructured more than twice due to adverse economic consequences of the COVID-19 outbreak and/or the Easter Sunday Attack.
- (3) Licensed banks may consult CA Sri Lanka and Auditors in order to obtain further guidance in respect of computing Probability of Default for exposures denominated in foreign currencies issued by the sovereigns.
- (4) These instructions shall also be applicable to all credit facilities considered under concessions provided as per the Circulars issued by the Central Bank of Sri Lanka from time to time for COVID-19 affected Businesses and Individuals, including the Tourism sector.
- (5) Circular No. 09 of 2020 issued on 28 October 2020 as Amendments to Circular No. 04 of 2018 on Guidelines to Licensed Banks on the Adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments will be revoked from 01 January 2022.

Director of Bank Supervision

Banking Act Directions No. 15 of 2021

01 October 2021

MARGIN REQUIREMENTS AGAINST IMPORTS

Issued in terms of the powers conferred by Section 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

Banking Act Directions No. 12 of 2021 dated 08 September 2021 on Margin Requirements Against Imports are hereby revoked.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 12 of 2021

05 October 2021

CONCESSIONS FOR LEASE FACILITIES OBTAINED BY BUSINESSES AND INDIVIDUALS IN PASSENGER TRANSPORTATION SECTOR

The Central Bank of Sri Lanka (CBSL), with a view to meeting the challenges faced by businesses and individuals providing public and private passenger transportation service including tourism sector, amidst COVID-19 pandemic, requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks) to extend the concessions granted under Circular No. 03 of 2021 dated 10 March 2021 on concessions for lease facilities obtained by businesses and individuals in passenger transportation sector as follows:

- (i) accommodate the lease facilities obtained by COVID-19 affected businesses and individuals providing passenger transportation services to tourism sector, under Circular No. 10 of 2021 dated 13 September 2021, and
- (ii) accommodate the lease facilities obtained by other COVID-19 affected businesses and individuals engaged in passenger transportation services under Circular No. 08 of 2021 dated 01 September 2021.

Licensed banks shall make necessary arrangements to implement (i) and (ii) above, expeditiously.

Nivard Ajith Leslie Cabral
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Banking Act Directions No. 16 of 2021

09 December 2021

REGULATORY FRAMEWORK ON TECHNOLOGY RISK MANAGEMENT AND RESILIENCE FOR LICENSED BANKS

In the exercise of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended, the Monetary Board hereby issues the following Directions on Regulatory Framework on Technology Risk Management and Resilience for licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to further strengthening the technology risk management and resilience in licensed banks.

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| 1. Empowerment | 1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. |
| | 1.2 In terms of Section 76(J)(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| 2. Scope and Applicability | 2.1 These Directions shall be applicable to all licensed banks including operations conducted through agents and third-party service providers. |
| 3. Regulatory Framework on Technology Risk Management and Resilience | 3.1 All licensed banks shall ensure compliance with the requirements imposed by the regulatory framework on technology risk management and resilience in the Schedule I to these Directions (hereinafter referred to as regulatory framework).
3.2 Requirements in the regulatory framework shall be applicable to the entire operations of licensed banks including operations conducted through agents and third-party service providers. |
| 4. Responsibilities of the Board | 4.1 The Board of Directors of licensed banks shall establish adequate oversight measures to ensure implementation of the technology risk management and resilience requirements specified in the regulatory framework by the licensed banks. |
| 5. Governance Framework | 5.1 Licensed banks shall establish an effective governance framework approved by the Board of Directors of the licensed bank in compliance with the requirements specified in Section 4 of the regulatory framework, to ensure prudent management of technology risks. |
| 6. Assessment of Technology Risk under Supervisory Review Process | 6.1 Licensed banks shall ensure technology risk is assessed as a part of the comprehensive assessment of risks in the bank's Internal Capital Adequacy Assessment Process (ICAAP) and adequate level of capital is held to meet any potential technology risk. |
| 7. Role of the Internal Audit | 7.1 The internal audit function of the licensed banks shall ensure that compliance with regulatory requirements on technology risk management is assessed and reported to the Board of Directors of the licensed bank through the Board Audit Committee, at least annually. |
| 8. Steps to Secure Compliance | 8.1 Licensed banks shall ensure all new technology initiatives comply with Section 9 of the regulatory framework on requirements based on information system infrastructure ownership, management, and location from the date of these Directions.
8.2 Licensed banks shall ensure compliance with all other requirements of the regulatory framework as per the timelines set out in Section 10 of the regulatory framework on implementation and transitional arrangements.
8.3 Licensed banks designated as Domestic Systemically Important Banks (D-SIBs) shall ensure compliance with the requirements specifically applicable to D-SIBs within 12 months from the date of notification of being designated as a D-SIB or as per Section 10 of the regulatory framework, whichever falls later. |

Nivard Ajith Leslie Cabral
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Schedule 1 of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_16_of_2021.pdf

Circular No. 13 of 2021

22 December 2021

**DEFERMENT OF RECOVERY ACTIONS AGAINST BORROWERS
AFFECTED BY COVID-19 PANDEMIC**

The Central Bank of Sri Lanka, with a view to meeting the challenges faced by businesses and individuals due to the ongoing COVID-19 pandemic, requests licensed commercial banks and licensed specialised banks, (herein referred to as licensed banks) to suspend all types of recovery actions, including parate execution and forced repossession of leased assets as follows:

1. Licensed banks shall extend the suspension of all recovery actions stipulated in the Circular No.8 of 2021 dated 01 September 2021 on Concessions for COVID-19 Affected Businesses and Individuals up to 31.03.2022.
2. The requirement to suspend all recovery actions stipulated in the Circular No. 10 of 2021 dated 13 September 2021 on Extensions of Debt Moratorium for COVID-19 Affected Businesses and Individuals in the Tourism Industry up to 30.06.2022 shall remain unchanged.

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Banking Act Determination No. 01 of 2021

27 December 2021

**ANNUAL LICENCE FEE OF
LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

Determination made by the Monetary Board of the Central Bank of Sri Lanka under Sections 8 and 76D (6) of the Banking Act, No. 30 of 1988, as amended.

In terms of Sections 8(l) and 76D (6) of the Banking Act No. 30 of 1988, the Monetary Board has determined that every licensed commercial bank and licensed specialised bank shall pay the licence fee in respect of the calendar year 2022 to the Central Bank of Sri Lanka on or before 31 January 2022, based on the total assets of such bank as at the end of 2021, as set out in the Table below.

Table 01: Annual Licence Fee for the Year 2022

Total Assets as at the end 2021 (Rs. Bn)	Licence Fee (Rs. Mn)
Above 2,000	38.0
Above 1,000 to 2,000	35.0
Above 500 to 1,000	28.5
Above 200 to 500	25.0
Above 125 to 200	18.5
Above 75 to 125	12.5
25 to 75	6.5
Less than 25	3.3

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Monetary Law Act Order No. 03 of 2021

30 December 2021

**MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS
OF LICENSED COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK**

Issued under Section 104(1)(a) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the current and expected macroeconomic developments and the prevailing interest rates on foreign currency deposits of licensed banks, the Monetary Board hereby issues an Order on maximum interest rates to be paid in respect of foreign currency deposit products of licensed commercial banks and the National Savings Bank.

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| 1. Empowerment under the Monetary Law Act | 1.1 In terms of Section 104(1)(a) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which licensed commercial banks and licensed specialised banks may pay upon various classes of deposits. |
| 2. Maximum interest rates on FCY deposits | 2.1 The maximum interest rates that shall be offered or paid by a licensed commercial bank and the National Savings Bank on foreign currency (FCY) deposits are as follows; <ul style="list-style-type: none"> (i) with a maturity of less than or equal to one year shall be based on the simple average of the primary market yields of 364-days Treasury Bills determined at auctions held during the last calendar month of the previous quarter less 150 basis points, or 5 per cent, whichever is higher and; (ii) with a maturity of more than one year shall be determined based on the market behaviour. 2.2 In the case of Special Deposit Accounts in FCY, the additional interest rate that can be offered or paid shall be over and above the interest rate applicable in 2.1 above. |
| 3. Basis of calculation | 3.1 The auctions for calculating the above average rate, shall be selected based on the auction date falling within the corresponding calendar month, and not the settlement date.
3.2 The maximum interest rates for the forthcoming quarter shall be computed on the last working day of the current quarter. |
| 4. SWAP Cost | 4.1 Considering recent excessive volatility observed in the USD/LKR domestic swap market, and to ensure orderly conduct of the same, licensed banks are hereby instructed to execute USD/LKR swap transactions, subject to a maximum USD interest rate of 10 per cent per annum. Accordingly, the USD/LKR swap points shall be pro-rated based on the above benchmark USD interest rate for the respective tenors until further notice. |
| 5. Regulatory Reporting and Disclosure | 5.1 Every licensed commercial bank and the National Savings Bank shall; <ul style="list-style-type: none"> (i) submit details of the interest rates offered on FCY deposit products in accordance with the weekly return on 'Rates of Interest', and (ii) make arrangements to inform and display the interest rates offered to customers on FCY deposit products. |
| 6. Implementation | 6.1 These Orders shall be effective from 31.12.2021 and shall be applicable for new FCY deposits, existing FCY savings deposits and at the renewal of FCY term deposits. |
| 7. Revocation | 7.1 Monetary Law Act Order No. 02 of 2021 dated 24.08.2021 on Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank is hereby rescinded. |

Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Monetary Law Act Order No. 04 of 2021

31 December 2021

AMENDMENT TO THE MONETARY LAW ACT ORDER NO. 03 OF 2020 ON MAXIMUM INTEREST RATES ON MORTGAGE-BACKED HOUSING LOANS

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the current and expected macroeconomic developments and the prevailing market interest rates of rupee denominated loans and advances granted by licensed banks, the Monetary Board hereby issues an amendment to the Monetary Law Act Order No. 03 of 2020 on Maximum Interest Rates on Mortgage-backed Housing Loans.

Accordingly, Order 3.1 of the cited Monetary Law Act Order shall be replaced as follows.

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| 3. Interest Rates and tenure of mortgage-backed housing loans of salaried employees | 3.1 The applicable maximum interest rates for mortgage-backed housing loans specified under Order 2.1 above shall be; <ul style="list-style-type: none"> (i) A fixed interest rate which shall be the monthly Average Weighted Prime Lending Rate (AWPR) prevailing at the date of disbursement of the loan for the first five years of the loan tenure. |
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- (ii) After the first five years, the applicable interest rate will be a floating interest rate linked to the monthly AWPR plus 200 basis points for the remaining tenure of the loan and will be re-priced every six months.
- (iii) The monthly loan instalment for the first five years shall be computed considering AWPR prevailing at the date of disbursement as the interest rate for the entire tenure of the loan.

This Order shall be effective from 01 January 2022.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Guidelines on Reproduction of Sri Lanka Currency Notes

1. Introduction

- 1.1 In terms of Section 49 of the Monetary Law Act, No. 58 of 1949 (MLA), the Central Bank of Sri Lanka (CBSL) has the sole right and authority to issue currency notes and coins in Sri Lanka.
- 1.2 In terms of Section 58 (d) of MLA, any person who without the authority of the Monetary Board of CBSL, reproduces in any form whatsoever, or makes a facsimile of, any currency note shall be guilty of an offence. The purpose of this statutory requirement is to prevent or minimise counterfeit notes and to enhance the image and public trust in the integrity of the currency.
- 1.3 The purpose of these Guidelines on Reproduction of Sri Lanka Currency Notes (Guidelines) is to provide the conditions for any reproduction of currency notes (hereinafter referred to as currency) and the procedure for submission of an application to seek approval of the Monetary Board under Section 58 (d) of MLA.
- 1.4 These Guidelines shall apply to any legal or natural person, irrespective of territory, nationality, etc., who intends to reproduce currency of Sri Lanka.

2. Definition of Reproduction

- i. Reproduction means copying, replicating, imitating or designing any part (more than 25% of a currency note) or the whole of the visual image, contents or appearance of currency notes.
- ii. Reproduction could be done through illustrations, paintings, photographs, pictures, electronic images, print or electronic media including internet, television and films.

3. Conditions of Reproduction - A person, who satisfies the conditions specified in sections 3.2 to 3.7 below, may be permitted to reproduce Sri Lanka currency notes for purposes given in section 3.1, subject to the approval of the Monetary Board or as stated otherwise.

3.1 Permitted Purposes:

- i. **Educational** - Reproductions for textbooks, magazines, educational articles, research publications, information brochures, virtual museums, libraries, educational articles on electronic media, etc.
- ii. **Commercial** - Advertisements in print or electronic form and other types of related reproductions for commercial purposes.
- iii. **Others** - Any other purpose acceptable to the Monetary Board.

3.2 Any reproduction of currency shall maintain the dignity and image of the currency and any emblem and design thereof.

3.3 Reproductions related to or associated with alcohol, smoking or associated with offensive context such as violence or pornography, or related to or associated with any political content; or against public interest shall not be permitted. Further, Reproductions shall not be used for commercial advertising that may encourage obscenity, gambling or any other socially unacceptable practices.

3.4 Reproduction in Print Media

- (a) The reproduction shall not change or distort the image or partial image of the currency note in an inappropriate or derogatory manner and shall not be used in such context.
- (b) The reproduction of any currency note shall not be the same size of the actual currency note. Further, if it is smaller, it shall be less than two-thirds of the respective currency note and if it is to be larger, it shall be at least 150% of the original size of the respective currency note. Any reproduction of a part of a currency note shall meet the same conditions.
- (c) The reproduction shall be made on material clearly different and distinguishable from the paper used for banknotes (i.e., paper produced using cotton pulp).

- (d) The reproduction shall include the word "**SPECIMEN**" which shall be boldly and visibly printed on the bottom of the currency note in lettering that is not less than one-third the size of the reproduction. In the case of reproduction of overlapping notes, the word "**SPECIMEN**" shall be printed in the most prominent place of the currency note as specified above. However, the applicant may request from the Superintendent of Currency (SC) of CBSL to waive off this requirement where it is evident that it is not practical to comply with this condition and achieve the purpose of the reproduction. SC shall consider such request and grant the exemption if he is satisfied with the request.
- (e) The reproduction shall be only of one side of the currency note. The currency note shall not be printed on both sides concurrently to resemble an actual currency note.
- (f) Reproduction shall not be used for a coupon or voucher.
- (g) The signatures of the Minister of Finance and Governor of CBSL shall be obliterated by over printing or any other method.
- (h) The name or logo of CBSL shall not be associated with any reproduction.
- (i) The words "This reproduction is approved by the Central Bank of Sri Lanka" shall be indicated just below the reproduced currency note.

3.5 Reproduction in Electronic Media including Web sites and other digital media as still pictures

These types of reproductions shall comply with conditions 3.4 (a), (b), (d), (f), (g) and (h) above. Further, the resolution of an electronic illustration in its original size shall not exceed 72dpi.

3.6 Reproduction in Electronic media including Films, Television screens, videos and other moving pictures

These types of reproductions shall comply with conditions 3.4 (a) and (g).

3.7 All digital files, negatives, master plates or other files, tools or devices that contain or store an image or are used in the creation of, an image or reproduction of currency notes, whether partial or complete, and whether physical or electronic, shall be securely stored to avoid any misuse.

3.8 Further, all items mentioned in 3.7 above shall be permanently destroyed or deleted after their use and not later than one month after the expiry of the validity period of permission granted by the CBSL. An affidavit referring to this action shall be sent to SC of CBSL with a copy to the Criminal Investigation Department (CID) of the Police for their record.

4. Evaluation and Approval Procedure

4.1 A proof of all proposed reproductions either in print or electronic form shall be submitted by the applicant to SC at least 30 days prior to the reproduction along with the application form and checklist as per Annex a, subject to the exceptions specified under sections 5.1 and 5.2 below.

4.2 SC will review all applications received on reproduction of currency and submit his recommendations to the Monetary Board, having considered the compliance of such application with the Guidelines. The Monetary Board shall consider the recommendations of SC and may grant approval for the reproductions for the requested purpose. The maximum duration of approval will depend on the purpose of the application as follows.

- i. **Educational Purposes** –In the case of educational textbooks, the approval granted may be valid until the reprint of the textbooks and for school textbooks of the Ministry of Education, the approval granted would be valid until the textbook is changed due to a change in syllabus. A one-time approval may be granted for foreign Central Banks and Monetary authorities for reproductions to display in their currency museums and other applicants may be granted approval up to 4 (four) years.
- ii. **Commercial Purposes** – Maximum duration of approval will be 1 (one) year.
- iii. **Others** - Maximum duration of approval will be 2 (two) years.

4.3 In the event SC is of the view that a request for reproduction of currency is not in compliance with the Guidelines, such request may be rejected by SC after obtaining the approval of the Deputy Governor, supervising the Currency Department (CRD). In the event the applicant is not satisfied with the decision of SC, he/she may appeal against the decision of SC, to the Monetary Board within one month. The Monetary Board will consider such appeal and the applicant will be informed of the decision of the Monetary Board accordingly.

4.4 A written application for an extension of the term of validity of the approval shall be made to SC not later than one month prior to the expiry date of such approval.

4.5 If any of the proposed reproduction is not compliant with the Guidelines, the applicant will be required to make necessary changes and resubmit his application for approval or to refrain from reproducing the currency notes.

5. General Exemptions

5.1 Since the following types of reproductions of currency do not fall within the definition of Reproduction given in section 2 i. hereof, they are exempted from obtaining approval of the Monetary Board, if the reproduction is;

- a) only an insignificant portion (less than 25%) of the currency note, or

- b) only in black and white, or
 - c) used in gesturing of using currency notes in print or electronic media, subject to 5.1 a) above.
- 5.2 Persons, who intend to reproduce a currency note which falls within the exceptions stated under sections 5.1 a) to c) above, shall inform SC one month prior to such reproduction with a proof of proposed reproduction. SC, having considered such information, may issue a no objection letter for such reproduction or require such persons to make a new application for reproduction of currency notes in compliance with the Guidelines.
- 5.3 The no objection letter issued by SC for reproductions of currency under section 5.2 shall be valid only for such specific purpose and specified period. A written application should be made to extend the validity period 14 days before expiry of the validity.
- 6. Non-Compliances**
- 6.1 Failure to observe conditions and procedures given in the Guidelines may be construed as an offence under Section 58(d) of MLA and under Sections 478 A (1), 478(B), 478(C) or 478 (D) of the Penal Code and may be punishable with imprisonment of either description for a term which may extend to twenty (20) years and be liable to a fine (**Annex b**).
- 6.2 In addition, the Monetary Board may, in its discretion, require the immediate destruction of the reproduction itself or any copy thereof or any other item in any form involved with such reproduction. In such instance, CBSL may require an affidavit to confirm such destruction.

-End of the Guidelines-

Annex a

Applicants Details		
1	Name:	
2	National ID / Passport number:	
3	Designation:	
4	Name of Organization & Address:	
5	Business Registration Number (copy to be attached):	
6	Email:	Website if any:
7	Telephone (fixed line and mobile):	

Reproduction Details	
8	Denomination of the note/s to be reproduced:
9	Nature of reproduction (complete where relevant)
a	Material (specification of the paper):
b	Media which will be used: (Print media, CD, Web sites, social media, television, other...etc.)
c	Number of copies: (each denomination separately if applicable)
10	Whether approval is requested to exclude the word "SPECIMEN" in reproduction (Please refer section 3.4 of the guidelines):

Declaration	
11	Declaration made by the applicant
i	I am aware of and understand my obligations in respect of reproduction of currency notes.
ii	I am aware of the provisions of the Monetary Law Act and the Penal Code with regard to offence of counterfeiting notes (Annex b).
iii	The information I have provided are true and accurate and to the best of my knowledge the proposed reproduction is in compliance with the guidelines issued by CBSL.
iv	I am aware that CBSL has the sole discretion to approve or decline permission to reproduce currency and compliance with the guidelines is not a guarantee that permission will be granted.
v	I am aware that CBSL may at any time without prior notice, amend and revoke an earlier approval and amend the Guidelines.

.....
Date

.....
Signature of Applicant
Seal of Company/Entity

Checklist for granting approval for the reproduction of currency notes for (period) commencing from the (date).

Requirement		Complied	Not complied	Comment
Purpose	Educational			
	Commercial			
	Other			
Conditions	Size			
	Material/Substrate			
	Inclusion of word "SPECIMEN"			
	Whether reproduction is in Black and White			
	Inclusion of the words "This reproduction is approved by CBSL"			
	Print on one side only			
	Signatures have been obliterated			
	No distortion			

Name and Signature of Authorised Officer

(Pls. affix official seal)

Please attach the following to the application.

1. A hard/soft copy of the proposed reproduction of Sri Lanka currency as applicable.
2. A certified copy of the business registration certificate if applicable.

Annex b

Legal Provisions – Reproduction of Currency Notes

- a) Section 58 (d) of Monetary Law Act No.58 of 1949 states that "Any person who without authority of the Monetary Board reproduces in any form whatsoever, or makes a facsimile of, any currency note shall be guilty of an offence".
- b) Section 478A to 478D of the Penal Code states:
 - 478 A. (1) Whoever forges or counterfeits, or knowingly performs any part of the process of forging or counterfeiting, any currency note or bank note shall be punished with imprisonment of either description for a term which may extend to twenty years and shall also be liable to fine.
 - 478 B. Whoever sells to, or buys or receives from any other person or otherwise traffics in or uses as genuine, any forged or counterfeit currency note or bank note, knowing or having reason to believe the same to be forged or counterfeit, shall be punished with imprisonment of either description for a term which may extend to twenty years and shall also be liable to fine.
 - 478 C. Whoever has in his possession any forged or counterfeit currency note or bank note, knowing or having reason to believe the same to be forged or counterfeit bank notes, and intending to use the same as genuine, or that it may be used as genuine, shall be punished with imprisonment of either description for a term which may extend to twenty years or with fine or with both.
 - 478 D. Whoever makes, or performs any part of the process of making, or buys or sells, or disposes of, or has in his possession, any machinery, instrument or material for the purpose of being used, or knowing or having reason to believe that it is intended to be used, for forging or counterfeiting any currency note or bank note, shall be punished with imprisonment of either description for a term which may extend to twenty years and shall also be liable to fine.

Circular No. 01 of 2021

21 May 2021

To: All Participating Institutions

CONSOLIDATED OPERATING INSTRUCTIONS ON MARKET OPERATIONS

This refers to Consolidated Operating Instructions on Market Operation No: 35/03/016/007/001, which was issued with effect from 01 November 2016 to Pls to have instructions at one place by incorporating all the Operating Instructions/Circulars issued till 31 October 2016 on matters relating to Open Market Operations (OMOs) and Standing Facilities.

Consolidated Operating Instructions on Market Operations have now been revised and updated by consolidating all the existing Operating Instructions Circulars issued from time to time thereafter by the CBSL up to now on matters relating to OMOs and Standing Facilities.

Accordingly, all Pls are hereby required to comply with the updated Consolidated Operating Instructions on Market Operations (Circular No. 01 of 2021) with effect from 01 June 2021.

C A Abeysinghe
Director/ Domestic Operations

Annex I

CONSOLIDATED OPERATING INSTRUCTIONS ON MARKET OPERATIONS

- 1.0 Central Bank of Sri Lanka (CBSL) has issued the "Consolidated Operating Instructions on Market Operations" with effect from 01 November 2016 incorporating all the Operating Instructions/Circulars issued to Participatory Institutions (Pls) till 31 October 2016 on matters relating to Open Market Operations (OMO) and Standing Facilities. All Licensed Commercial Banks (LCBs), Standalone Primary Dealers (the companies appointed as Primary dealers except LCBs) and Employees Provident Fund (EPF) are referred to as Pls.
- 2.0 Consolidated Operating Instructions on Market Operations have now been revised and updated by consolidating the following Operating Instructions/Circulars (as given in Clause 3.0) issued by the CBSL up to 20 May 2021 on matters relating to OMO and Standing Facilities. Accordingly, under mentioned Operating Instructions/Circulars shall be withdrawn and the new Consolidated Operating Instructions on Market Operations shall come into effect from 01 June 2021.
- 3.0 List of Operating Instructions/Circulars Consolidated

	Circular Number	Date Issued	Title
01	35/03/016/007/001	01 November 2016	Consolidated Operating Instructions on Market Operations
02	35/03/021/0013/001	23 August 2018	Open Market Operations of the Central Bank of Sri Lanka
03	35/03/016/007/002	14 February 2019	Consolidated Operating Instructions on Market Operations
04	35/03/016/007/003	05 September 2019	Revised Time Schedule for Open Market Operations
05	35/03/016/007/004	05 September 2019	Outright Auctions under Open Market Operations
06	35/03/021/0013/002	05 September 2019	Operating Instructions on Liquidity Support Facility for Standalone Primary Dealers under Open Market Operations
07	35/03/021/0013/003	05 September 2019	Open Market Operations of the Central Bank of Sri Lanka
08	35/03/016/007/005	11 February 2020	Outright Auctions under Open Market Operations
09	35/03/016/007/006	29 June 2020	Introducing Modifications to the Existing System for Standing Facility under Open Market Operations

Section 1: Introduction

- 4.0 CBSL conducts OMOs with Pls, in order to maintain the stability of Average Weighted Call Money Rate (AWCMR) within an interest rate corridor, the Standing Rate Corridor (SRC). However, under OMO Reverse Repurchase (Reverse Repo) auctions are conducted with LCBs only whereas Liquidity Support Facility auctions in the form of reverse repos are offered to SPDs. The SRC is defined in terms of the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) which form the lower bound and the upper bound of the SRC, respectively. The SRC will be reviewed by the CBSL eight times per year and revised if necessary.

5.0 On the basis of an assessment of daily and short-term money market liquidity, market developments and the policy environment, Market Operations Committee (MOC) of the CBSL shall decide whether to absorb liquidity from or to inject liquidity to the market, the amount, the type and the tenure of instruments.

6.0 A. Under OMO, Pls shall have access to the following instruments as specified in each sections;

- a. Short-Term Auctions
 - a. Short-Term Repo Auctions (STRP)
 - b. Short-Term Reverse Repo Auctions (STRRP)
- b. Long-Term Auctions
 - a. Long-Term Repo Auctions (LTPR)
 - b. Long-Term Reverse Repo Auctions (LTRRP)
- c. Liquidity Support Facility
 - a. Short Term Liquidity Support Facility (STLSF)
 - b. Long Term Liquidity Support Facility (LTLSF)
- d. Outright Auctions
 - a. Outright Sale Auctions
 - b. Outright Purchase Auctions
- e. Transactions related to Central Bank Securities (CBSL Securities)
 - a. Issuing of CBSL Securities under the Auction System
 - b. Retirement of CBSL Securities under the Auction System
 - c. CBSL Securities Buy-back facility
- f. Foreign Exchange Swap Transactions
 - a. Buy-Sell Swaps
 - b. Sell-Buy Swaps

B. Under the standing facility, Pls shall have access to the following instruments.

- a. Standing Deposit Facility (SDF)
- b. Standing Lending Facility (SLF)

Section 2: Common Instructions to Pls

- 7.0 The CBSL will announce decision of the MOC on OMO auctions to the Pls through the Online Electronic Bidding System (OEBS) and the Central Integrated Market Monitor (CIMM). The auction system shall be used to conduct OMO except the Standing Facility. Pls shall submit their deals/bids through the OEBS except in a situation outlined in the clause below.
- 8.0 In an event a PI is unable to access the OEBS only due to a technical failure, such a PI is advised to inform the same via telephone to the OMO Division of the Domestic Operations Department (DOD) before the closure of the respective auction or before the cutoff time of the Standing Facility, as applicable. A letter of confirmation of deals/bids duly signed by two Authorised officers shall be submitted via fax or email within 15 minutes after the close of the respective auction or the cutoff time, as applicable, highlighting the nature of such technical failure. Each such deal/bid shall contain all relevant information to enable the DOD to enter each transaction manually. The CBSL may consider such communication as a request to enter a manual deal/bid on behalf of the Pls on the basis of the information provided by them. An incorrect or incomplete information submitted to DOD for manual entry shall result in such request being rejected by the CBSL. Bids received (by fax or email) after the stipulated cutoff times shall not be entertained under any circumstance. The original document of the request should be forwarded to Director of DOD before closure of business on the same day.
- 9.0 All Repurchase (Repo) and Reverse Repurchase (Reverse Repo) auction transactions carried out between a PI and the CBSL in terms of the provisions set-out out in sections 4, 5 and 6 of this Consolidated Operating Instructions are subject to the provisions of the Master Repurchase and Reverse Repurchase Agreement entered into between such PI and the Monetary Board of the CBSL. The terms used in these Operating Instructions shall have the same meanings assigned to them in the Master Repurchase and Reverse Repurchase Agreement.
- 10.0 All SDF and SLF transactions carried out between a PI and the CBSL in terms of the provisions set-out out in section 3 of this Consolidated Operating Instructions are subject to the provisions of the Master Standing Facility Agreement entered into between such PI and the Monetary Board of the CBSL. The terms used in these Operating Instructions shall have the same meanings assigned to them in the Master Standing Facility Agreement.

- 11.0 The CBSL reserves the right to amend, revise or vary any term and/or condition or any part thereof of this Consolidated Operating Instructions with prior notice to Pls.
- 12.0 In the event of any inconsistency or conflict between this Consolidated Operating Instructions and the Master Repurchase and Reverse Repurchase Agreement and/or Master Standing Facility Agreement, this Consolidated Operating Instructions shall prevail.
- 13.0 For all rupee transactions, the minimum value of a deal/bid shall be Rupees one million (Rs. 1,000,000.00) and deals should be in multiples of Rupees one million.
- 14.0 In an event that a PI is unable to view or print the confirmation(s) referred to in the following sections, only due to a technical failure in accessing the OEBS, the Payments and Settlement Department (PSD) of CBSL may send a copy of the confirmation(s) to the PI on request via fax/email.
- 15.0 When entering a deal/bid at the auction, the face value of the security/securities to be allocated to the CBSL for such deal/bid shall be calculated by the system automatically based on the CBSL official buying price/s of the respective security/securities. Such official prices are recorded in LankaSecure and can also be retrieved from the OEBS.
- 16.0 Pls can assign any number of International Security Identification Numbers (ISIN) (multiple ISINs) for a given deal/bid. If a SLF deal or a Reverse Repo bid involves securities carrying more than one ISIN, each such ISIN shall be treated as a separate deal/bid at the final settlement.
- 17.0 Recovery of damages
- Failure of a PI to honour a bid/deal on the settlement date

The acceptance by the CBSL of a deal/bid of a PI is binding on the PI and if a PI fails to honor a deal/bid in full, due to unavailability of adequate funds in the settlement account or the adequate quantities of the assigned security in their own accounts, before the close of business of LankaSecure on the settlement date, such PI shall be liable to pay damages to the CBSL in a sum equivalent to the interest component of the respective transaction. Such damages shall be debited to the PI's settlement account with the CBSL on the next business day.
 - Default of a PI on the maturity date

In the event of a PI failing to maintain sufficient funds in its settlement account to pay the sell back value (purchase price plus the interest component) before the close of business of LankaSecure on the maturity date (sell back date) a PI shall be liable to pay damages to the CBSL equivalent to sell back value in addition to a default interest payment at a rate of one-tenth of one per centum (0.1%) per day.
 - The total sum arising from b above shall be debited to the PI's settlement account with the CBSL on the following business day.
 - Failure to honor a bid/deal or default more than once in a calendar year

In the event a PI fails to honor a bid/deal or default more than once in a calendar year, the CBSL may consider suspending the PI from engaging in such transactions for a period of time determined by CBSL. In the event a PI default more than three times in a calendar year, such default interest rate shall be increased to two-tenth of one per centum (0.2%) per day or the CBSL may suspend the PI from engaging in transactions for a period of time determined by CBSL.
- 18.0 Once the auction is closed, no amendments shall be made to the bids placed by a PI at the auction under any circumstance.
- 19.0 Apart from the regular auctions, the CBSL may decide to hold additional auctions during the day, as it deems necessary.
- 20.0 CBSL reserves the right to accept or reject a deal/bid of a PI.
- 21.0 The official buying and selling prices of Treasury bills and Treasury bonds shall be calculated by the CBSL on a daily basis based on the current market prices and developments.
- 22.0 If the Government declares an unscheduled bank holiday and if the maturity date in respect of any transaction falls on such holiday, any obligation of a party to such transaction arising on such day shall be fulfilled by such party on the immediately following business day.
- 23.0 A summary along with time schedule of OMO instruments is given in the Annexure.
- 24.0 All transactions except for SDF will be on Delivery versus Payment (DVP) basis.
- 25.0 Allotment will be made on a 'pro rata' basis in the event more than one successful bid at the cut off rate. Accordingly, the bids at the cut off interest rate may partially be accepted.

- 26.0 Close of Business shall deem to be the time specified for the close of business in the daily operating schedule in the Volume 04 and as amended of the LankaSettle System Rules Version 2.1 or its latest version. Generally, the close of business of LankaSecure is 1630 hours. However, unplanned adjustments to the operating schedule may be adopted by the PSD, at its sole discretion, from time to time to deal with unforeseen contingencies. In such event, the CBSL will adjust the close of business time and inform the participants as necessary.
- 27.0 Pls are not required to submit any settlement instructions.
- 28.0 Substitution of securities which were submitted in connection with SLF, STRRP, LTRRP and LSF transactions shall not be permitted.
- 29.0 Securities transferred to the Domestic Operations Repurchase (DOP) Account of a PI shall not be traded by the PI.

Section 3: Standing Facility

- 30.0 The standing facility shall be an overnight facility where all Pls can avail the SDF to deposit funds at the CBSL or may use the SLF to borrow funds from the CBSL by providing eligible collateral. The amount so deposited or borrowed under the standing facility may be at their own discretion. The sole responsibility of the amount placed/requested through the OEBS under SDF/SLF shall be vested by the Pls. Once the requested amounts are approved by the Central Bank, no amendments shall be made to the bids placed by a PI under any circumstance.

3.1 Standing Deposit Facility (SDF)

- 31.0 The Pls who wish to use the SDF are required to enter the deal electronically by submitting through OEBS not later than 1530 hours.
- 32.0 The applicable interest rate for the SDF shall be the Central Bank SDFR and the “interest component” shall be calculated for the duration of the respective deposit.
- 33.0 PSD of the CBSL will directly debit the PI’s settlement account for the value they wish to place at the SDF on the same day as per the daily operating schedule of the LankaSettle System Rules.
- 34.0 The PI shall verify the relevant debit in their settlement account through the Participant Browser Workstation of the LankaSettle System.
- 35.0 Confirmation of Debit SWIFT message, that is a FIN 900, will be sent to the respective account holder confirming the debit into their account for the value they placed at the SDF.
- 36.0 On the maturity date, the PSD will credit the PI’s settlement account with the original deposit value plus the interest component, not later than 0830 hours.
- 37.0 Confirmation of Credit SWIFT message, that is a FIN 910, will be sent to the respective account holder confirming the credit into their account not later than 0830 hours on the maturity date.

3.2 Standing Lending Facility (SLF)

- 38.0 The SLF operates on the principles of Reverse Repurchase transactions. Under the SLF, the CBSL shall purchase government securities (Treasury bill(s) and/or Treasury bond(s)) from Pls at an agreed price (purchase price) with an agreement to sell it back on an agreed date at an agreed price (Repurchase price/Sell back price).
- 39.0 The sell back value shall consist of purchase price plus the interest component for the respective deal.
- 40.0 The applicable interest rate for the SLF shall be the Central Bank SLFR and the “interest component” shall be calculated for the duration of the respective lending.
- 41.0 The Pls who wish to use the SLF are required to enter the deal electronically by submitting the amount required and the details of the securities through OEBS not later than 1530 hours.
- 42.0 The PSD will settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount requested) against the receipt of purchased securities in to the Domestic Operations Reverse Repurchase (DRP) Account of the CBSL in LankaSecure not later than 1615 hours on the same day.
- 43.0 A confirmation of SLF deal will be issued by the PSD to the PI electronically through the OEBS not later than 1615 hours on the same day indicating the amount accepted, the ISIN(s), face values, yield rate and the maturity date.
- 44.0 On the maturity date (sell back date), the CBSL shall transfer the purchased securities back to the PI’s own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (Repurchase price) of the securities.

Section 4 : Short-Term Auctions

- 45.0 The Short-Term (ST) auctions shall be in the form of Repo (to absorb liquidity) and Reverse Repo (to inject liquidity) transactions. The tenure of ST auction shall be overnight to 7 days (one week). The exact tenure and the amount offered shall be decided by the MOC as stated in the clause 5.0 of this Consolidated Operating Instructions. The settlement shall be on same day settlement (T+0) basis.
- 46.0 The CBSL shall announce the decision of the MOC on OMO auction by 0930 hours on the same day. The announcement shall include the type of repurchase auction on offer (STRP and STRRP), the amount offered and the maturity date (tenure). STRP and STRRP auctions will be conducted as per the Annexure of Time Schedule and Summary of OMO Instruments.
- 47.0 Each PI is restricted to a maximum of 03 bids and the total value shall be restricted to the amount offered at the respective auction. Each bid shall contain the amount they wish to invest/borrow and the corresponding bidding interest rate.
- 48.0 Results of the STRP, STRRP and STLSF auctions shall be announced 30 minutes after the auction cutoff time on the auction date via the OEBS and CIMM providing the details of - total bids received, amount accepted, weighted average interest rate, maximum and minimum rate of the successful bids. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS.
- 49.0 For each successful bid, securities shall be allocated at the CBSL official selling prices at the STRP. A confirmation for each successful PI in respect of STRP, STRRP and STLSF auctions shall be issued electronically via OEBS within one hour after the release of the auction results. The confirmation shall include the ISIN(s) and the respective face value(s) allocated (recalculated face values if the bid is partially accepted), amount accepted and the repurchase/sale value(s).

4.1 Short-Term Repo (STRP) Auctions

- 50.0 A PI who wishes to invest under the STRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. Any bid at or above the SLFR will be rejected.
- 51.0 The allotment shall be made based on the ascending order of the bidding interest rates quoted by the successful bidder.
- 52.0 The settlement of the transactions will be through the Matched Trade Feed (MTF) facility available at LankaSettle. PSD shall settle the transaction on or before 1315 hours by transferring the allocated securities into the DOP Account of the respective PI in LankaSecure against the receipt of funds (amount accepted) for the sale value of securities to the Settlement Account of the CBSL.
- 53.0 Successful PIs shall ensure that sufficient funds are available in their settlement account to enable the PSD to debit the sales value of securities (amount accepted) in full by 1315 hours.
- 54.0 On the maturity date (Repurchase date), the PSD will credit the repurchase value of the securities to the settlement account of the PI against the receipt of the sold securities to the securities own account or Domestic Operations Borrowed (DOB) account of the CBSL in LankaSecure, on or before 0830 hours.
- 55.0 The Repurchase value shall consist of sales price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).
- 56.0 PIs shall ensure the availability of the Securities Purchased from the CBSL in their DOP Account in LankaSecure on the maturity date (repurchase date) by 0830 hours to enable the reversal of the STRP transaction in full.

4.2 Short-Term Reverse Repo (STRRP) Auctions

- 57.0 A PI who wishes to borrow from the STRRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. PIs are required to submit the security details ISIN(s) together with their bids. Any bid at or below the SDFR will be rejected.
- 58.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidder.
- 59.0 The settlement of the transactions shall be processed on or before 1315 hours on the same day through the MTF facility available at LankaSettle. The PSD shall settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount accepted) against the receipt of purchased securities into the DRP Account of the CBSL in LankaSecure.
- 60.0 On the maturity date (sell back date), the CBSL shall transfer the purchased securities back to the PI's own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (repurchase price) of the purchased security/securities.

- 61.0 The sell back value shall consist of purchase price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

Section 5: Long Term Auctions

- 62.0 Long Term auctions shall be in the form of Repo and Reverse Repo transactions. The tenure of a long-term auction shall be more than 7 days (more than one week).
- 63.0 The CBSL shall announce the decision of the MOC to conduct a long-term auction by 0930 hours on the auction day or one business day in advance to the auction date. The announcement shall include the type of auction on offer (LTRP, LTRRP and LTLSF), the amount offered, the maturity date (tenure), auction date and the settlement date.
- 64.0 Each PI is restricted to a maximum of 6 bids and the total bid/s value shall be restricted to the amount offered at the respective auction. Each bid shall contain the amount they wish to invest/borrow and the corresponding bidding interest rate. LTRP, LTRRP and LTLSF auction will be conducted as per the Annexure of Time Schedule and Summary of OMO Instruments. Settlement day will be the following business day.
- 65.0 Results of the LTRP, LTRRP and LTLSF auction shall be announced after 30 minutes from the auction cutoff time on the auction date via the OEBS and CMM providing the details of total bids received, amount accepted, the weighted average interest rate, and the maximum and minimum rate of the successful bids. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS.
- 66.0 For each successful bid, securities shall be allocated at the CBSL official term selling prices for the allotted amount at the LTRP auction. A confirmation for each successful PIs in respect of LTRP, LTRRP and LTLSF auctions shall be issued electronically via OEBS within one hour after the release of the results. The confirmation shall include the ISIN/s and the respective face value/s allocated, amount accepted and the repurchase value/sales value, and the maturity date.

5.1 Long Term Repo (LTRP) Auctions

- 67.0 A PI who wishes to invest in the LTRP auction is required to submit their bid/s on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 68.0 The allotment shall be made based on the ascending order of the bidding interest rates quoted by the successful bidder.
- 69.0 On the settlement date, the settlement of the transactions shall be through the MTF facility available at LankaSettle. The PSD shall settle the transaction on or before 0830 hours on the settlement date by transferring the allocated securities (purchased securities) into the DOP Account of the respective PI in LankaSecure against the receipt of funds (amount accepted) for the sale value of securities (purchase price) to the Settlement Account of the CBSL.
- 70.0 Successful PIs shall ensure that sufficient funds are available in their settlement account to enable the PSD to debit the sales value of securities (amount accepted) in full by 0830 hours on the settlement date.
- 71.0 On the maturity date (repurchase date), the PSD will credit the repurchase value of the securities to the settlement account of the PI against the receipt of the sold securities to the own or DOB account of the CBSL in LankaSecure, on or before 0830 hours.
- 72.0 The repurchase value shall consist of sales price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

5.2 Long Term Reverse Repo (LTRRP) Auctions

- 73.0 A PI who wishes to borrow from the LTRRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. PIs are required to submit the security details ISIN(s) together with their bids.
- 74.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidder.
- 75.0 On the settlement date, the settlement of the transactions shall be processed through the MTF facility available at LankaSettle at or before 0830 hours on the following business day. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount accepted) against the receipt of purchased securities in to the DRP Account of the CBSL in LankaSecure.
- 76.0 On the maturity date (sell back date), the CBSL shall transfer the purchased securities back to the PI's own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (repurchase price) of the purchased security/securities.

- 77.0 The sell back value shall consist of purchase price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

Section 6: Liquidity Support Facility (LSF)

- 78.0 LSFs are offered in the form of reverse repurchase by the CBSL for Standalone Primary Dealers (SPDs), the companies appointed as Primary dealers except LCBs. The LSF will be available for SPDs when the CBSL conducts reverse repo auctions under the OMOs for LCBs or as decided by the CBSL.
- 79.0 SPDs who intend to borrow funds under the LSF shall submit their bid/s electronically through the OEBS by selecting the relevant auction. Such SPDs shall submit their bids together with security details, ISINs.
- 80.0 The floor rate of the auction under LSF shall be decided by the CBSL based on the maximum accepted bidding rate of the reverse repo auction conducted for LCBs on the same day. The applicable floor rate shall be announced via CIMM and OEBS before the commencement the auction for LSF. Any bid below the floor rate will not be accepted.
- 81.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidders.
- 82.0 Substitution of securities submitted for LSF shall not be permitted.
- 83.0 The settlement of the transactions shall be processed on or before 1315 hours on the same day. The PSD of the CBSL shall settle the transaction by crediting the settlement account of the respective SPD for the purchase price of securities (amount accepted) against the receipt of purchased securities into the DRP account of the CBSL in LankaSecure.
- 84.0 On the maturity date (date of re-purchase by the respective SPD), CBSL shall transfer the purchased securities back to the respective SPDs OWN security account at the LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of CBSL for the re-purchase value of the security/securities by the SPD.
- 85.0 The re-purchase value shall consist of purchase value of the securities (amount accepted) plus interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the SPDs for that bid for the duration of the agreement (tenure).

Section 7: Outright Auctions

- 86.0 The CBSL may decide to conduct outright auctions to sell Treasury-bills or bonds (to absorb liquidity on a permanent basis) from its holdings or to purchase them (to inject liquidity on a permanent basis) from the secondary market. All PIs shall have access to outright auctions.
- 87.0 CBSL shall announce the decision of the MOC to conduct an outright auction for Treasury bills by 0930 hours on the auction day or one business day in advance to the auction date while decision to conduct an outright auction for Treasury bonds shall announce with a minimum of one business day in advance to the auction date. The announcement shall include the type of auction on offer (outright sale or purchase), the amount offered (the face value of the securities), maturity date, days to maturity, auction date and the settlement date. The settlement date for outright transactions will be the following business day.
- 88.0 Each PI is restricted to a maximum of 06 bids which are accepted as per time specified in the Annexure and the total bid/s value shall be restricted to the amount offered at the respective auction. Each bid shall contain the face value of the securities they wish to buy/sell, the required maturity period of Treasury-bills/bonds to be purchased/ sold, Coupon rate and coupon date in the case of Treasury bonds purchases, the corresponding bidding interest rate (yield rate) and the expected price.
- 89.0 Results of the outright sale/purchase auction shall be announced within three hours from the auction cutoff time via the OEBS giving the total bids received, amount accepted and the weighted average yield rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction along with the relevant sales price of the securities where applicable, through the OEBS on the auction date.

7.1 Outright Sale Auctions

- 90.0 A PI who wishes to purchase T-bills/bonds on offer from the outright sale auction is required to submit their bid/s on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 91.0 The allotment shall be made based on the ascending order of the bidding interest (yield) rates quoted by the successful bidder.
- 92.0 On the settlement date, the settlement of the transactions shall be through the MTF facility available at LankaSettle. The PSD shall settle the transaction on or before 0830 hours on the settlement date by transferring the securities sold into

the own account of the respective successful bidder (PI) in LankaSecure against the receipt of funds for the sale value of securities (discounted value of the securities sold) to the Settlement Account of the CBSL.

93.0 The discounted value of securities sold shall be calculated on the basis of the bidding interest rate (yield rate) of Treasury bills/ bonds as the case may be, quoted by the respective successful bidder (PI) and the maturity date of the Treasury bill/bond.

7.2 Outright Purchase Auctions

94.0 A PI who wishes to sell T-bills/bonds of the maturities indicated (offered) by the CBSL at the outright purchase auction, is required to submit their bid/s on the auction date electronically through OEBS by selecting the appropriate auction announcement.

95.0 The allotment shall be made based on the descending order of the bidding interest (yield) rates quoted by the successful bidder.

96.0 The settlement of the transactions shall be processed on or before 0830 hours on the settlement date through the MTF facility available at LankaSettle. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase value of securities (discounted value of the securities purchased), against the receipt of the securities purchased into the own securities account of the CBSL in LankaSecure.

97.0 The discounted value of securities shall be calculated on the basis of the bidding interest rate (yield rate) Treasury bills/ bonds as the case may be, quoted by the respective successful bidder (PI) and the maturity date of the Treasury bill/bond.

Section 8: Central Bank (CBSL) Securities

98.0 The CBSL may decide, as and when it deemed necessary, to issue CBSL securities and/or to early retire the already issued CBSL securities, under Section 91(1)(b) of the Monetary Law Act (Chapter 422) No. 58 of 1949, as part of (OMOs) to absorb excess rupee liquidity.

99.0 CBSL may decide to;

- i. Issuing of CBSL Securities under the Auction System
- ii. Retirement of CBSL Securities under the Auction System
- iii. CBSL Securities Sell-back facility

100.0 The main features of these securities are as follows:

- i. CBSL securities are issued in scripless form.
- ii. CBSL Securities are negotiable.
- iii. The terms and regulations applied to the operations of the Scripless Securities Settlement System (SSSS) and the Central Depository System (CDS) will be applied on transferring and the settlement of CBSL securities.
- iv. CBSL securities are marketable. However, these securities shall not be eligible as a collateral for Intra-day liquidity facility (ILF), SLF or reverse repurchase transactions with the CBSL.
- v. Similar to government Treasury bills, CBSL securities shall also be issued on a discount basis.
- vi. PIs are eligible to purchase these securities from the CBSL. The general public may purchase CBSL Securities from the secondary market through commercial banks or primary dealers.
- vii. Similar to government securities, the primary issue of these securities is subject to the applicable withholding tax on interest income.
- viii. The tenure (maturity period) of CBSL securities shall be decided by the CBSL.

8.1 Issuing of CBSL Securities under the Auction System (Short Term and Long Term)

101.0 CBSL shall announce the decision of the MOC to conduct an auction to issue CBSL securities on the auction day or one business day in advance to the auction date. The auction announcement shall include the type of auction (Short-term or Long-Term), amount offered (face value) and the maturity period of the securities to be sold, date and the time of the auction and the settlement date.

102.0 CBSL may decide to issue either short tenure or longer tenure CBSL securities. Short-tenure CBSL securities shall be from 1 day up to 7 days (one week) while longer tenure securities shall be issued for more than 7 days (more than one week).

103.0 The auction will be conducted through the OEBS under the option for outright sale auction. A PI who wishes to purchase CBSL securities from the auction, is required to submit their bid/s giving the amount (face value of securities expected to purchase) and the bidding interest (yield) rate on the auction date, during the time indicated in the auction announcement, electronically through the OEBS by selecting the appropriate sale auction announcement.

- 104.0 Each PI is restricted to a maximum of 06 bids for each maturity and the total bid/s value shall be restricted to the amount offered at the respective auction.
- 105.0 The bidding interest (yield) rates quoted by PI, shall be the yield rate with the withholding tax (WHT). Any changes to government tax structure will be applicable as appropriate.
- 106.0 The allotment shall be made based on the ascending order of the bidding interest (yield) rates quoted by the successful bidder.
- 107.0 Results of the auction shall be announced after 30 minutes from the close of the auction via the OEBS providing the details of total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction along with the relevant sales price (including WHT) of the securities, through the OEBS after 30 minutes from the close of the auction on the auction date.
- 108.0 The sale price (including WHT) of each successful bid shall be calculated by discounting the face value of securities at the bidding interest (yield) rates quoted by the respective PI adjusted for the WHT (after tax rate) for the maturity period of the securities.
- 109.0 A confirmation of the deal/s shall be issued by the PSD to the PI electronically through the OEBS within one hour after the release of the results confirming the amount accepted, ISIN(s), face values, and the maturity date.
- 110.0 The settlement of the transactions shall be made through the MTF facility available at LankaSettle. On the settlement date, the PSD shall settle the transactions at the respective settlement times specified in clause 111 below, by transferring the face value of securities sold into the own account of the respective PI in LankaSecure against the receipt of funds for the sale value of securities (discounted value of the securities sold/price with WHT) to the Settlement Account of the CBSL.
- 111.0 The settlement times shall be as follows;
- For short-tenure CBSL security auctions, the settlement shall be made within 2 hours after the close of the respective auction on the auction date.
 - For long tenure CBSL security auctions, the settlement time shall be made on or before 0830 hours on the respective settlement date.
- 112.0 On the maturity date, the system will automatically initiate the maturity settlement by transferring securities to the own securities account of the CBSL and maturity proceeds (face value of the securities) to the settlement account of the PI who held relevant securities on the immediately preceding business day prior to the maturity date, on or before 0830 hours.

8.2 Issue of CBSL Securities at a Pre-determined Rate

- 113.0 The CBSL may issue, CBSL securities to PIs at a pre-determined yield rate.
- 114.0 The maturity period, the yield rate (with withholding tax) and the settlement date of CBSL securities to be issued at a pre-determined rate will be decided by the MOC and announced through OEBS/ CIMM or/and any other means of communication, inviting PIs to purchase them between 1100 hours to 1430 hours on each business day entering into a deal with the OMO Division of DOD.
- 115.0 The PIs who wish to purchase CBSL securities at the pre-determined rates are required to inform the OMO Division of the DOD by telephone or fax message, the amount required to purchase (face value) not later than 1430 hours of the same day.
- 116.0 PIs are requested to submit the amount required to purchase (face value) to the OEBS (under Standing Facility, outright sale option) on or before 1500 hours.
- 117.0 PIs whose deals were accepted could view such acceptance through the OEBS (under Standing Facility outright sale option) by 1500 hours on the same day.
- 118.0 In those cases where the settlement is on the deal date itself, MTF file will be submitted to LankaSecure on or before 1500 hours of the deal date. If the settlement is on a following day, a MTF file will be submitted to LankaSecure on or before 0830 hours on the settlement date.
- 119.0 The system will settle the transaction by transferring securities sold to the respective Own Accounts of the PIs against the receipt of funds to the Settlement Account of the CBSL for the discounted value of the securities sold.
- 120.0 The sale value (sale price including withholding tax) will be calculated by discounting the face value of securities sold by the applicable interest rate adjusted for the withholding tax (after tax rate) for the maturity period of the security.
- 121.0 On the maturity date, the system will automatically initiate the settlement by transferring securities to the CBSL own account and maturity proceeds to RTGS A/c of PIs that held relevant securities on the business day prior to the maturity date.

- 122.0 The CBSL reserves the right to change the yield rate and the maturity period of CBSL securities to be issued under a pre-determined rate as and when it is deemed necessary and such changes will be notified to Pls through OEBS/CIMM or any other means of communication on or before 0930 hours on the day it will become effective.

8.3 Early Retirement of CBSL Securities under the Auction System

- 123.0 The MOC may decide, as and when it is deemed necessary, to retire CBSL securities prior to the respective maturity date/s through an auction.
- 124.0 CBSL shall announce the decision of the MOC to conduct an auction to retire (purchase) CBSL securities prior to the maturity date, on the auction day or one business day in advance to the auction date. The auction announcement shall include the amount offered (face value), the maturity date(s) and the ISIN(s) of the securities to be purchased, date and the time of the auction and the settlement date.
- 125.0 A PI who wishes to sell the respective CBSL securities at the auction, is required to submit their bid/s giving the amount (face value of securities expected to sell) and the bidding interest (yield) rate on the auction date, between 1300 hours and 1400 hours, electronically through the OEBS by selecting the appropriate auction announcement under outright purchase auction option. The settlement time shall be made on or before 0830 hours on the next business day.
- 126.0 Each PI is restricted to a maximum of 06 bids for each maturity (ISIN) and the total bid(s) value shall be restricted to the amount offered at the respective auction.
- 127.0 The allotment shall be made based on the descending order of the bidding interest (yield) rates quoted by the successful bidder.
- 128.0 Results of the auction shall be announced after 30 minutes after the close of the auction via the OEBS giving the total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid(s)) of the auction and the relevant purchase price of the CBSL securities, through the OEBS after 30 minutes after the close of the auction on the auction date.
- 129.0 The settlement of the transactions shall be processed on or before 0830 hours on the settlement day through the MTF facility available at LankaSettle. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase value of securities (discounted value of the CBSL securities purchased), against the receipt of the CBSL securities into the own securities account of the CBSL in LankaSecure.
- 130.0 The purchase price of the CBSL securities shall be calculated by discounting the value of each successful bid (face value of securities to be purchased) at the rate quoted by the respective PI for the remaining days to maturity of the securities.

8.4 CBSL Securities Sell-Back Facility and Early Retirement at a Predetermined Rate

- 131.0 The CBSL provides following facilities for the Pls in relation to CBSL securities;
- to sell-back their holdings of CBSL securities to the CBSL prior to maturity at the CBSL SLFR.
 - CBSL will retire (purchase) CBSL securities prior to the maturity at a predetermined rate
- 132.0 In the event of 131 (a), Pls are permitted to sell-back their holdings of CBSL securities prior to the maturity dates of the respective CBSL security to the CBSL in case they are in need of liquidity at a discount at an interest rate comparable with the CBSL SLFR for the remaining period of maturity. In the event of 131 (b) CBSL will announce that it intends to retire (purchase) CBSL securities at a predetermined rate giving rate, maturity dates and ISIN of the CBSL securities to be retired prior to maturity.
- 133.0 The Pls who wish to use the above facilities are required to inform the OMO Division of the DOD by telephone or fax stating the amount (face value of the CBSL securities) expected to sell-back not later than 1515 hours.
- 134.0 The PI shall confirm the deal (amount required to sell and the ISIN) electronically by submitting the same through the OEBS by selecting outright purchase option under the standing facility not later than 1515 hours on the same day. The settlement shall be on the same day (T+0) settlement basis.
- 135.0 A confirmation of the deal shall be issued by the PSD to the PI electronically through the OEBS not later than 1615 hours on the same day confirming the amount accepted, ISIN(s), face values, and the yield rate.
- 136.0 The purchase value (purchase price) of the CBSL securities shall be calculated by discounting the face value of the CBSL securities at the CBSL SLFR in the event of 131 (a) and at a predetermined rate in the event of 131 (b), for the remaining days to maturity of the securities.
- 137.0 The settlement of the transactions shall be through the MTF facility available at LankaSettle. PSD shall settle the transaction on or before 1615 hours on the same day, by crediting the settlement account of the PI for the purchase value of securities

(discounted value of the CBSL securities purchased), against the receipt of the securities purchased into the own securities account of the CBSL in LankaSecure.

Section 9 : Foreign Exchange Swap (FX Swap) Transactions

- 138.0 The procedures, guidelines, terms and conditions in this section apply only to LCBs.
- 139.0 The MOC of the CBSL may decide to conduct Foreign Exchange Swap (FX Swap) transactions as an instrument in monetary policy operations either to absorb or inject liquidity from or to the market. FX Swap transactions are those that involve the purchase of one currency against another at an initial date with an agreement to reverse that transaction at a future date at an agreed rate. As long as the nature of the transaction is concerned, FX Swaps are similar to Repos, but with collateral being the foreign currency in place of government securities.
- 140.0 All FX Swap transactions are carried out only between LCBs and the CBSL. The CBSL shall engage in two types of FX Swaps under the OMO;
- i. Sell-Buy FX Swaps; and
 - ii. Buy-Sell FX Swaps
- 141.0 The terms and conditions and the operating procedures for both Sell-Buy and Buy-Sell FX Swap transactions are as outlined in this section.
- 142.0 The tenure of both Sell-Buy and Buy-Sell FX Swap transactions shall be limited to a maximum of 365 days.
- 143.0 The CBSL shall announce the decision of the MOC to conduct a Sell-Buy or Buy-Sell FX Swap auction, by 0930 hours on the auction day or one business day in advance to the auction date. The announcement shall include the amount offered, date of auction, tenure and the settlement date of the 1st leg and the maturity date of the 2nd leg.
- 144.0 An LCB who wishes to enter into FX Swap agreement with the CBSL is required to submit their bids on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 145.0 The FX Swap auction shall be opened for bids from 1300 hours – 1400 hours on the auction date.
- 146.0 Bids are accepted only in US dollars (USD) until further notice.
- 147.0 A commercial bank can submit up to a maximum of 06 bids for each tender. The minimum value of a bid shall be US dollars (USD) one million (\$ 1,000,000.00) and bids shall be in multiples of US dollars (USD) one hundred thousand (\$ 100,000). Each bid shall contain the amount in US dollars (USD) and swap points (variable rate tenders).
- 148.0 The Swap points shall be entered into the OEBS in rupee terms with two decimal points. e.g. 0.20 = twenty cents.
- 149.0 The allotment shall be made based on the Swap points quoted by the successful bidder.
- 150.0 In the event of there being bids at the cutoff Swap points in excess of the amount offered, the available quantum of Sell-Buy or Buy-Sell FX Swap shall be allocated among such bidders on a 'pro rata' basis. Accordingly, the bids at the cut off Swap points may partially be accepted.
- 151.0 Results of the FX Swap auction shall be announced after 30 minutes from the close of auction on the auction date via OEBS giving the total bids received, amount accepted and the Weighted Average Swap points.
- 152.0 Each bidder shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid(s)) of the auction along with the allotted value of the FX Swap through the OEBS after 30 minutes from the close of auction on the auction date.
- 153.0 A confirmation of the FX Swap transactions shall be issued to each successful PI electronically via OEBS within one hour after the release of the results confirming the amount accepted, tenure, maturity date, and the Swap points.
- 154.0 The International Operations Department (IOD) of the CBSL shall carry out the respective Sell-Buy or Buy-Sell FX Swap transactions in physical form and shall send deal confirmations to each successful bidder.
- 155.0 Settlement procedure for Sell-Buy or Buy-Sell FX Swap transactions shall be identical to the settlement of other foreign exchange transactions.

Director / Domestic Operations

Annexure

Time Schedule and Summary of OMO Instruments

Details	Instrument							
	Short Term Repo/ Reverse Repo Auctions	Short Term Liquidity Support Facility Auctions	Long Term Repo/ Reverse Repo Auctions	Outright Sales/ Purchases Auctions	Long Term Liquidity Support Facility Auctions	Foreign Exchange SWAP Auctions	Standing Facility	Central Bank Securities
Auction Time	1000 - 1030 hrs	1100 - 1130 hrs	1300 - 1330 hrs	1300 - 1400 hrs	1400 - 1430 hrs	1300 - 1400 hrs	Cutoff time 1530 hrs	Issue - 1100-1430 hrs Retirement - 1300-1400 hrs
Settlement on OEBS	T+0	T+0	T+1	T+1	T+1	T+2	T+0	by 1500 hrs
Settlement time	by 1315 hrs	by 1315 hrs	T+1 by 0830 hrs	T+1 by 0830 hrs	T+1 by 0830 hrs	T+2	SDF - by 1600 hrs SLF - by 1615 hrs (usually settled around 1545 hrs)	by 0830 hrs Sell back facility - T+0 by 1615 hrs Retirement - T+1 by 0830 hrs
Reversal on Maturity date	Repo - by 0800 hrs Reverse Repo - by 1100 hrs	by 1100 hrs	Repo - by 0800 hrs Reverse repo - by 1100 hrs	n/a	by 1100 hrs	by close of business	SDF - by 0800 hrs SLF - by 1100 hrs	by 0830 hrs
Counterparty	LCB and EPF	Standalone Primary Dealers (SPD)	LCB and EPF	LCB, SPD and EPF	SPD	LCB	LCB, SPD and EPF	LCB, SPD and EPF
Tenor	1-7 days	1-7 days	More than 7 days	n/a	More than 7 days	Upto 1 Year	Overnight	Upto 1 Year

Operating Instructions No: 35/01/005/007/18

19 August 2021

To: CEOs of All Licensed Commercial Banks

RESERVE REQUIREMENTS

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended and Regulation "D" published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1805/39 of 12 April 2013 as amended.

2. All Licensed Commercial Banks are hereby informed that in accordance with the said notification, they should maintain reserves against deposit liabilities denominated in Sri Lankan Rupees at an amount equal to four per centum (4.00%) of the total of such deposit liabilities.
 3. Schedule A of Operating Instructions No. 35/01/005/0007/17 of 17 June 2020 is replaced by attached 'Schedule A'.
 4. The above amendment is effective from the reserve maintenance period commencing from 01 September 2021. All other instructions contained in our Operating Instructions No. 35/01/005/0007/06 of 22 April 2013 as amended from time to time will continue to apply.

Dr. R A Anil Perera
Director / Domestic Operations

SCHEDULE A
FORM OF REPORT

Name of the Bank :

For the period from (.....) to (.....)

Date _____ Date _____

To : Director,

Domestic Operations Department,
Central Bank of Sri Lanka,
Colombo 01.

The average amounts of deposit liabilities reported below are based on the deposit balances shown by the books of the Banks at the close of business of each day of the period specified above.

(i)	(ii)	(iii)	(iv)
Demand Deposits	Time and Savings Deposits	Margins against Letters of Credit/DA Terms	All other Deposit Liabilities ¹

1 In the case of Certificate of Deposits the amount declared should be the paid up value

REQUIRED RESERVES

For the period commencing

Item	In Sri Lankan Rupees
<p>1. 100% of Average daily total Margins against</p> <p>a. Letters of Credit specified under</p> <p>(i) Circular No. 35/01/005/0010/20 dated 19 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles' or</p> <p>(ii) Circular No. 35/01/005/0010/21 dated 29 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles and Non-Essential Consumer Goods'</p> <p>and</p> <p>b. Imports on Document against Acceptance (DA) Terms specified in Circular No. 02 of 2018 dated 11 October 2018</p> <p>as the case may be</p>	

2. 4% of Average daily total Rupee Deposit Liabilities excluding (1) above	
3. Average of Sri Lanka Currency Notes and Coins held over and above 2% of average deposit liabilities covered in 1 and 2, but not exceeding 3%	
4. Total reserves required to be maintained over the reserve maintenance period (1+2-3)	

We/I hereby certify that the above statement is correct and in accordance with the book of this bank and that the figures shown above are in accordance with the regulations prescribed by the Monetary Board of the Central Bank of Sri Lanka for the purpose.

Date :

Official Signature

Note –

- (a) Deposits and placements made by any institution other than licensed commercial banks, shall be accounted for maintenance of required reserves at prescribed ratios.
- (b) All amounts should be shown to the nearest rupee.

08 September 2021

To: All Licensed Commercial Banks

ORDER MADE BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA IN TERMS OF THE PROVISIONS OF SECTION 103 OF THE MONETARY LAW ACT, NO. 58 OF 1949 ON MAINTAINING CASH MARGIN DEPOSIT REQUIREMENTS AGAINST LETTERS OF CREDIT

1. Licensed Commercial Banks (LCBs) are hereby directed that with immediate effect, Letters of Credit (LCs) shall not be opened by LCBs for the importation of goods specified in the Schedule attached hereto, unless such LCs are covered by 100 per cent non-interest-bearing cash margin deposit maintained at the respective LCBs at the time of opening the LC.
2. LCBs are further directed that the following conditions shall also be applicable for the importation of goods covered by this Order.
 - a) The cash margin deposit requirements shall be on the total value of the invoice, notwithstanding the fact that the same invoice includes goods which are not covered by this Order.
 - b) In the case of existing LCs covering the importation of goods covered by this Order, no increase in the value of such LCs shall be permitted by LCBs unless such increase is covered by the cash margin deposits as required in (1) above.
 - c) LCBs shall not grant any advances to their customers for the purpose of enabling such customers to meet the minimum cash margin deposit requirement imposed by this Order.
 - d) LCBs shall endorse the relevant invoice certifying whether the cash margin deposit as per this Order has been maintained.
 - e) The margin deposit shall be released on the production of documentary evidence on payments through the banking channels in Sri Lanka and Customs documents relating to clearance of imports.
3. The provisions of this Order shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Dr. R A Anil Perera
Director/Domestic Operations

Schedule

No.	HS code	No.	HS code	No.	HS code	No.	HS code
1	030441	6	030469	11	040510	16	08051010
2	030449	7	030474	12	040620	17	08052110
3	030451	8	04029990	13	040630	18	080610
4	030461	9	040310	14	040690	19	080620
5	030462	10	040390	15	08041020	20	080810

No.	HS code	No.	HS code	No.	HS code	No.	HS code
21	08109090	64	220421	107	40118090	150	610339
22	110412	65	220510	108	40129010	151	610341
23	110419	66	220820	109	40129090	152	610342
24	110422	67	220830	110	401692	153	610343
25	110423	68	22084010	111	420100	154	610349
26	110429	69	220850	112	420211	155	610413
27	110430	70	220860	113	420212	156	610419
28	110510	71	220870	114	420219	157	610422
29	110520	72	240210	115	420221	158	610423
30	110710	73	24022050	116	420222	159	610429
31	110720	74	24022060	117	420229	160	610431
32	110814	75	24031990	118	420231	161	610432
33	180620	76	24039990	119	420232	162	610433
34	180631	77	33030010	120	420239	163	610439
35	180632	78	33030021	121	420291	164	610442
36	180690	79	33030022	122	420292	165	610443
37	190211	80	33030029	123	420299	166	610444
38	190219	81	330410	124	420310	167	610449
39	190220	82	330420	125	420321	168	610452
40	190230	83	330430	126	420329	169	610453
41	190240	84	330491	127	420330	170	610459
42	190410	85	330499	128	420340	171	610461
43	190420	86	330510	129	42050010	172	610462
44	20091190	87	330520	130	430400	173	610463
45	200971	88	330530	131	44219990	174	610469
46	200979	89	330590	132	570292	175	610510
47	200990	90	330610	133	570320	176	610520
48	220210	91	330690	134	570330	177	610590
49	220291	92	330710	135	570500	178	610610
50	22029910	93	330720	136	610120	179	610620
51	22029930	94	330730	137	610130	180	610690
52	22029940	95	330749	138	610190	181	610711
53	22029951	96	33079090	139	610210	182	610712
54	22029959	97	34011920	140	610220	183	610719
55	22029961	98	34013020	141	610230	184	610721
56	22029969	99	340600	142	610290	185	610729
57	22029970	100	40111010	143	610310	186	610791
58	22029991	101	40111090	144	610322	187	610799
59	22029999	102	40112011	145	610323	188	610811
60	22030010	103	40112019	146	610329	189	610819
61	22030020	104	401130	147	610331	190	610821
62	22030090	105	401170	148	610332	191	610822
63	220410	106	40118010	149	610333	192	610829

No.	HS code						
193	610831	236	620111	279	62044990	322	62114292
194	610832	237	620112	280	62045290	323	62114299
195	610839	238	620113	281	62045390	324	62114319
196	610891	239	620119	282	62045990	325	62114392
197	610892	240	620192	283	620461	326	62114399
198	610899	241	620193	284	62046290	327	62114919
199	610910	242	620199	285	62046390	328	62114992
200	610990	243	620211	286	62046990	329	62114999
201	611011	244	620212	287	62052090	330	621210
202	611012	245	620213	288	62053090	331	621220
203	611019	246	620219	289	62059090	332	621230
204	611020	247	620291	290	62061090	333	621290
205	611030	248	620292	291	620620	334	62132090
206	611090	249	620293	292	62063090	335	62139090
207	611120	250	620299	293	62064090	336	62141090
208	611130	251	620311	294	62069090	337	62144090
209	611190	252	62031290	295	620711	338	62149090
210	611211	253	62031990	296	620719	339	621510
211	611212	254	62032290	297	62072290	340	621520
212	611219	255	62032390	298	62079190	341	621590
213	611231	256	62032990	299	62079990	342	621600
214	611239	257	620331	300	62081190	343	630110
215	611241	258	62033290	301	62082190	344	630120
216	611249	259	62033390	302	62082290	345	630130
217	611300	260	62033990	303	62082990	346	630140
218	611420	261	620341	304	62089190	347	630190
219	611430	262	62034290	305	62089290	348	630210
220	611490	263	62034390	306	62089990	349	63022190
221	611510	264	62034990	307	620920	350	63022290
222	611529	265	62041290	308	620930	351	63022990
223	611530	266	62041390	309	620990	352	63023190
224	611594	267	62041990	310	621010	353	63023290
225	611595	268	62042290	311	621020	354	63023990
226	611596	269	62042390	312	621030	355	630240
227	611599	270	62042990	313	621040	356	63025190
228	611610	271	620431	314	621050	357	63025990
229	611691	272	62043290	315	621111	358	63026090
230	611692	273	62043390	316	621112	359	63029190
231	611693	274	62043990	317	621120	360	63029390
232	611699	275	620441	318	62113290	361	63029990
233	611710	276	62044290	319	62113390	362	630312
234	61178010	277	62044390	320	62113990	363	630319
235	61178020	278	62044490	321	62114219	364	630391

No.	HS code						
365	630392	409	640590	453	73241010	497	84501232
366	630399	410	650100	454	73241090	498	84501233
367	630411	411	650200	455	732421	499	84501234
368	63041990	412	650400	456	732429	500	84501239
369	630420	413	65050010	457	732490	501	84501910
370	630491	414	65050090	458	76151020	502	84501931
371	63049290	415	65069110	459	76151090	503	84501932
372	63049390	416	65069190	460	821599	504	84501933
373	63049990	417	65069910	461	830520	505	84501934
374	63051090	418	65069990	462	830629	506	84501939
375	630520	419	650700	463	841451	507	850811
376	630532	420	660110	464	841459	508	850940
377	630533	421	660191	465	84151021	509	850980
378	630539	422	660199	466	84151022	510	851010
379	630590	423	670300	467	84151023	511	851020
380	630612	424	670411	468	84151024	512	851030
381	630619	425	670419	469	84151029	513	85131010
382	630622	426	670420	470	84151032	514	85131090
383	630629	427	670490	471	84151033	515	851610
384	630630	428	69120010	472	84151034	516	851621
385	630640	429	701310	473	84151035	517	851629
386	630690	430	701322	474	84151039	518	851631
387	630710	431	701328	475	84158190	519	851632
388	630720	432	701333	476	84158290	520	851633
389	640212	433	701337	477	84158390	521	851640
390	64021910	434	701341	478	84159019	522	851650
391	64021919	435	701342	479	84159029	523	85166010
392	640220	436	701349	480	84181090	524	85166090
393	640291	437	701391	481	84182190	525	851671
394	640299	438	70139990	482	84182920	526	851672
395	640312	439	701810	483	84182990	527	85167910
396	64031910	440	701820	484	84501110	528	85167920
397	64031919	441	732111	485	84501131	529	851680
398	640320	442	732112	486	84501132	530	851711
399	640340	443	732119	487	84501133	531	85171210
400	640351	444	732181	488	84501134	532	85171220
401	640359	445	732182	489	84501139	533	85171290
402	640391	446	732189	490	84501141	534	851718
403	640399	447	732310	491	84501142	535	85258090
404	640411	448	732391	492	84501143	536	852712
405	640419	449	732392	493	84501144	537	852713
406	640420	450	732393	494	84501149	538	852719
407	640510	451	732394	495	84501210	539	852721
408	640520	452	732399	496	84501231	540	852729

No.	HS code						
541	852791	562	85291010	583	910521	604	94054090
542	852792	563	85291090	584	920290	605	94055010
543	852799	564	852990	585	920710	606	94055020
544	85285990	565	85392110	586	920890	607	94055090
545	852869	566	85392190	587	94012090	608	940560
546	85287120	567	85392210	588	94013090	609	940591
547	85287190	568	85392220	589	94017190	610	940592
548	85287210	569	85392290	590	94019090	611	94059910
549	85287231	570	853929	591	94032090	612	94059990
550	85287232	571	85392910	592	94039090	613	95030010
551	85287233	572	85392990	593	94051010	614	95030030
552	85287234	573	85393110	594	94051020	615	95030050
553	85287235	574	853949	595	94051090	616	95030070
554	85287236	575	853950	596	94052010	617	95030090
555	85287239	576	853990	597	94052020	618	950420
556	85287241	577	900410	598	94052090	619	950440
557	85287249	578	910121	599	940530	620	950450
558	85287291	579	910211	600	94054010	621	95049090
559	85287299	580	910219	601	94054020	622	950510
560	85287320	581	910221	602	94054030	623	961590
561	85287390	582	910229	603	94054040		

01 October 2021

To: All Licensed Commercial Banks

ORDER MADE BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA IN TERMS OF THE PROVISIONS OF SECTION 103 OF THE MONETARY LAW ACT, NO. 58 OF 1949 ON MAINTAINING CASH MARGIN DEPOSIT REQUIREMENTS AGAINST LETTERS OF CREDIT

All Licensed Commercial Banks are hereby informed that the Order made by the Monetary Board of the Central Bank of Sri Lanka in terms of the provisions of Section 103 of the Monetary Law Act, No. 58 of 1949 on maintaining cash margin deposit requirements against Letters of Credit, dated 08 September 2021, is withdrawn with effect from today (01 October 2021).

Dr. R A Anil Perera
Director/Domestic Operations

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 01 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions Issued to Authorised Dealers on Temporary Special Foreign Currency Accounts for Licensed Finance Companies

In terms of the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017 and Section 9 of the Foreign Exchange Act, No.12 of 2017 (the FEA) read with Sections 6 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain Temporary Special Foreign Currency Accounts (TSFCAs) for Licensed Finance Companies (LFCs) to hedge the foreign exchange risks pertaining to the repayment of foreign currency loans subject to the following.

1.1 Eligible Persons

- (a) LFCs licensed under the Finance Business Act, No. 42 of 2011 (as may be amended).

1.2 Opening and Maintaining the Accounts

- (a) TSFCAs may be opened and maintained in the form of savings or term deposit accounts in the domestic banking unit in the designated foreign currency of the loan.

1.3 Permitted Credits

- (a) Proceeds relating to the foreign currency loans routed through the Inward Investment Accounts (IIAs) of the foreign lender.
- (b) Sri Lanka Rupees (LKR) converted into foreign currency (FCY) for the purpose of repaying the interest and any other charges with respect to the loan, as and when required.
- (c) Transfer of FCY from another AD upon maturity of SWAP agreements or any other derivative instrument until the respective loan is repaid in full.
- (d) Interest earned in FCY on the funds held in the account.

1.4 Permitted Debits

- (a) Transfer of FCY to another AD in order to enter into SWAP or any other derivative instrument as per the respective agreements.
- (b) Transfer of funds to IIAs of the foreign lender for the repayment of the foreign currency loans (including capital, interest, fees and related charges) as per the repayment terms specified in the respective agreements.
- (c) Disbursements in Sri Lanka in LKR.

2. Other Conditions

- (a) TSFCA shall not be overdrawn under any circumstances.
- (b) ADs shall maintain only one TSFCA with respect to each loan obtained by the LFCs.
 An affidavit on this effect shall be obtained by the AD from the LFC at the time of opening a TSFCA.
- (c) ADs shall obtain adequate documentary evidence, to establish the bona-fide of the transactions made through the TSFCA and ensure compliance with these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the TSFCA beyond any statutory record keeping requirements during the maintenance of the account.

3. Closure of TSFCAs

- (a) ADs shall close the TSFCA, if the borrower has fully settled/ repaid the respective loan.
 - (b) ADs shall inform such closure to the Director/ Department of Foreign Exchange (D/DFE) via an email to dfem@cbsl.lk within one week from the date of the closure.
4. ADs shall require prior permission of the D/DFE, for any transaction/transfer to/from the TSFCA for any purpose which falls outside the purview of these Directions.

5. Reporting Requirements

Statements confirming the credits and debits made to the TSFCA shall be forwarded through the compliance officer of respective AD to the D/DFE on quarterly basis on or before 15th day of the following month by email to dfem@cbsl.lk.

6. For purposes of these Directions

- (a) "Foreign currency loans" mean loan obtained from a resident outside Sri Lanka (i.e. foreign lender) as permitted in terms of the Finance Business Act No. 42 of 2011 (as may be amended).
7. Nothing permitted by these Directions shall be construed as exempting, absolving, or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director-Department of Foreign Exchange

15 January 2021

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

No. 2213/34 - WEDNESDAY, FEBRUARY 03, 2021
(Published by Authority)

PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
03rd February, 2021.

Regulations

1. These regulations may be cited as the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 1 of 2021 and shall come into operation with effect from March 22, 2021.
2. The capital transactions undertaken outside Sri Lanka by a person resident in Sri Lanka as specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or restricted dealer to the extent specified in section 4 of the Act, subject to such limits, terms and conditions specified in these regulations and the Schedule hereto.
3. In executing capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in capital transactions in foreign exchange under these regulations shall ascertain -
 - (a) the bona fide of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations, by obtaining documentary evidence in that behalf.
(2) Every person engaged in capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
 - (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such capital transactions in foreign exchange under these regulations
5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
6. (1) For the purpose of these regulations "designated foreign currency" means -
 - (a) United States Dollars (USD);
 - (b) Euro; (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;

- (g) Swiss Franc;
- (h) Canadian Dollars;
- (i) Hong Kong Dollars;
- (j) Japanese Yen;
- (k) Danish Kroner;
- (l) Norwegian Kroner;
- (m) Chinese Renminbi; and
- (n) New Zealand Dollars.

- (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
7. Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorised Dealers) Regulations No. 1 of 2017 made under the Foreign Exchange Act, No. 12 of 2017, published in the Gazette Extraordinary No. 2045/56 of November 17, 2017 is hereby rescinded, without prejudice to anything done thereunder:
- Provided however, notwithstanding the rescission of the aforesaid Regulations, the Order made under section 22 of the Foreign Exchange Act, No. 12 of 2017, and published in the Gazette Extraordinary No. 2182/37 of July 2, 2020 of which the period of validity was extended by the Order published in the Gazette Extraordinary No. 2206/25 of December 18, 2020 shall have effect during the period so extended.
8. For the purpose of these regulations -
- “Act” means the Foreign Exchange Act, No. 12 of 2017;
- “authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “capital transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Colombo Stock Exchange” means the Colombo Stock Exchange formed and registered under the Companies Act, No. 7 of 2007 and licensed by the Securities and Exchange Commission of Sri Lanka under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, to operate as a stock exchange;
- “companies limited by guarantee” shall have the same meaning as in the Companies Act, No. 7 of 2007;
- “eligible resident investor” means an eligible resident investor as specified in column I of Table 1 of paragraph 2 of Part I of the Schedule to these regulations other than those referred to in paragraph 3 of Part I of the Schedule to these regulations;
- “emigrant” shall have the same meaning as in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations, No. 3 of 2021 published in the Gazette Extraordinary No. 2213/36 of February 03, 2021 as may be amended from time to time;
- “Employee Share Ownership Plan or Employee Share Option Scheme” means a plan or a scheme under which a company incorporated outside Sri Lanka offers an opportunity to acquire its shares or shares of the group of companies, to employees of its branch or subsidiary in Sri Lanka;
- “immediate family members” means parents, spouse and children of the relevant person;
- “Insurance Regulatory Commission of Sri Lanka” means the Insurance Regulatory Commission of Sri Lanka established under the Regulation of Insurance Industry Act, No. 43 of 2000;
- “licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “licensed specialised bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “overseas company” shall have the same meaning as in the Companies Act, No. 7 of 2007;
- “repealed Exchange Control Act” means the Exchange Control Act (Chapter 423);
- “restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Securities and Exchange Commission of Sri Lanka” means the Securities and Exchange Commission of Sri Lanka established under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987;
- “Voluntary Social Services Organisations” shall have the same meaning as in the Voluntary Social Services Organisations (Registration and Supervision) Act, No. 31 of 1980.

(Regulation 02)

SCHEDULE
PART I

CAPITAL TRANSACTIONS UNDERTAKEN OUTSIDE SRI LANKA BY A PERSON RESIDENT IN SRI LANKA

1. Any eligible resident investor is permitted -
 - (a) to acquire, hold or dispose of ordinary shares or preference shares or debentures or corporate bonds issued by companies incorporated outside Sri Lanka, units in regulated unit trusts or mutual funds and sovereign bonds issued by foreign governments rated at or above the sovereign credit rating of Sri Lanka at the time of the investment,
 - (b) to set up and maintain a branch, liaison, marketing, agency, project, representative or other similar office (overseas office) in a foreign country (other than by an individual).
2. (1) The outward remittances in respect to the capital transactions specified in paragraph 1 above shall be made through an Outward Investment Account opened and maintained by the eligible resident investor with an authorised dealer or a restricted dealer, subject to the limits specified in Table 1 below and provisions of these regulations:

Table 1 – Limits for Outward Investments

Column I <i>Eligible Resident Investor</i>	Column II <i>Permitted Limits</i>	Column III <i>Type of Investment</i>
(i) Companies listed in the Colombo Stock Exchange	United States Dollars (USD) 2,000,000 or an equivalent amount in any other designated foreign currency, per calendar year.	Ordinary Shares, Units, Preference Shares, Corporate Bonds, Debentures and Sovereign Bonds
(ii) A company not listed in the Colombo Stock Exchange	USD 500,000 or an equivalent amount in any other designated foreign currency, per calendar year	
(iii) Regulated or licensed entities (excluding the eligible investors under (i) and (ii) above), under the Central Bank or the Securities and Exchange Commission of Sri Lanka or the Insurance Regulatory Commission of Sri Lanka	USD 500,000 or an equivalent amount in any other designated foreign currency, per calendar year	
(iv) Employees' Provident Fund established under the Employees' Provident Fund Act, No. 15 of 1958 or any other provident fund approved by the Commissioner General of Labour.	USD 500,000 or an equivalent amount in any other designated foreign currency, per calendar year	
(v) A partnership registered in Sri Lanka	USD 300,000 or an equivalent amount in any other designated foreign currency, for life time	Ordinary Shares, Units, Preference Shares, Corporate Bonds, Debentures and Sovereign Bonds
(vi) An individual or sole proprietorship of such individual (in aggregate)	USD 200,000 or an equivalent amount in any other designated foreign currency, for life time.	Overseas offices
(vii) A company or a partnership	USD 300,000 or an equivalent amount in any other designated foreign currency, per calendar year.	Branch offices
Permitted investments without being subject to any limitations		
(ix) An individual	Up to the amount in the prospectus of Employee Share Ownership Plan or Employee Share Option Scheme.	Invest in shares of an Employee Share Ownership Plan or Employee Share Option Scheme
(x) licensed commercial banks and licensed specialised banks (only if the investment is in banking operation in overseas)	Up to the limit imposed by the regulator in the investee country	Invest in shares of a subsidiary or invest in a branch office

- (2) The aggregate limits for investments specified in Table 1 above shall consist of the aggregate investments made under these regulations and any outward payment previously made in terms of the general permission granted under the Order published in the Gazette extraordinary No. 1686/50 and the Notices published in the Gazettes extraordinary No. 1686/52 and 1686/53 of January 1, 2011 issued in terms of the repealed Exchange Control Act and by the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried On by Authorised Dealers) Regulations No. 1 of 2017 published in the Gazette extraordinary No. 2045/56 of November 17, 2017.
3. Voluntary social services organizations, a company limited by guarantee and a person resident in Sri Lanka against whom any suit, action or proceeding under the provisions of the repealed Exchange Control Act or prosecution, investigations or any recovery action in terms of the provisions of the Act are pending shall not be eligible to carry out capital transactions for purposes permitted under this Part of the Schedule.
4. Any eligible resident investor who invested under paragraph 1 of this Part of the Schedule, is permitted to acquire and hold shares devolving on such investor by virtue of a corporate action by the issuer or by way of conversion of preference shares or debentures or corporate bonds acquired under these regulations, shares received in terms of the mergers or amalgamations of companies incorporated in or outside Sri Lanka, irrespective of the limits specified in Table 1 of paragraph 2 of this Part of the Schedule.
5. Acquisitions of assets or investments in overseas for no consideration
- (1) Any person resident in Sri Lanka is permitted to acquire and hold any asset or investment in overseas, where no consideration has to be paid in foreign exchange or in Sri Lanka Rupees or in the form of assets or in exchange of any receivable due from a company incorporated outside Sri Lanka or any person resident in or outside Sri Lanka.
 - (2) The above may include shares received for no consideration under an Employee Share Ownership Plan or an Employee Share Option Scheme, by way of inheritance or gifts to an individual investor by a person resident in or outside Sri Lanka, as promoter shares or golden shares and subsequent shares devolving on such investors by virtue of a corporate action by the issuer or in terms of the mergers or amalgamations of companies incorporated in or outside Sri Lanka.
 - (3) Such acquisitions shall not be subject to the limits specified in Table 1 of paragraph 2 of this Part of the Schedule.
6. Investments in Employee Share Ownership Plan or Employee Share Option Schemes
- (1) If there is any requirement to make an outward remittance by way of consideration to such overseas company on the basis of a lump-sum remittance from the subsidiary or branch established in Sri Lanka on behalf of its employees, such fund transfers may be effected from an account of such subsidiary or branch established in Sri Lanka, through an authorised dealer or a restricted dealer, upon satisfying with the *bona fide* of the transaction.
 - (2) The subsidiary or branch established in Sri Lanka who intends to make such lump-sum remittance or remittances on behalf of its employees, shall obtain a clearance letter on behalf of each employee from the Head of the Department of Foreign Exchange prior to remitting funds under these regulations and shall provide details of such remittance to the Department of Foreign Exchange, within one week from the date of effecting such remittance.
7. Repatriation of income or disposal or liquidation proceeds of investments into Sri Lanka
- (1) Any income and any capital proceeds of such investments permitted under paragraphs 1, 2 and 4 of this Part of the Schedule, shall be brought into Sri Lanka through the same Outward Investment Account through which the initial investment was made, within three months from the date of such receipts.
 - (2) In terms of Employee Share Option Scheme or Employee Share Ownership Plan, the requirement of repatriation of the dividends may be subject to any mandatory or optional requirement whereby the dividends are reinvested in shares under such Employee Share Option Scheme or Employee Share Ownership Plan. In the case of a company or branch incorporated in Sri Lanka has remitted funds being a lump-sum remittance on behalf of its employees for the investment under Employee Share Option Scheme or Employee Share Ownership Plan as permitted under subparagraph (1) of paragraph 6 of this Part of the Schedule, such individual employees shall bring any income and proceeds of disposal of such investments into Sri Lanka through an Outward Investment Account opened by such individual investor with an authorised dealer or a restricted dealer.
 - (3) In case of receipt of any income and any proceeds of disposal of any asset or investment in overseas which was acquired as permitted under paragraph 5 of this Part of the Schedule, as applicable, shall be brought into Sri Lanka through an Outward Investment Account or Personal Foreign Currency Account or existing Business Foreign Currency Account of such resident investor opened with an authorised dealer or a restricted dealer subject to the subparagraph (1) of

paragraph 8 of this Part of the Schedule and other conditions specified in this Part of the Schedule, within three months from the date of such receipts.

8. Inheritance of investments made through an Outward Investment Account;

- (1) In case of the investment which was made through an Outward Investment Account by an individual person resident in Sri Lanka, has been inherited by or gifted to a person resident in Sri Lanka being a heir or beneficiary, as permitted under paragraph 5 of this Part of the Schedule, any income or capital proceeds of such investments shall be brought into Sri Lanka through an Outward Investment Account opened by such heir or beneficiary.
- (2) An investment made by an individual resident in Sri Lanka through an Outward Investment Account may be transferred to a person resident outside Sri Lanka subject to the applicable laws of inheritance and succession.

9. In the case of a resident individual investor who becomes an emigrant, the total value of any investment made by such emigrant while being a resident in Sri Lanka through an Outward Investment Account in the country where the said individual has obtained Permanent Residency, shall be deducted from the eligible migration allowance of such individual.

10. Incentives for the resident investors;

An eligible resident investor may be permitted to make investments for purposes permitted under this Part of the Schedule by utilizing funds up to fifty percent of the value of capital gains of previous outward investments credited to the Outward Investment Account, without being subject to the permitted limits specified in the Table 1 of paragraph 2 of this Part of the Schedule.

11. Corporate guarantee and pledging of shares;

- (1) In the event where a company incorporated in Sri Lanka (i.e investor) is required to provide a corporate guarantee on behalf of a company incorporated outside Sri Lanka (i.e. investee) in which the said investor is a shareholder to enable the investee to raise facilities from a financial institution or to facilitate a contract undertaken by the investee, a corporate guarantee may be issued subject to the maximum limit of USD 1,000,000 if the investment in said investee has been made in compliance with the provisions of the repealed Exchange Control Act or this Act and the financial strength of the company is sufficient to bear the liability of the corporate guarantee. The Board of Directors of the company shall ensure that the company has financial strength to meet any contingent liability arising out of the corporate guarantee. The guarantee value shall be proportionate to the percentage shareholding of the investor in the said investee at any given time, the investor is required to furnish the details of each such corporate guarantee (including the copies of the corporate guarantee and the relevant board resolutions) issued under the above permission to the Head of the Department of Foreign Exchange of the Central Bank within 14 days from the effective date of the said guarantee;
- (2) An authorised dealer or a restricted dealer is also permitted to make outward remittances arising from valid claims in respect of the corporate guarantees referred to in subparagraph (1) above, subject to the directions issued by the Central Bank under the provisions of the Act.
- (3) Shares acquired by a resident investor in investee as permitted in these regulations or provisions of the repealed Exchange Control Act may be set as a lien, to secure facilities to be obtained by the investee from a financial institution or to facilitate a contract undertaken by the investee. The lien shall be proportionate to the stake of the shareholding held by the resident investor in the investee.
- (4) Following conditions are also effected to the guarantee or lien permitted under subparagraphs (1) and (3) above
 - (a) a resident investor shall make appropriate legal agreement with investee to recover the value of the claim (in the event of a default) prior to issuing the corporate guarantee or entering into the lien;
 - (b) in the event of a valid claim, the maximum limit of the claim shall be proportionate or lower to the outstanding obligations of the facility;
 - (c) such recoveries as stated in item (a) above shall be brought into the same Outward Investment Account through which the investment was made.

12. Other terms and conditions;

- (1) An eligible resident investor shall obtain a clearance letter from the Head of the Department of Foreign Exchange prior to each outward remittance for investments specified under Table 1 of this Part of the Schedule through an authorised dealer or a restricted dealer. Any eligible resident investor who intends to make subsequent foreign investments, shall provide a certificate obtained from a Fellow member of the Institute of Chartered Accountants of Sri Lanka or Charter holder of

Chartered Financial Analyst (CFA Institute), on the progress and status of the previous investments made by such eligible investor under these regulations or in terms of general permission granted under the repealed Exchange Control Act together with supporting documents, to the Head of the Department of Foreign Exchange. The Head of Department of Foreign Exchange shall issue the said clearance letter upon being satisfied on the progress of said previous investments made by such eligible investor and subject to paragraph 3 of this Part of the Schedule.

- (2) The Board of Directors of the investor company which has made a permitted investment in an unlisted company outside Sri Lanka under these regulations or the repealed Exchange Control Act, shall evaluate the progress of such investment annually and forward a report on the same including the details on profit or loss of the investee, dividend declared by the investee or receipt of dividends by the investor, to the Head of the Department of Foreign Exchange with a copy to the respective authorised dealer or restricted dealer, on or before March 31, of the following year or such other date as may be determined by the Head of the Department of Foreign Exchange in respect of a specific investment.
- (3) The eligible investor (excluding individuals) shall maintain a sound financial position and performance for the last three years, to be eligible to make the permitted investment under these regulations. The eligible investor shall provide a recommendation as may be specified in the directions issued by the Central Bank, from a Fellow member of the Institute of Chartered Accountants or a Charter holder of the Chartered Financial Analyst Institute and the feasibility of the proposed investment, excluding permitted investments in a regulated stock exchange in overseas, to an authorised dealer or a restricted dealer, subject to the directions issued by the Central Bank under the provisions of the Act.

PART II

All existing capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.

PART III

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

1. Outward Investment Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Outward Investment Accounts, in the name of following eligible persons to deal in capital transactions specified under these regulations, subject to the directions issued by the Central Bank under the provisions of the Act:

- (a) companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 other than a company limited by guarantee;
- (b) a licensed commercial bank or licensed specialised bank;
- (c) regulated or licensed entities (excluding the eligible investors under (a) and (b) above), under the Central Bank, Securities Exchange Commission of Sri Lanka or Insurance Regulatory Commission of Sri Lanka;
- (d) Employees' Provident Fund established under the Employees' Provident Fund Act, No. 15 of 1958 or any other provident fund approved by the Commissioner General of Labour;
- (e) a partnership registered in Sri Lanka; and
- (f) an individual resident in Sri Lanka or/with a sole proprietorship registered in Sri Lanka by such individual (as may be applicable).

2. Other terms and conditions

- (1) The criteria for opening and maintenance of Outward Investment Accounts, permitted debits and credits for such account, shall be as specified in the relevant directions issued by the Central Bank, under the provisions of the Act.
- (2) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain whether the persons seeking to open and maintain the Outward Investment Accounts specified in paragraph 1 of this Part are eligible to open and maintain such account under the criteria specified in the relevant directions issued by the Central Bank under the provisions of the Act. Every authorised dealer or restricted dealer shall maintain, information and documentary evidence relating to the account holders as a proof of their eligibility during the maintenance of the account and for a period not less than six years after the closure of such accounts.

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

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PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 of 2017**

REGULATIONS made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
03rd February, 2021.

Regulation

1. These regulations may be cited as the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 and shall come into operation with effect from March 22, 2021.
2. The capital transactions undertaken in Sri Lanka by a person Resident Outside Sri Lanka as specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or restricted dealer to the extent specified in section 4 of the Act, subject to such limits, terms and conditions specified in these regulations and the Schedule hereto.
3. In executing capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in capital transactions in foreign exchange under these regulations shall ascertain
 - (a) the bona fide of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations,
 by obtaining documentary evidence in that behalf.
- (2) Every person engaged in capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
- (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such capital transactions in foreign exchange under these regulations.
5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
6. Any person resident in Sri Lanka (including all intermediaries, stockbrokers, unit trusts, mutual funds and financial institutions) involved with the capital transactions specified in these regulations, shall be responsible to ensure compliance with these regulations when executing such capital transactions.
7. Every overseas company specified in paragraph 1 under heading B of Part I of the Schedule hereto shall be responsible to ensure that it complies with the terms and conditions specified under heading B of Part I of the Schedule hereto.
8. (1) For the purpose of these regulations "designated foreign currency" means
 - (a) United States Dollars (USD);
 - (b) Euro;
 - (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;
 - (g) Swiss Franc;
 - (h) Canadian Dollars;

- (i) Hong Kong Dollars;
- (ii) Japanese Yen;
- (k) Danish Kroner;
- (l) Norwegian Kroner;
- (m) Chinese Renminbi; and
- (n) New Zealand Dollars.

- (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
9. Regulations made under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the Gazette Extraordinary No. 2112/25 of February 28, 2019 is hereby rescinded, without prejudice to anything done thereunder.

10. For the purpose of these regulations

“Act” means the Foreign Exchange Act, No. 12 of 2017;

“authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“capital transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“companies limited by guarantee” shall have the same meaning as in the Companies Act, No. 7 of 2007;

“conversions to shares” means

- (a) a conversion of preference shares issued by a company incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, under these regulations or the repealed Exchange Control Act, into ordinary shares;
- (b) a conversion of loans or debt securities obtained or issued by a company incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, under these regulations or the repealed Exchange Control Act, into ordinary shares; or
- (c) a conversion of the value of imported machinery which was evaluated by the manufacturer or authorised agent of the manufacturer, into ordinary shares in the name of a company incorporated outside Sri Lanka by which the cost of such machinery was incurred;

“emigrant” shall have the same meaning as in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the Gazette Extraordinary No. 2213/36 of February 03, 2021 as may be amended from time to time;

“entitlement to shares” means any shares issued or transferred by virtue of a corporate action by the issuer or mergers or amalgamations of the companies in or outside Sri Lanka or by way of inheritance to non resident individual (including emigrant) in terms of the law relating to inheritance and succession or gifts to non resident individual (including emigrant) from an immediate family member or a settlement under a court Order;

“immediate family members” means parents, grandparents, spouse and children;

“licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“licensed finance company” means a finance company licensed under the Finance Business Act, No. 42 of 2011;

“licensed financial institution” means

- (a) a licensed commercial bank;
- (b) a licensed specialised bank;
- (c) a microfinance company licensed under the Microfinance Act, No. 6 of 2016; or
- (d) a licensed finance company;

“licensed specialised bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Minister” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“overseas company” shall have the same meaning as in the Companies Act, No. 7 of 2007;

“repealed Exchange Control Act” means the Exchange Control Act (Chapter 423);

“restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

“retail trade” means the re- sale (sale without transformation) of new and used goods to the general public for personal or household consumptions or utilisation;

“specialised leasing company” means a company registered under the Finance Leasing Act, No. 56 of 2000 to conduct finance leasing business;

“State owned enterprise” means a state owned enterprise of the Government of Sri Lanka of which the share capital over fifty per centum is owned by the Government of Sri Lanka;

“Sri Lanka Development Bonds” means a debt instrument denominated in a foreign currency issued by the Public Debt Department of the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

**SCHEDULE
PART I**

**CAPITAL TRANSACTIONS UNDERTAKEN IN SRI LANKA
BY A PERSON RESIDENT OUTSIDE SRI LANKA**

A. Permitted Investments

1. Any person resident outside Sri Lanka, country funds, regional funds, investment funds and mutual funds established outside Sri Lanka (non-resident investors) may engage in the following types of capital transactions in Sri Lanka.
 - (1) subject to the exclusions and limitations stated in paragraphs 7 and 8, under heading A of this Part of the Schedule, to acquire, hold or divest all classes of shares under an entitlement to shares or conversions to shares issued by Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007;
 - (2) invest in debt securities (excluding listed debt securities) with a tenure of 3 or more years issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (other than licensed commercial banks, licensed specialised banks, licensed finance companies, specialised leasing companies and companies limited by guarantee and overseas companies registered in Sri Lanka) in designated foreign currency or in Sri Lanka Rupees;
 - (3) invest in debt securities issued with the approval of the relevant regulatory authorities in designated foreign currency or Sri Lanka Rupees, by licensed commercial banks, licensed specialised banks, licensed finance companies or specialised leasing companies ;
 - (4) grant loans with a tenure of 3 or more years to companies incorporated under the Companies Act, No. 7 of 2007 in Sri Lanka (other than licensed commercial banks, licensed specialised banks, licensed finance companies, specialised leasing companies and companies limited by guarantee and overseas companies) in designated foreign currency or in Sri Lanka Rupees;
 - (5) grant loans by the parent company incorporated outside Sri Lanka to its branch office or project office registered in Sri Lanka as an overseas company under the Companies Act, No. 7 of 2007, in designated foreign currency or in Sri Lanka Rupees;
 - (6) grant loans to the Government of Sri Lanka or State Owned Enterprises subject to obtaining any approval required from the relevant line Ministry and any other relevant authority;
 - (7) grant loans in foreign currency or Sri Lanka Rupees to licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies, subject to the approval of the relevant regulatory authorities;
 - (8) subject to the provisions or restrictions in any other written law, investments in
 - (a) units in Unit Trusts or Mutual Funds;
 - (b) Government Securities (treasury bills, treasury bonds and any other securities issued by the Government of Sri Lanka);
 - (c) securities issued by the Central Bank of Sri Lanka or any state owned enterprise or any other statutory body;
 - (d) Sri Lanka Development Bonds (SLDBs);
 - (e) Term deposits in, Sri Lanka Rupee or any designated foreign currency in licensed financial institutions, subject to section 4 of the Act;
 - (f) immovable properties ; or
 - (g) listed debt securities;
 - (9) grant loans with a tenure of less than three years to companies as defined in the Companies Act, No. 7 of 2007 in Sri Lanka which hold Business Foreign Currency Accounts, for the purpose of utilising such proceeds of the loan to meet the working capital requirement of the borrower provided that all repayments of such loans are made out of the foreign exchange earnings of the borrower;

- (10) invest in any other investment category approved by the Monetary Board in accordance with such directions as may be issued by the Minister.
2. Non-resident individual may acquire assets referred to in subparagraphs (1), (2), (3) and (8) of paragraph 1 under heading A of this Part of the Schedule, by way of a gift from an immediate family member or by way of an inheritance in terms of the law relating to inheritance and succession or being a settlement under a court Order.
3. An emigrant may acquire any asset in Sri Lanka, by way of a gift from parents, grandparents, siblings or spouse who is a resident person or an emigrant. An emigrant may acquire any asset in Sri Lanka by way of an inheritance in terms of the law relating to inheritance and succession.
4. All capital transactions specified in paragraphs 1, 2 and 3 under heading A of this Part of the Schedule, shall be subject to the following conditions
- (1) Mechanism of channeling funds into or out of Sri Lanka relating to permitted investments
 - (a) the consideration payable for permitted investments referred to above shall be routed through an Inward Investment Account opened and maintained in any designated foreign currency or Sri Lanka Rupees;
 - (b) all income and any capital proceeds derived from such investments shall be credited to the Inward Investment Account through which the investment was made.
 - (c) the requirements of routing funds through an Inward Investment Account of the non-resident investor, specified in items (a) and (b) above are not mandatory for the investments permitted under subparagraphs (4), (5), (6), (7), (8)(a) and (9) and for any other investments permitted under subparagraph (8)(if so permitted by the Monetary Board) of paragraph 1 under heading A of this Part of the Schedule;
 - (d) in the event of remittances directly made for the investments permitted under item (a) of subparagraph (8) of paragraph 1 under heading A of this Part of the Schedule and loans granted to licensed commercial banks, licensed specialised banks, the Government of Sri Lanka and State Owned Enterprises, all income and capital proceeds of such investments may be directly repatriated to the non resident investor by the investee;
 - (e) the proceeds of a loan referred to in subparagraph (9) of paragraph 1 under heading A of this Part of the Schedule shall be credited to a Business Foreign Currency Loan Account opened and maintained by the borrower and all repayments of such loan shall be made through the same Business Foreign Currency Loan Account, subject to the directions issued by the Central Bank under the provisions of the Act. Under no circumstances such loan shall be permitted to be settled by way of conversion of rupees.
 - (2) Any person resident in Sri Lanka other than licensed commercial banks, licensed specialised banks, the Government of Sri Lanka and State owned enterprises, who borrow from a person resident outside Sri Lanka, shall open and maintain an External Commercial Borrowing Account, subject to the directions issued by the Central Bank under the provisions of the Act, to receive the proceeds of such loans and to service and repay the loan.
 - (3) Reporting on Borrowings made under subparagraphs (6) and (7) of paragraph 1 under heading A of this Part of the Schedule
 - (a) in the case of borrowings made by licensed commercial banks and licensed specialised banks, details of such borrowings (including date, the amount of the loan and currency, tenure and profile of the lender) shall be reported to the Head of the Department of Foreign Exchange on or before the fifteenth day of the following month;
 - (b) in the case of borrowings made by Government of Sri Lanka and State Owned enterprises, details of such borrowings (including date, the amount of the loan and currency, tenure and profile of the lender) shall be reported by the Department of External Resources, Department of Public Enterprise and Department of National Budget (as applicable) of the Ministry of Finance, to the Head of the Department of Foreign Exchange within one month of the receipt of the loan proceeds;
 - (4) Loans obtained under subparagraphs (4) and (5) of paragraph 1 under heading A of this Part of the schedule may be repaid by the borrower in full at the end of the term or shall be amortized over the tenure in accordance with the terms of the loan agreement.
 - (5) Repatriation of proceeds of investment or assets inherited or gifted or received under an Order of a court
 - (a) any income and any capital proceeds of the permitted investments transferred to non resident individual in terms of the law relating to inheritance and succession (as applicable) or by way of a gift from an immediate family

member or being a settlement under an Order of any court, may be repatriated only through an Inward Investment Account opened by the beneficiary, if the investment had been made by the initial investor in compliance with these regulations.

- (b) any income and any capital proceeds of the permitted investments transferred to non resident individual, in terms of the inheritance and succession law (as applicable) or by way of a gift from an immediate family member or being a settlement under an Order of any court, may be repatriated only through an Inward Investment Account opened by the beneficiary, if the investment had been made out of inward remittances via a Securities Investment Account (re-designated as Inward Investment Account) or any other account, of the initial investor prior to November 20, 2017.
- (c) any income and any capital proceeds of any permitted investment inherited in terms of the inheritance and succession law from a deceased resident person or gifted from an immediate family member who is a resident or received as a settlement under a court Order in relation to assets held by a resident, by a non resident individual (excluding emigrant), shall be credited and repatriated through a Capital Transaction Rupee Account, subject to the annual allowance of USD 30,000 as per directions issued by the Central Bank under the provisions of the Act.
- (d) any income and any capital proceeds of any permitted investment inherited in terms of the inheritance and succession law or gifted to a non resident individual (excluding emigrant) from another emigrant or an immediate family member who is an emigrant, where such investment has been made by such emigrant while being a resident in Sri Lanka or made through his or her Sri Lanka rupee accounts prior to these regulations coming into effect or made as permitted under paragraph 6 under heading A of this Part of the schedule, shall be credited and repatriated through a Capital Transaction Rupee Account, subject to the annual allowance of USD 30,000, as per directions issued by the Central Bank under the provisions of the Act.
- (e) any income and any capital proceeds of any asset inherited or gifted to an emigrant as permitted under paragraph 3 under heading A of this Part of the Schedule shall be repatriated subject to the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the Gazette Extraordinary No. 2213/36 of February 03, 2021, as may be amended from time to time.

(6) Repatriation of the proceeds of investments made prior to November 20, 2017

- (a) any income and any capital proceeds of the above investments made prior to November 20, 2017, may be repatriated only through an Inward Investment Account opened by the investor or directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, subject to submission of evidence of the inward remittances for the investment.
 - (b) in the event where the evidence of the inward remittances are not available for the investments made prior to January 1, 2010, any income and any capital proceeds of such investment may be repatriated only through an Inward Investment Account opened by the non-resident investor or remit directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, upon satisfying with the bonafide of the transaction made by the authorised dealer or the restricted dealer.
 - (7) In the event where the evidence of the inward remittances are not available for the investments, referred to under item (b) of subparagraph (5) of paragraph 4 under heading A of this Part of the Schedule or made during the period of January 1, 2010 to November 20, 2017, any income or capital proceeds of such investments shall be credited to a Capital Transaction Rupee Account or Non Resident Rupee Account, as the case may be, opened by the investor or beneficiary as the case may be and repatriated subject to the annual allowance of USD 30,000 as per directions issued by the Central Bank under the provisions of the Act.
 - (8) Licensed commercial banks, licensed specialised banks, licensed finance companies or specialised leasing companies may convert the debt securities or loans issued or obtained under these regulations into ordinary shares subject to the approval from relevant regulatory authority. Non listed debt securities or loans issued or obtained by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 may only be converted into ordinary shares after the expiry of 18 months from the date of issuance or borrowing, as the case may be. Listed debt securities issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 may only be converted into ordinary shares in compliance with the regulations of Colombo Stock Exchange.
5. Non-resident investors may invest in shares or debt securities of companies not incorporated in Sri Lanka and listed in the Colombo Stock Exchange in Sri Lanka, without any restrictions, by routing funds through the accounts maintained in Offshore Banking Units of any licensed commercial bank in Sri Lanka.

6. Investments by emigrants out of funds held in the Non Resident Rupee Accounts.
 - (1) An emigrant is permitted to make investments permitted under sub paragraphs (1), (2), (3) and (8) of paragraph 1 under heading A of this Part of the Schedule except item (d) of sub paragraph (8) of paragraph 1 under heading A of this Part of the schedule, out of the funds held in a Non Resident Rupee Account of the emigrant.
 - (2) All income and capital proceeds of such investments shall be credited to respective Non Resident Rupee Accounts through which the investment was made.
 - (3) All income derived from such investments may be repatriated only through respective Capital Transaction Rupee Account or Emigrants' Remittable Income Account (as applicable), without being subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
 - (4) Any capital proceeds of such investments may be repatriated only through respective Capital Transaction Rupee Account subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
7. Exclusions – The permission under subparagraph (1) of paragraph 1 under heading A of this Part shall not apply in respect of voting shares of a company proposing to carry on or carrying on any of the following businesses
 - (1) pawn broking;
 - (2) coastal fishing(as defined by the Minister to whom the subject of fisheries is assigned);
 - (3) retail trade where capital contributed by persons resident outside Sri Lanka will be less than USD 5 Million.
8. Limitations
 - (1) The permission under subparagraph (1) of paragraph 1 under heading A of this Part of the Schedule shall apply in respect of voting shares in a company carrying on or proposing to carry on any of the following businesses, only up to 40 per cent of the number of fully paid voting shares of such company or if a special approval has been granted by the Board of Investment of Sri Lanka for a higher percentage of foreign investment in any company, only up to such higher percentage:
 - (a) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;
 - (b) growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar and spices;
 - (c) mining and primary processing of non-renewable national resources;
 - (d) timber based industries using local timber;
 - (e) deep sea fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (f) mass communication;
 - (g) education;
 - (h) freight forwarding;
 - (i) travel agencies;
 - (j) shipping agencies.
 - (2) The permission under subparagraph (1) of paragraph 1 under heading A of this Part of the Schedule shall apply in respect of voting shares in a company carrying on or proposing to carry on any of the businesses specified below only up to the percentage of the number of fully paid voting shares of such company for which percentage either general or special approval has been granted by the relevant legal or administrative authority established by the Government of Sri Lanka set up for the approval of foreign investments in such businesses
 - (a) air transportation;
 - (b) coastal shipping (as defined by the Minister to whom the subject of shipping is assigned);
 - (c) industrial undertaking as specified in the Second Schedule to the Industrial Promotion Act, No.46 of 1990, namely
 - (i) any industry manufacturing arms, ammunitions, explosives, military vehicles and equipment, aircrafts and other military hardware;
 - (ii) any industry manufacturing poisons, narcotics, alcohol, dangerous drugs and toxic, hazardous or carcinogenic materials;
 - (iii) any industry producing currency, coins, or security documents;
 - (d) large scale mechanized mining of gems;
 - (e) lotteries.

B. Opening and Operating a Place of Business in Sri Lanka

1. (1) An overseas company registered under the Companies Act, No. 7 of 2007, may carry out in Sri Lanka
 - (a) any commercial, trading, or industrial activity, other than the activities specified in paragraph 3 under heading B of this Part of the Schedule, provided that prior permission has been obtained from the relevant legal or administrative authority established by the Government of Sri Lanka to grant approval for foreign investments for the activities specified in paragraph 4 under heading B of this Part of the Schedule; or
 - (b) any non-commercial, non-trading or non-industrial activity such as the activities undertaken or carried out by a liaison office, representative office, regional office or other similar office, provided that such activities do not generate any income directly or indirectly to the overseas company in Sri Lanka.
- (2) An overseas company registered under the Companies Act, No. 7 of 2007, that undertakes or carries on any activity specified above shall
 - (a) in case of a place of business such as a branch office, project office or other similar office, receive a minimum investment of USD 200,000 or equivalent amount in any other designated foreign currencies, channeled through an Inward Investment Account opened by the parent company in overseas with an authorised dealer or a restricted dealer in Sri Lanka to the credit of an account of the overseas company and provide evidence for the proof of said investment, to the Department of Registrar of Companies, within ninety (90) days of the registration. Such funds shall be recorded in the company's books as an investment and such records shall be maintained in the company's books until the company ceases its business in Sri Lanka.
 - (b) in case of a place of business such as a liaison office, representative office or other similar office, receive the funds required for the setting up and maintenance of such place of business through an Inward Investment Account opened by the parent company in overseas with an authorised dealer or a restricted dealer, in Sri Lanka, to the credit of an account of the overseas company.
2. An overseas company referred to in sub paragraph (1) of paragraph 1 under heading B of this Part of the Schedule may remit out of Sri Lanka, their profit, royalty, franchise or other similar payments or surplus funds at the time of termination, net of tax, through the Inward Investment Account of the parent company through which the investment was routed. An overseas company registered prior to November 20, 2017 shall remit out the said payments through an Inward Investment Account of the parent company upon satisfying the authorised dealer or the restricted dealer on the *bona fide* of the transaction.
3. For the purpose of item (a) of sub paragraph (1) of paragraph 1 under heading B of this Part of the Schedule, following commercial, trading and industrial activities are not permitted to be carried out by an overseas company
 - (1) money lending (other than the branches of foreign banks registered in Sri Lanka under the Banking Act, No. 30 of 1988);
 - (2) pawn broking;
 - (3) retail trade where the capital contributed by persons resident outside Sri Lanka is less than USD 5 million after such investment;
 - (4) coastal fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (5) growing and primary processing of tea, rubber, coconut and rice;
 - (6) mining and primary processing of non-renewable national resources;
 - (7) freight forwarding;
 - (8) shipping agency business;
 - (9) mechanized mining of gems; and
 - (10) lotteries.
4. For the purpose of item (a) of subparagraph (1) of paragraph 1 of heading B of this Part of the Schedule, following activities are permitted to be carried out with the prior permission of the relevant legal or administrative authority established by the Government of Sri Lanka to grant approval for foreign investments
 - (1) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;
 - (2) growing and primary processing of sugar, cocoa and spices;
 - (3) timber based industries using local timber;
 - (4) deep sea fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (5) mass communication;
 - (6) education;
 - (7) outbound travel agency business;
 - (8) local air transportation;
 - (9) any industry manufacturing or producing

- (a) arms, ammunitions, explosives, military vehicles and aircraft equipment and other military hardware;
- (b) poison, narcotics, alcohol, dangerous drugs and toxic hazardous or carcinogenic material; and
- (c) currency, coins and security documents.

PART II

PERMISSION FOR THE ISSUANCE OF SOVEREIGN BONDS BY THE GOVERNMENT OF SRI LANKA

The Government of Sri Lanka is permitted to issue International Sovereign Bonds or other types of debt securities in any foreign currency to any person resident outside Sri Lanka and to make any payment to such persons in relation to such issuance subject to the permissions of relevant authorities on the same.

PART III

PERMISSIONS TO RESIDENT PERSONS

1. Any resident person specified under Part I of this Schedule to deal with the capital transactions stipulated under these regulations, are permitted to issue shares or any permitted securities and bonds or to borrow or to sell immovable properties and to accept deposits, subject to the provisions of these regulations or any other written law in Sri Lanka.
2. Government of Sri Lanka specified under Part I of the Schedule is permitted to issue any permitted securities and bonds or to borrow, subject to the provisions of these regulations or any other written law in Sri Lanka.
3. Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 shall issue, transfer and register shares in the name of a non-resident investor subject to these regulations, irrespective of the means of acquisition or devolvement of such shares.
4. A resident individual who is a parent, grandparent, sibling or spouse of an emigrant is permitted to transfer any assets held in Sri Lanka by way of a gift to an emigrant.
5. Companies as defined in the Companies Act, No. 7 of 2007 or persons resident in Sri Lanka shall issue, transfer or register shares (where applicable) and debt securities permitted under subparagraph (1) and (2) of paragraph 1 under heading A of Part I of the Schedule, within three (3) months from the date of receipt of inward remittances for the investment, unless otherwise granted an extension of time by the Central Bank.
6. Companies as defined in the Companies Act, No. 7 of 2007 is permitted to issue shares subject to the exclusions and limitations stated in paragraphs 7 and 8 under heading A of Part I of the Schedule, within ninety (90) days from the date of publication of these regulations in the *Gazette* for which the inward remittances have either been received prior to November 20, 2017 or for inward remittances received through an Inward Investment Account of such investors prior to the date of publication of these regulations in the *Gazette*. All income and any capital proceeds of such investments shall be repatriated only through an Inward Investment Account opened by the investor upon submission of the evidences for the inward remittance for the investment.

PART IV

All existing capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.

PART V

RE-DESIGNATION OF EXISTING ACCOUNTS & C.

1. All existing External Commercial Borrowing Accounts opened under the provisions of the repealed Exchange Control Act, shall continue to be operated, until full settlement of the foreign currency loans obtained by the resident borrowers through such External Commercial Borrowing Accounts from persons resident outside Sri Lanka.
2. All Inward Investment Accounts re-designated under the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 published in the *Gazette* extraordinary No. 2045/56 of November 17, 2017 shall, notwithstanding such regulations being rescinded, continue to operate as re-designated

PART VI

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

1. Inward Investment Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Inward Investment Accounts, in the

name of following eligible persons to deal in capital transactions specified under these regulations

- (1) a non-national, resident in or outside Sri Lanka;
- (2) a Sri Lankan dual citizen, resident in or outside Sri Lanka;
- (3) a Sri Lankan national who has obtained Permanent Residency status or citizenship in another country, resident in or outside Sri Lanka;
- (4) a Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants);
- (5) a company incorporated outside Sri Lanka;
- (6) a partnership registered outside Sri Lanka;
- (7) country funds, regional funds, mutual funds, unit trusts and foreign institutional investors, established outside Sri Lanka;
- (8) an administrator or executor of the estate of a deceased person, who maintained an Inward Investment Account with an authorised dealer or a restricted dealer;
- (9) a receiver or liquidator of a company that maintained an Inward Investment Account with an authorised dealer or restricted dealer; and
- (10) Any other person or category of persons who may be authorised by the Central Bank from time to time.

2. External Commercial Borrowing Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain External Commercial Borrowing Accounts in the name of persons who are permitted to borrow from persons resident outside Sri Lanka under the provisions of the Act.

3. Other terms and conditions

- (1) The criteria for opening and maintenance of Inward Investment Accounts and External Commercial Borrowing Accounts and permitted debits and credits for such accounts shall be as specified by the directions issued by the Central Bank under the provisions of the Act.
- (2) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain whether the persons seeking to open and maintain accounts specified in paragraph 1 and 2 of this Part of the Schedule are eligible to open and maintain such account under the criteria specified in the relevant directions issued by the Central Bank under the provisions of the Act. Every authorised dealer or restricted dealer shall maintain information and documentary evidence relating to the account holders as a proof of their eligibility during the maintenance of the account and for a period not less than six years after the closure of such accounts.

The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY

No. 2213/36 - WEDNESDAY, FEBRUARY 03, 2021
(Published by Authority)

PART I : SECTION (I) — GENERAL Government Notifications FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
03rd February, 2021.

Regulations

1. These regulations may be cited as the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 and shall come into operation with effect from March 22, 2021.
2. The remittance of funds by emigrants relating to transactions specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or restricted dealer to the extent specified in section 4 of the Act, subject to such limits, terms and conditions specified in these regulations and the Schedule hereto.
3. In executing capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall

- comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in capital transactions in foreign exchange under these regulations shall ascertain -
- (a) the *bona fide* of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations,
- by obtaining documentary evidence in that behalf.
- (2) Every person engaged in capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
- (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such capital transactions in foreign exchange under these regulations.
5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
6. (1) For the purpose of these regulations "designated foreign currency" means
- (a) United States Dollars (USD);
 - (b) Euro;
 - (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;
 - (g) Swiss Franc;
 - (h) Canadian Dollars;
 - (i) Hong Kong Dollars;
 - (j) Japanese Yen;
 - (k) Danish Kroner;
 - (l) Norwegian Kroner;
 - (m) Chinese Renminbi; and
 - (n) New Zealand Dollars.
- (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
7. Notwithstanding the rescission of the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorised Dealers) Regulations No. 1 of 2017 made under the Foreign Exchange Act, No. 12 of 2017, published in the Gazette Extraordinary No. 2045/56 of November 17, 2017, the Order made under section 22 of the Foreign Exchange Act, No. 12 of 2017, and published in the Gazette Extraordinary No. 2182/37 of July 2, 2020 of which the period of validity was extended by the Order published in the Gazette Extraordinary No. 2206/25 of December 18, 2020, shall have effect during the period so extended.
8. For the purpose of these regulations
- "Act" means the Foreign Exchange Act, No. 12 of 2017;
- "authorised dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "capital transaction" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "Central Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "emigrant" means -
- (a) a Sri Lankan who has obtained permanent residency status or citizenship in another country;
 - (b) a dual citizen of Sri Lanka whose mother or father was born in Sri Lanka; or
 - (c) a non-Sri Lankan citizen -
- (i) whose mother or father was born in Sri Lanka; and
 - (ii) whose birth has been registered in Sri Lanka,
- and includes the minors of persons referred to in paragraphs (a), (b) and (c);
- "Employees' Provident Fund" means the Employees' Provident Fund established by the Employees' Provident Fund Act, No. 15 of 1958;
- "Employees Trust Fund" means the Employees Trust Fund established by the Employees Trust Fund Act, No. 46 of 1980;
- "immediate family members" means parents, grandparents, siblings and spouse of the relevant person;

"licensed commercial bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Minister" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Monetary Board" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Parent Migration Scheme" means a scheme operated by a foreign country enabling Sri Lankan parents of a person who has obtained permanent residency status or citizenship in that country, to obtain permanent residency status in such foreign country;

"repealed Exchange Control Act" means the Exchange Control Act (Chapter 423);

"restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"temporary resident visa" means a visa obtained by a citizen of Sri Lanka which falls into a category of visa that entitles the individual to obtain permanent residency status or citizenship in that country at a future date subject to fulfilling specified conditions.

(Regulation 02)

SCHEDULE
PART I

REMITTANCE OF FUNDS BY EMIGRANTS

1. An emigrant who is aged 18 years or above is eligible to claim the migration allowance, which involves the conversion of Sri Lanka Rupees to foreign currency, subject to the limits, terms and conditions set out in these regulations.
2. The migration allowance shall be claimed out of-
 - (1) any proceeds realised from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such person's Sri Lanka Rupee accounts prior to these regulations coming into effect or acquired as permitted under paragraph 8 of this Part of the Schedule;
 - (2) any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are inherited by an emigrant, from person resident in Sri Lanka;
 - (3) any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are received as a gift by an emigrant, from an immediate family member who is a person resident in Sri Lanka;
 - (4) any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are inherited or received by way of a gift to or by the emigrant from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his or her Sri Lanka Rupee accounts prior to these regulations coming into effect or inherited by the transferor or received as a gift by the transferor or made as permitted under paragraph 8 of this Part of the Schedule; or
 - (5) monetary gifts received by the emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets).
3. The following limits shall be applicable for the migration allowance specified in this Schedule -
 - (1) an initial migration allowance of USD 200,000 per emigrant;
 - (2) an annual migration allowance of USD 30,000; first such annual allowance is transferable after lapse of a minimum of 12 months after the full utilisation of the initial migration allowance. With the exception of the first annual allowance, subsequent allowances shall be transferable per calendar year and can be transferred in accumulation (if the funds have been credited and maintained in a bank account subject to the directions issued by the Central Bank under the provisions of the Act, for such period);
 - (3) for an emigrant who has claimed a part of the initial migration allowance before November 20, 2017, the balance out of USD 150,000 and subsequent annual allowance of USD 30,000 as referred to in subparagraph (2) of paragraph 3 of this Part of the Schedule;

- (4) for an emigrant who has fully utilized the initial migration allowance before November 20, 2017, any accumulated annual allowance of USD 20,000 per calendar year for the years 2013, 2014, 2015 and 2016 and subsequent annual allowance of USD 30,000 as referred to in subparagraph (2) of paragraph 3 of this Part of the Schedule.
4. The total value of the investments made by an emigrant while being a resident in Sri Lanka through an Outward Investment Account, in the country where the said individual has obtained permanent residency or citizenship, shall be deducted from the eligible migration allowance, at the time of claiming the eligible migration allowance.
5. In the event of "Parent Migration Schemes" operated by foreign countries, the funds for the payments to be made to overseas authorities by such individuals for obtaining visa, shall be remitted through the Capital Transaction Rupee Account opened by such individuals subject to the directions issued by the Central Bank under the provisions of the Act. Upon receiving permanent residency in the country to which such payment was made, total amount of such payments shall be deducted from the eligible migration allowance of such individuals at the time of claiming the eligible migration allowance.
6. A Sri Lankan individual who resides in or outside Sri Lanka and has obtained a temporary resident visa in another country, aged 18 years or above, may claim a maximum of USD 30,000 subject to the directions issued by the Central Bank under the provisions of the Act. Such persons may claim the said allowance through a Capital Transaction Rupee Account opened by such persons. The amounts so claimed shall be deducted from the eligible migration allowance at the time of claiming the migration allowance.
7. Method of Repatriation
- (1) Emigrants or persons specified under the paragraphs 5 and 6 of this Part of the Schedule shall open and maintain only one Capital Transaction Rupee Account in the banking system, subject to the direction issued by the Central Bank, for the purpose of repatriating the eligible allowances.
 - (2) If an emigrant is required to open and maintain a separate account for the purpose of repatriating his or her income referred to in subparagraph 7(4) of this Part of the Schedule, such person may open and maintain only one Emigrants' Remittable Income Account with an authorised dealer or a restricted dealer, for the same purpose, subject to the directions issued by the Central Bank under the provisions of the Act. However, both Capital Transaction Rupee Account and Emigrants' Remittable Income Account shall be opened and maintained with the same authorised dealer or restricted dealer.
 - (3) The migration allowance may be transferred from Capital Transaction Rupee Account to, applicant's Personal Foreign Currency Account or Inward Investment Account or an account at the Offshore Banking Unit in a licensed commercial bank in Sri Lanka or an account outside Sri Lanka, of the emigrant.
 - (4) Any income derived from, any assets referred in paragraph 2 of this Part of the Schedule and superannuation benefits (including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits) may be credited to respective Capital Transaction Rupee Account or Emigrants' Remittable Income Account or Non Resident Rupee Account, as the case may be, and shall be repatriated only through the Capital Transaction Rupee Account or Emigrants' Remittable Income Account of the emigrant, without being subject to the eligible migration allowance. Such funds may be transferred from the Capital Transaction Rupee Account or Emigrants' Remittable Income Account to a Personal Foreign Currency Account or Inward Investment Account or an account at an Offshore Banking Unit in a licensed commercial bank in Sri Lanka or an account outside Sri Lanka, of the emigrant.
8. Investments by emigrants out of funds held in Sri Lanka
- (1) An emigrant is permitted to make investments in Sri Lanka as permitted under the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette extraordinary No. 2213/35 of February 03, 2021, out of the funds held in Non Resident Rupee Accounts, of such emigrant.
 - (2) All income and capital proceeds of such investments shall be credited to respective Non Resident Rupee Accounts, through which the investment was made.
 - (3) All income of such investments shall be repatriated only through respective Capital Transaction Rupee Account or Emigrants' Remittable Income Account of the emigrant, as the case may be, without being subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
 - (4) Any capital proceeds of such investments may be repatriated only through the Capital Transaction Rupee Account, subject to the eligible migration allowance as may be specified in the directions issued by the Central Bank under the provisions of the Act.

9. In the event an emigrant sells an immovable property which was inherited or purchased by such emigrant utilising Sri Lanka Rupees held in Sri Lanka by such emigrant, to any person resident in or outside Sri Lanka, the payment of consideration with respect to sale of such property shall be paid in Sri Lanka Rupees and credited only to a Non Resident Rupee Account or a Capital Transaction Rupee Account of the emigrant.

10. Other terms and conditions

- (1) An emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country in which he or she has obtained permanent residency status shall inform the authorised dealers with whom he or she is maintaining Sri Lanka Rupee Accounts with regard to his or her migration, in order to re-designate such Rupee accounts of such individual as Non Resident Rupee Accounts. An individual who is already an emigrant shall be required to do so within 6 months of these regulations coming into effect.
- (2) The migration allowance shall be claimed only at the time of leaving Sri Lanka (initially or subsequently) or at the time during which the emigrant is residing outside Sri Lanka.

PART II

All existing capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.

PART III
RE-DESIGNATION OF ACCOUNTS & C.

1. All Capital Transaction Rupee Accounts except the accounts for which a Registration Number has been issued by the Central Bank, shall be re-designated and continued to be operated as Non Resident Rupee Accounts, within three months from the date of publication of these regulations in the Gazette, subject to the directions issued by the Central Bank under the provisions of the Act.
2. All existing Capital Transaction Rupee Accounts maintained by foreign firms and companies registered outside Sri Lanka and Sri Lankans employed abroad who are residing outside Sri Lanka shall be re-designated and continued to be operated as Non Resident Rupee Accounts and Sri Lanka Rupee Accounts, respectively, within three months from the date of publication of these regulations in the Gazette, subject to the directions issued by the Central Bank under the provisions of the Act.
3. All Sri Lanka Rupee Accounts maintained by an emigrant who expect to leave Sri Lanka for the purpose of permanently settling in the country in which he or she has obtained permanent residency status, shall be re-designated and continued to be operated as Non Resident Rupee Accounts with immediate effect from the time which the authorised dealer or a restricted dealer became aware of such emigrant's migration, subject to any direction issued by the Central Bank under the provisions of the Act.
4. An authorised dealer or a restricted dealer is permitted to open and maintain Emigrants' Remittable Income Accounts in the names of emigrants who have already opened the Capital Transaction Rupee Accounts with the registration number issued by the Head of the Department of Foreign Exchange, subject to any direction issued by the Central Bank under the provisions of the Act.

PART IV
AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

1. Capital Transaction Rupee Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Capital Transaction Rupee Accounts, in the name of the following eligible persons to deal in capital transactions specified under these regulations

- (1) an emigrant, resident in or outside Sri Lanka;
- (2) a non-national resident in or outside Sri Lanka including a minor;
- (3) an individual Sri Lankan who intends to depart under temporary resident visa in another country, aged 18 or above;
- (4) an individual Sri Lankan who is a prospective migrant under a Parent Migration Scheme;
- (5) An administrator or executor of the estate of a deceased person referred to in subparagraphs (1) and (2) above, until the completion of the administration of the estate of such deceased person; or

(6) any other person or category of persons who may be authorised by the Central Bank from time to time.

2. Emigrants' Remittable Income Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Emigrants' Remittable Income Accounts, in the name of the following eligible persons for the purpose of repatriation of his or her current income derived in Sri Lanka referred to in subparagraph 7(4) of Part I of this Schedule, only if there is a regulatory requirement in the country where the emigrant is residing permanently to identify the current income globally derived by such emigrant-

(a) an emigrant;

(b) any other person or category of persons who may be authorised by the Central Bank from time to time.

3. Non Resident Rupee Accounts

An authorised dealer or a restricted dealer is permitted to open and maintain Non Resident Rupee Accounts for emigrants as per the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette extraordinary No. 2213/38 of February 03, 2021, as may be amended from time to time, to facilitate local transactions and permitted investments in Sri Lanka stipulated in paragraph 8 of Part I of this Schedule to these regulations.

4. Other terms and conditions

(1) Any eligible person as specified under paragraph 1 of this Part of the Schedule shall open only one Capital Transaction Rupee Account in the banking system in Sri Lanka.

(2) Any eligible person as specified under paragraph 2 of this Part of the Schedule shall open only one Emigrants' Remittable Income Account in the banking system in Sri Lanka.

(3) Both Capital Transaction Rupee Account and Emigrants' Remittable Income Account shall be opened and maintained with the same authorised dealer or restricted dealer.

(4) The criteria for opening and maintenance of Capital Transaction Rupee Accounts or Emigrants' Remittable Income Account, permitted debits, credits for such account, shall be as specified in the relevant directions issued by the Central Bank under the provisions of the Act.

(5) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain that persons seeking to open and maintain the accounts specified under this Part of the Schedule are eligible to open and maintain such accounts in terms of these Regulations and directions issued by the Central Bank under the provisions of the Act from time to time. Every authorised dealer or restricted dealer shall maintain, information and documentary evidence relating to the account holders as a proof of their eligibility during the maintenance of the account and for a period not less than six years after the closure of such accounts.

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EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
03rd February 2021.

Regulations

- These regulations may be cited as the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 and shall come into operation with effect from March 22, 2021.

2. The classes of miscellaneous capital transactions specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or a restricted dealer to the extent specified in section 4 of the Act.
3. In executing miscellaneous capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in miscellaneous capital transactions in foreign exchange under these regulations shall ascertain
 - (a) the bona fide of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations,
 by obtaining documentary evidence in that behalf.
- (2) Every person engaged in miscellaneous capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
- (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such miscellaneous capital transactions in foreign exchange under these regulations.
5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or a restricted dealer, who fails to comply with these regulations.
6. Every authorised dealer or restricted dealer referred to in regulation 2 and persons engaged in miscellaneous capital transactions under these regulations through such authorised dealer or restricted dealer, shall retain all information and documentary evidence in proof of the fact that miscellaneous capital transactions they engaged in are permitted transactions under these regulations, for a period of six years from the date of such transactions.
7. All existing miscellaneous capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the miscellaneous capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.
8. (1) For the purpose of these regulations "designated foreign currency" means
 - (a) United States Dollars (USD);
 - (b) Euro;
 - (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;
 - (g) Swiss Franc;
 - (h) Canadian Dollars;
 - (i) Hong Kong Dollars;
 - (j) Japanese Yen;
 - (k) Danish Kroner;
 - (l) Norwegian Kroner;
 - (m) Chinese Renminbi; and
 - (n) New Zealand Dollars.
- (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
9. Regulations made under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the Gazette Extraordinary No. 2145/49 of October 17, 2019 is hereby rescinded, without prejudice to anything done thereunder.
10. For the purpose of these regulations

"Act" means the Foreign Exchange Act, No. 12 of 2017;

"authorised dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"capital transaction" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Central Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"current transaction" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"immediate family members" means parents, spouse and children;

"Minister" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Monetary Board" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"state owned enterprise" shall have the same meaning as in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette Extraordinary No. 2213/35 of February 03, 2021.

(Regulation 02)

SCHEDULE
CLASSES OF MISCELLANEOUS CAPITAL TRANSACTIONS

A. Granting of Loans and Advances in Sri Lanka to Persons resident outside Sri Lanka

Authorised dealers or restricted dealers may grant loans and advances denominated in foreign currency or in Sri Lanka Rupees to the following persons subject to the relevant directions issued by the Central Bank under the provisions of the Act, -

- (1) Sri Lankans who are permanent residents in another country and dual citizens for the purpose of acquisition, construction, development or renovation of a residential property in Sri Lanka.
- (2) Sri Lankans employed outside Sri Lanka for any purpose to be utilised in Sri Lanka and for the purpose of current transactions of the resident immediate family members of such Sri Lankan employed outside Sri Lanka.

B. Granting of Loans and Advances in Sri Lanka to Persons resident outside Sri Lanka

1. Any Sri Lankan citizen who has proceeded outside Sri Lanka for educational purposes is permitted to borrow from banks, financial institutions, universities or educational institutions in foreign countries for the purpose of meeting tuition fees, living expenses and other educational related expenses while undertaking studies abroad and to repay such loans by remitting funds from Sri Lanka.
2. Any authorised dealer or a restricted dealer may make outward remittances to the respective lending institutions being servicing and repayment of loans by parents or guardians in Sri Lanka of such Sri Lankan citizens who have proceeded outside Sri Lanka for educational purpose, after verifying the bonafide of the transaction and obtaining necessary documentary evidence.
3. In the event where aforesaid Sri Lankan citizen obtains a permanent residency visa, a temporary residency visa which entitles for the permanent residency in another country or citizenship of another country (including dual citizenship), outward remittances in respect of repayment of loans shall be subject to the eligible migration allowance of such person.

C. Payments related to Financial Derivative Transactions

An authorised dealer or a restricted dealer may make payments in foreign currency for financial derivative transactions in respect of current transactions and capital transactions (i.e., underlying transactions) permitted under the provisions of the Act, after satisfying themselves with the bona fide of such underlying transactions and in compliance with the directions issued by the Central Bank.

D. Release of foreign exchange to persons who intends to leave Sri Lanka under temporary resident visas

An authorised dealer or a restricted dealer may issue reasonable amount of foreign exchange to a person resident in Sri Lanka who intends to leave Sri Lanka under temporary resident visa (other than a temporary resident visa that entitles the individual to obtain permanent residency or citizenship in that country at a future date), being basic allowance for the purpose of initial settlement of such persons, in overseas, subject to a maximum of USD 15,000 or its equivalent in other foreign currency, with an appropriate endorsement made on the passport issued by the Controller General of Immigration and Emigration of Sri Lanka or other relevant authority.

E. Repatriation of Export Proceeds to Sri Lanka by Exporters of Goods

1. Every exporter of goods shall repatriate to Sri Lanka, payments received for the exportation of goods within 180 days or such other period that may be specified by the Central Bank from the date of exportation.
2. Every exporter of goods shall submit related documentary evidence on each exportation to the respective authorised dealer or restricted dealer that receives the payment.
3. Central Bank may introduce a mechanism to monitor the compliance with the requirements under this heading by the exporters of goods and may take such action as it may deem necessary under section 11 or section 26 of the Act, as the case may be.

F. Issuing of Financial Guarantees by a person resident in Sri Lanka in favour of a person resident outside Sri Lanka

1. An authorised dealer or a restricted dealer is permitted to issue and renew bank guarantees, bonds or Standby Letters of Credit, as the case may be, in respect of current transactions and capital transactions, subject to the directions issued by the Central Bank under the provisions of the Act.
2. The Government of Sri Lanka is permitted to issue sovereign guarantees to enable the Government of Sri Lanka or state owned enterprises to issue international bonds or to borrow in designated foreign currencies from a person resident outside Sri Lanka.
3. An authorised dealer or a restricted dealer is also permitted to make outward remittances in respect of valid claims arising from the issuance of such bank guarantees, bonds or standby letters of credit, subject to the directions issued by the Central Bank under the provisions of the Act.

G. Persons permitted to open, maintain and operate an account with a regulated financial institution outside Sri Lanka

1. Following persons are permitted to open, maintain and operate foreign currency accounts with a regulated financial institution outside Sri Lanka -
 - (a) a person resident in Sri Lanka who has proceeded outside Sri Lanka temporarily for business, education or medical purposes;
 - (b) a person resident in Sri Lanka who has at any time prior to or after this Act coming into effect, been a resident outside Sri Lanka and earned or otherwise acquired foreign exchange outside Sri Lanka not involving the conversion of Sri Lanka Rupees into foreign exchange;
 - (c) an individual, a company or a firm registered in Sri Lanka which provides professional or vocational services outside Sri Lanka and receives payment in foreign exchange for such services from a person resident outside Sri Lanka;
 - (d) an individual, a company or a firm registered in Sri Lanka which has been granted general or special permission under the provisions of the Act, to invest outside Sri Lanka, provided such person is required to open an account outside Sri Lanka as a requirement of the said investment;
 - (e) an exporter of merchandise goods;
 - (f) a person who holds permanent residency in another country;
 - (g) a dual citizen;
 - (h) a person resident in Sri Lanka who intends to proceed outside Sri Lanka for education in a country where such person is required by the visa granting authority to open and maintain an account with a regulated financial institution in such country as a condition to grant visa;
 - (i) a company incorporated in Sri Lanka which is eligible to borrow from an overseas bank or financial institution provided such company is required to open an account outside Sri Lanka as a condition of such loan agreement.
2. (1) Any person specified in paragraph 1 of Heading G of this Schedule, who opened and maintained an account with a regulated financial institution outside Sri Lanka may close such accounts for the purposes of complying with these regulations.
- (2) An account opened by a person specified in paragraph 1 of Heading G of this Schedule may be credited with foreign currency earned, received or acquired legally outside Sri Lanka or obtained in Sri Lanka in the name of such person from an authorised dealer or a restricted dealer under the provisions of the Act.
- (3) Funds in the accounts opened by persons specified in paragraph 1 of Heading G of this Schedule may be utilized towards any foreign exchange transactions of the account holder.

- (4) A person who is permitted to open and maintain an account with a financial institution outside Sri Lanka under paragraph 1 of Heading G of this Schedule except for categories specified in subparagraphs (b), (c), (f), (g) and (h) therein shall repatriate to Sri Lanka any balance funds remaining in the accounts opened by such person outside Sri Lanka within one month from the date of fulfillment of purposes for which the account was opened.
- (5) Where a person who is permitted to open and maintain an account outside Sri Lanka under the category specified in subparagraph (h) of paragraph 1 of Heading G of this Schedule, has been refused a student visa by such country or decides not to embark on studies after obtaining the student visa, such person shall repatriate all monies lying to the credit of the account opened by such person outside Sri Lanka under this regulation within one month from the date of such decision.

H. Issuance of life insurance policies to non-nationals resident in or outside Sri Lanka

- 1. A company registered to carry on insurance business in Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000 is permitted to issue life insurance policies denominated in Sri Lanka Rupees or in foreign currency, as the case may be, in respect of non-nationals resident in or outside Sri Lanka (i.e. insured), subject to any written law of Sri Lanka in relation to insurance.
- 2. An authorised dealer or a restricted dealer is permitted to make outward remittances being payments by a company referred to in paragraph 1 above under this Heading, as benefits (i.e. maturity benefits to the insured in the event where such policy holder outlives the term of the insurance policy, death benefits to the beneficiaries upon the demise of the insured or surrender value) in accordance with the respective life insurance policies, subject to any written law of Sri Lanka in relation to insurance.

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2213/38 - WEDNESDAY, FEBRUARY 03, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under section 29 read with sections 5, 7 and 8 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA

Minister of Finance

Colombo,
03rd February, 2021.

Regulations

- 1. These regulations may be cited as the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 and shall come into operation with effect from March 22, 2021.

PART I

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

- 2. (1) An authorised dealer or a restricted dealer shall, to the extent specified in section 4 of the Act have the authority to open and maintain foreign exchange accounts or Sri Lanka Rupee accounts specified in regulation 5, in the name of any person for the purpose of dealing in foreign exchange transactions.
- (2) An authorised dealer or a restricted dealer shall, when executing transactions under these Regulations, at all times be required to comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
- 3. A regulated Financial Institution resident outside Sri Lanka may open and maintain foreign exchange accounts and Sri Lanka Rupee accounts with any authorised dealer in Sri Lanka (Vostro Accounts) for the settlement of transactions.
- 4. An Authorised dealer may open and maintain foreign exchange accounts with a bank incorporated outside Sri Lanka (Nostro Accounts), in order to facilitate efficient settlement of foreign exchange transactions in other countries by such authorised dealers.

PART II
TYPES OF ACCOUNTS

5. Following types of accounts may be opened and maintained by an authorised dealer or a restricted dealer to the extent specified in section 4 of the Act -
 - (a) Personal Foreign Currency Accounts (PFCAs)
 - (b) Business Foreign Currency Accounts (BFCAs)
 - (c) Diplomatic Foreign Currency Accounts (DFCAs)
 - (d) Diplomatic Rupee Accounts (DRAs)
 - (e) Non-Resident Rupee Accounts (NRRAs)
 - (f) Outward Investment Accounts (OIAs)
 - (g) Inward Investment Accounts (IIAs)
 - (h) Capital Transactions Rupee Accounts (CTRAs)
 - (i) Emigrants' Remittable Income Accounts (ERIAs)
 - (j) External Commercial Borrowing Accounts (ECBAs)
 - (k) Special Foreign Currency Accounts (SFCAs),

subject to such credit and debit limits as may be permitted by the directions issued by the Central Bank under the provisions of the Act.
6. In the case of licensed commercial banks, the accounts specified in regulation 5 shall be opened and maintained in their domestic banking units.
7. No person shall open an account specified in regulation 5 where such person is not eligible to open such account as specified in the Schedule to these regulations.
8. (1) The criteria, for opening and maintenance of each type of accounts specified in regulation 5 and permitted debits and credits for such accounts shall be as specified by directions issued by the Central Bank from time to time under section 9 of the Act.
 - (2) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain that persons seeking to open and maintain accounts specified in regulation 5 are eligible to open and maintain such accounts under the criteria specified in the directions issued from time to time by the Central Bank under section 9 of the Act.
9. (1) Every authorised dealer or restricted dealer engaged in transactions in foreign exchange under these regulations shall ascertain
 - (a) the *bona fide* of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations, by obtaining documentary evidence in that behalf.
 - (2) Every person engaged in transactions in foreign exchange under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
 - (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such transactions in foreign exchange under these regulations.
10. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
11. Every authorised dealer, restricted dealer or any person who engages in transactions in foreign exchange under these regulations through such authorised dealer or restricted dealer, shall retain all information and documentary evidence in proof of the fact that such transactions are permitted transactions under these regulations, for a period of six years from the date of such transactions.

PART III
RE-DESIGNATION OF EXISTING ACCOUNTS & C

12. (1) All Non-Resident Rupee Accounts of foreign banks and foreign exchange houses opened under the provisions of the repealed Exchange Control Act shall continue to be operated as Vostro accounts in Sri Lanka Rupees as specified in regulation 3

- (2) All existing Resident Guest Scheme-Special Accounts and Senior Foreign Nationals' Special Accounts shall continue to be operated with effect from November 17, 2017, without being re-designated.
- (3) All existing Capital Transactions Rupee Accounts maintained by foreign firms and companies registered outside Sri Lanka and Sri Lankans employed abroad who are residing outside Sri Lanka, excluding emigrants, respectively, shall be redesignated and continue to be operated as Non-Resident Rupee Accounts and Sri Lanka Rupee Accounts, respectively.
- (4) All existing Foreign Currency Accounts for International Service Providers and their Employees opened by eligible employers and employees resident in Sri Lanka during the period from May 7, 2010 to July 5, 2017 under the provisions of the repealed Exchange Control Act shall be deemed to have been in operation with effect from November 20, 2017 as Business Foreign Currency Accounts and Personal Foreign Currency Accounts, respectively.
- (5) All existing Post Tsunami Inward Remittances Accounts of Non-Governmental Organizations operating in Sri Lanka opened under the provisions of the repealed Exchange Control Act, shall continue to be operated as Sri Lanka Rupee Accounts.

13. Sri Lankan nationals resident outside Sri Lanka, excluding emigrants, may open and maintain Current, Savings or Term Deposit accounts in Sri Lanka Rupees with authorised dealers or restricted dealers, only for local transactions including investments in Sri Lanka.

14. (1) For the purpose of these regulations "designated foreign currency" means

- (a) United States Dollars;
- (b) Euro;
- (c) Sterling Pound;
- (d) Australian Dollars;
- (e) Singapore Dollars;
- (f) Swedish Kroner;
- (g) Swiss Franc;
- (h) Canadian Dollars;
- (i) Hong Kong Dollars;
- (j) Japanese Yen;
- (k) Danish Kroner;
- (l) Norwegian Kroner;
- (m) Chinese Renminbi; and
- (n) New Zealand Dollars.

(2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.

15. Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 and Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017, made under the Foreign Exchange Act, No. 12 of 2017, published in Gazette Extraordinary No. 2045/56 dated November 17, 2017 are hereby rescinded without prejudice to anything done thereunder:

Provided however, notwithstanding the rescission of the aforesaid Regulations, the Order made under section 22 of the Foreign Exchange Act, No. 12 of 2017, and published in the Gazette Extraordinary No. 2182/37 of July 2, 2020 of which the period of validity was extended by the Order published in the Gazette Extraordinary No. 2206/25 of December 18, 2020 shall have effect during the period so extended.

16. For the purpose of these regulations—

"Act" means the Foreign Exchange Act, No. 12 of 2017;

"authorised dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Central Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Diplomatic Mission" means an embassy, high commission, consulate, permanent mission of United Nations Organization, European Union delegation of the European Commission, International Monetary Fund, International Bank for Reconstruction and Development, Asian Development Bank or any other similar organization which has been recognized as a diplomatic mission by the Protocol Division of the Ministry of Foreign Affairs (MFA) from time to time;

"Diplomatic personnel" means citizens of a foreign country represented by a Diplomatic Mission;

"emigrant" means an emigrant as specified in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the Gazette Extraordinary No. 2213/36 of February 03, 2021.

“licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017; “person” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017; “regulated Financial Institution” means a Financial Institution regulated under any law of a foreign country;

“repealed Exchange Control Act” means the Exchange Control Act (Chapter 423) repealed by Foreign Exchange Act, No. 12 of 2017.

(Regulation 07)

SCHEDULE
PERSONS ELIGIBLE TO OPEN ACCOUNTS

1. PERSONAL FOREIGN CURRENCY ACCOUNTS (PFCAs)

- (1) An individual including a minor who is a Sri Lankan National;
- (2) An individual of Sri Lankan origin including a minor who is a resident outside Sri Lanka;
- (3) A non-national resident in Sri Lanka;
- (4) A non-national either on temporary visit to Sri Lanka or intending to visit Sri Lanka; and
- (5) An administrator or executor of the estate of a deceased person, who maintained a Personal Foreign Currency Account with an authorised dealer or a restricted dealer until the completion of the administration of the deceased person’s estate.

2. BUSINESS FOREIGN CURRENCY ACCOUNTS (BFCAs)

- (1) The following persons resident in Sri Lanka who earn foreign exchange from a resident outside Sri Lanka
 - (a) an individual resident in Sri Lanka;
 - (b) a sole proprietorship or partnership registered in Sri Lanka where the proprietor or majority of partners are residents in Sri Lanka (in case of a partnership with two partners, at least one partner shall be a resident in Sri Lanka);
 - (c) a company incorporated in Sri Lanka;
 - (d) a company incorporated outside Sri Lanka which is registered as an overseas company under the Companies Act No. 7 of 2007;
 - (e) a State Institution with the recommendation of the Secretary to the relevant line Ministry or appropriate Authority;
 - (f) an administrator or executor of the estate of a deceased person, who maintained a Business Foreign Currency Account with an authorised dealer or a restricted dealer, until the completion of the administration of the deceased persons estate; and
 - (g) a receiver or liquidator, of a company that maintained a Business Foreign Currency Account with an authorised dealer or a restricted dealer, until proceedings are concluded.
- (2) A Non-Governmental Organization shall not be permitted to open and maintain a Business Foreign Currency Account.

3. DIPLOMATIC FOREIGN CURRENCY ACCOUNTS (DFCAs)

- (1) Foreign Diplomatic Missions;
- (2) Diplomatic personnel who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration; and
- (3) Family members of Diplomatic personnel in Sri Lanka who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

4. DIPLOMATIC RUPEE ACCOUNTS (DRAs)

- (1) Foreign Diplomatic Missions;
- (2) Diplomatic personnel who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration; and
- (3) Family members of Diplomatic personnel in Sri Lanka who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

5. NON-RESIDENT RUPEE ACCOUNTS (NRRAs)

- (1) Firms and companies established or incorporated outside Sri Lanka;
- (2) Emigrants; and
- (3) Any other person who may be authorised by the Central Bank from time to time

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2213/39 - WEDNESDAY, FEBRUARY 03, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017****Order under Section 8**

BY virtue of the powers vested in me by paragraphs (a) and (b) of subsection (1) of section 8 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance, do by this Order, which shall come into operation with effect from March 22, 2021 prescribe the purposes, limits, terms and conditions as specified in the Schedule hereto, subject to which a person in or resident in Sri Lanka shall

- (a) export from Sri Lanka or import into Sri Lanka, any foreign currency or Sri Lanka currency; or
- (b) hold foreign exchange in his possession or in a bank account in Sri Lanka.

Order made under section 8 of the Foreign Exchange Act, No. 12 of 2017, published in Gazette Extraordinary No. 2182/33 dated July 1, 2020 is hereby revoked, without prejudice to anything done thereunder.

MAHINDA RAJAPAKSA
Minister of Finance

Ministry of Finance,
Colombo 01,
03rd February, 2021

SCHEDULE**PART I**

**PURPOSES, LIMITS, TERMS AND CONDITIONS FOR EXPORT AND IMPORT OF FOREIGN
CURRENCY OR SRI LANKA CURRENCY**

1. (1) Any person departing from or arriving in Sri Lanka may carry any amount of foreign exchange in the form of currency notes, bank drafts, cheques, travel cards, etc. legitimately acquired by such person subject to a declaration made to the Department of Customs at the port of departure or arrival, respectively, if the total value of such foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies. Such person shall be required to provide documentary evidence relating to the acquisition of foreign exchange to the Department of Customs or subsequently, to the Head of the Department of Foreign Exchange of the Central Bank or to any other person who is authorised by law to seek such information, if called upon to do so.
 - (2) However, where a person arriving in Sri Lanka intends to take back unutilised foreign currency notes carried in to Sri Lanka under sub-paragraph (1) of paragraph 1 above, exceeding USD 10,000 or its equivalent in other foreign currencies or departing from Sri Lanka carries foreign currency notes exceeding USD 10,000 or its equivalent in other foreign currencies, such person is required to make a declaration to the Department of Customs in that regard.
 - (3) Where a person arriving in Sri Lanka who intends to credit foreign exchange into such person's Inward Investment Account for the purpose of investing in Sri Lanka, such foreign exchange, irrespective of the value, should be declared to the Department of Customs and the stamped declaration of the Department of Customs shall be submitted to the authorised dealer for retention in support of the credit.
2. Any person in, or resident in, Sri Lanka may -
 - (a) take out of, or bring into Sri Lanka, respectively, Sri Lanka currency up to the value of Sri Lanka Rupees 20,000; or
 - (b) export or import Sri Lanka currency for the purposes, limits, terms and conditions recommended by the Superintendent of Currency of the Central Bank subject to the permission of the Head of the Department of Foreign Exchange.
 3. Any authorised dealer may export from or import in to Sri Lanka, foreign currency which has been acquired in or for the normal course of his businesses and within the terms of the authorization.

4. For the purpose of this Part-

“authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

PART II

PURPOSES, LIMITS, TERMS AND CONDITIONS FOR HOLDING OF FOREIGN EXCHANGE IN POSSESSION

1. Holding in possession foreign exchange by a person in, or resident in, Sri Lanka

- (1) Any person in, or resident in, Sri Lanka may retain in his possession foreign currency notes up to the value of USD 15,000 or its equivalent in other foreign currencies, for any period, irrespective of the time period restrictions mentioned in paragraph 2 herein, provided that, such foreign currency represents:
 - (a) foreign currency purchased by such person from an authorised dealer or a restricted dealer for travel abroad of such person and brought back as unutilized while returning to Sri Lanka; or
 - (b) foreign currency received by such person from outside Sri Lanka as a payment for a service rendered or goods supplied abroad by such person to a person resident outside Sri Lanka, or from any other legitimate source; or
 - (c) foreign currency notes withdrawn by such person from his Personal Foreign Currency Accounts or Business Foreign Currency Accounts for travel purpose.
- (2) (a) Any person may retain in his possession foreign currency accepted in respect of goods and services supplied by such person to a person resident outside Sri Lanka.
- (b) A person in, or resident in Sri Lanka carrying on a permitted business to supply goods and services under a duty-free concession to passengers arriving in or departing from Sri Lanka at a port or airport in Sri Lanka may retain foreign currency received from such passenger, whether resident or non-resident in respect of the supply of goods and services to such passenger.
- (c) A person who acquires foreign exchange under the provisions of this paragraph shall not retain foreign currency so accepted, for a period exceeding seven (7) days from the date of acceptance, without depositing into a Business Foreign Currency Account in the name of the person who accepted such foreign currency or selling to an authorised dealer, upon submitting evidence to such effect.
- (3) Any person resident outside Sri Lanka whilst in Sri Lanka may retain in his possession any amount of foreign currency if such foreign currency was legally acquired by him whilst he was in, or outside Sri Lanka or withdrawn from foreign exchange accounts maintained with authorised dealers or restricted dealers.

Provided that such person shall provide documentary evidence relating to the acquisition of foreign exchange to the Department of Customs or subsequently, to the Head of the Department of Foreign Exchange of the Central Bank or to any other person who is authorised by law to seek such information, if called upon to do so.

2. Period for retention of foreign exchange shall be: -

- (1) Any person who obtains foreign currency from an authorised dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorised dealer or restricted dealer and does not use it for such purpose shall not retain such foreign currency for a period exceeding ninety (90) days from the date of receipt of such foreign currency without converting same into Sri Lanka Rupees.
- (2) (a) Any person who obtains foreign currency from an authorised dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorised dealer or restricted dealer and thereafter brings back to Sri Lanka said foreign currency or part thereof, such person shall not retain such foreign currency for a period exceeding ninety (90) days from the date of repatriation without converting same into Sri Lanka Rupees.
- (b) However, a person who obtains foreign currency notes for travel purpose cumulatively up to the value of USD 15,000 or its equivalent in other foreign currencies under item (a) of sub-paragraph (1) of paragraph 1 shall be permitted to deposit the same into a Personal Foreign Currency Account that can be opened and maintained with an authorised dealer or a restricted dealer.
- (3) Any person who proceeds outside Sri Lanka for taking up employment, profession or setting up a business, earns or receives foreign currency from such employment, profession or business and brings back the same to Sri Lanka, such

person shall not be entitled to retain such foreign currency for a period exceeding ninety (90) days from the date of its repatriation, without converting into Sri Lanka Rupees or crediting into a foreign exchange account that can be opened and maintained by such person in accordance with the provisions of the Foreign Exchange Act, No. 12 of 2017.

3. For the purpose of this Part –

“authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

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**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 of 2017**

Order under Section 31

BY virtue of the powers vested in me by subsection (3) of section 31 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance do by this Order, which shall come into operation with effect from March 22, 2021 determine that such persons as specified in the Schedule hereto shall be residents in Sri Lanka for the purpose of the aforesaid Act.

Order made under section 31 of the Foreign Exchange Act, No. 12 of 2017, published in Gazette Extraordinary No. 2045/56 dated November 17, 2017 is hereby revoked, without prejudice to anything done thereunder.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo 01,
03rd February, 2021

SCHEDULE

1. Any citizen of Sri Lanka or any citizen of a foreign country married to a citizen of Sri Lanka, if such person has been in Sri Lanka for a period of hundred and eighty three (183) days or more in aggregate during the preceding twelve (12) months.
2. Any citizen of Sri Lanka:
 - (a) who has proceeded outside Sri Lanka temporarily on holiday, education, business, medical treatment, or for any other similar reason for a period of not more than hundred and eighty two (182) days in aggregate during the preceding twelve (12) months;
 - (b) who has proceeded outside Sri Lanka on a Student or equivalent Visa granted by another country and for a further period of not more than hundred and eighty two (182) days upon the completion of such studies.
3. Government of Sri Lanka including Government Corporations, Government Institutions, Statutory Boards, Government Agencies and any other State-owned entities.
4. (a) Diplomatic Representatives, Consuls or Trade Commissioners of the Government of Sri Lanka resident outside Sri Lanka (by whatever name or title designated);
 - (b) Any person who is a citizen of Sri Lanka, if he is a member of the staff of any person referred to in sub-paragraph (a) of paragraph 4 above who have been exempted from the requirement of obtaining visa by the visa granting authority;
 - (c) A member of the staff of a Government Corporation, a Government Institution, a Statutory Board, a licensed bank or a Company which is incorporated in Sri Lanka and serving abroad, except for those recruited abroad;
 - (d) Any member of the family of any person determined as being resident in Sri Lanka under sub-paragraph (a), (b) or (c) of paragraph (4) above.

5. Citizens of foreign countries who are resident in or employed in Sri Lanka under the relevant visa issued by the Department of Immigration and Emigration but not passengers in transit to other countries or visitors touring the country for pleasure or business.
6. Following institutions incorporated or registered in Sri Lanka irrespective of the status of the citizenship of the persons owning, controlling or managing such institutions:
 - (a) companies incorporated in Sri Lanka;
 - (b) overseas companies registered under the Companies Act, No. 7 of 2007 including branches of licensed banks incorporated outside Sri Lanka (foreign banks);
 - (c) companies registered as offshore companies;
 - (d) clubs, societies or any other organizations including Non-Governmental Organizations registered in Sri Lanka.
7. Trustees of another country of will trusts or inter-vivos settlements and administrators of estates or executors of last wills when acting solely in that capacity where the deceased at the time of death, or the settler at the time the settlement was made, was a resident in terms of paragraphs 1 to 5, above.
8. Citizens of Sri Lanka who are employed on a Sri Lankan ship, within the meaning of the Merchant Shipping Act, No. 52 of 1971 during the period the individual is so employed.
9. Individuals who are citizens of Sri Lanka or of Sri Lankan origin who do not satisfy the conditions specified in paragraphs 1, 2, 4 or 7 above shall be deemed to be residents in Sri Lanka only for the purpose of opening Personal Foreign Currency Accounts subject to the regulations, orders and directions issued under the Foreign Exchange Act, No. 12 of 2017.

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EXTRAORDINARY**

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(Published by Authority)

**PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949**

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN

Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.

Central Bank of Sri Lanka,
Colombo,
18th February, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as "Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021".
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such exports proceeds into Sri Lanka Rupees.
3. Every exporter of goods shall, until further notice:
 - (i) receive the export proceeds in Sri Lanka in respect of all goods exported within hundred and eighty (180) days from the date of shipment, and
 - (ii) forthwith submit all related documentary evidence on each and every receipt of export proceeds in respect of every export of goods made, to the respective Licensed Commercial Bank or the Licensed Specialised Bank (hereinafter referred to as "Licensed bank") that receives such proceeds in Sri Lanka.

4. Every exporter of goods shall, immediately upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert twenty five per centum (25%) from and out of the total of the said exports proceeds received in Sri Lanka into Sri Lanka Rupees, through a Licensed bank.
5. The requirement of converting the aforesaid twenty five per centum (25%) from and out of the export proceeds received in Sri Lanka, shall continue, until any other percentage as may be determined by the Monetary Board, from time to time.
6. All licensed banks shall be required to mandatorily monitor, strictly, the receipts of exports proceeds in Sri Lanka within the period as stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above, and shall maintain all documentary evidence relating or in connection thereto.
7. All licensed banks shall submit reports to the Director of the Foreign Exchange Department of the Central Bank of Sri Lanka as may be required from time to time and provide unencumbered access to the officers of the Central Bank of Sri Lanka as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and to examine and review all actions taken by such licensed banks in securing full and strict compliance with these Rules.
8. These rules shall apply in respect of all goods exported and where the hundred and eightieth (180th) date from the date of the shipment of such goods falls on any date after these Rules come into force.
9. These Rules shall come into force with immediate effect and from the date hereof.
10. For the avoidance of any doubt, and for the purposes of these Rules, 'Export Proceeds' shall include such proceeds required to be repatriated, into Sri Lanka, under and in terms of the Regulations made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the Extraordinary Gazette No. 2145/49 of the Democratic Socialist Republic of Sri Lanka dated 17.10.2019.
11. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialised Bank" shall have the meaning assigned to them in the provisions of the Banking Act, No. 30 of 1988.

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PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, NO. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN
**Chairman of the Monetary Board and,
 Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
 Colombo,
 09th March, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These rules shall be cited as "repatriation of export Proceeds into sri Lanka rules No. 2 of 2021".
2. Repatriation of export Proceeds into sri Lanka rules No. 1 of 2021 issued by the monetary Board of the central Bank of sri Lanka and published in the Gazette (Extraordinary) Notification No. 2215/39 dated 18th February, 2021, are hereby amended by the repeal of rule 4 thereof and the substitution therefor, of the following new rule.

"4 every exporter of goods shall, within fourteen (14) days upon the receipt of such export proceeds into sri Lanka as required under Rule 3 above, convert Twenty-five per centum (25%) from and out of the total of the said exports proceeds received in sri Lanka into sri Lanka rupees, through a licensed bank.

Provided, however, that such date of conversion, shall not be a date later than the date before which the export proceeds shall be received in sri Lanka as required by rule 3 (i) above (i. e., not later than one hundred and eighty (180) days from the date of shipment.)"

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 02 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers on Current Transactions

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), read with Section 5 of the FEA, Authorised Dealers (ADs) are permitted to carry out current transactions under Section 6 of the FEA, subject to the following.

1. An AD may deal in foreign exchange for current transactions as defined in Section 33 of the FEA, as a principal or as an intermediary, to the extent specified in its respective authorization in terms of Section 4 of the FEA.
2. A person in, or resident in, Sri Lanka may engage in current transactions of such person (including those of his/her spouse, children, or parents, where such person is an individual) involving conversion of Sri Lanka Rupees into foreign exchange or vice versa or in foreign currency.
3. ADs shall release foreign exchange for current transactions upon satisfying themselves with bona-fide and verification of the requests as required by Section 6 (3) of the FEA. An indicative list which provides examples for certain types of current transactions is given in **Schedule I** to these Directions. However, it is not an exhaustive list of current transactions.
4. In assessing the bona-fide and carrying out verification, ADs shall take into account documentary evidence or any other available information relating to the nature of the transaction and beneficiary of the remittance.
5. A guideline to dealing in foreign exchange on current transactions is given in **Schedule II** to these Directions. These transactions cover both payments (outflows) and receipts (inflows) and outward/ inward remittance for any type of current transactions are permitted.
6. ADs shall retain any information or documentation (electronically or in document form) relating to the basis on which each current transaction is undertaken for a period of six years or up to the statutory record keeping period whichever is longer, for verification by the Central Bank.
7. An AD may refuse to deal in foreign exchange for a current transaction for reasons set out in Sections 6 (4) of the FEA subject to complying with Section 6 (5) of the FEA.
8. **For the purposes of these Directions;**
 - (a) **“Electronic Fund Transfer Card”** shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the ADs for the purposes of being compliant with the Directions issued under FEA in respect of Electronic Fund Transfer Cards;
 - (b) **“Emigrant”** means an emigrant as specified in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 03 of 2021;
 - (c) **“Immediate family members”** shall mean, spouse, parents and children;
 - (d) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
 - (e) **“Foreign exchange and Foreign currency”** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017;
 - (f) **“Deal in foreign Exchange”** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017.
9. Directions No. 01 of 2017 dated 20 November 2017 and Directions No. 01 of 2020 dated 19 March 2020 issued to ADs in respect of Current transactions are hereby rescinded.
10. The revocation of previous Directions referred to in Paragraph 9. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
12. These Directions shall come into operation with effect from **22 March 2021**.

Director-Department of Foreign Exchange
18 March 2021

Schedule I to the Directions No. 02 of 2021**AN INDICATIVE LIST OF CURRENT TRANSACTIONS****1. Foreign trade, other current business, including services and banking and credit facilities****1.1 Foreign Trade****1.1.1 Import of Goods into Sri Lanka and Export of Goods from Sri Lanka**

- 1.1.1.1 General merchandise, which includes movable goods.
- 1.1.1.2 Export or import of goods for repairs or processing.
- 1.1.1.3 Goods procured in ports by carriers, such as fuels, provisions, stores and supplies.

1.1.2 Entrepot Trade

- 1.1.2.1 Goods imported and stored in a Customs bonded warehouse or in a designated bonded area until re-exported to a third country.
- 1.1.2.2 Re-packing/re-labelling/simple processing of goods imported carried out in a Customs bonded warehouse or in a designated bonded area before exporting to a third country.
- 1.1.2.3 Offshore business where goods exports directly from one country to another country (i.e., where goods procured from or manufactured in one country and shipped to other country) without goods physically arriving in Sri Lanka.
- 1.1.2.4 Transfers from a ship or aircraft to another within a port in Sri Lanka without cargo taken into a Customs bonded warehouse or in a designated bonded area.

1.2 Other Current Businesses, including Services

- 1.2.1 Manufacturing services on physical inputs owned by others (processing services) which include processing, assembly, labeling and packing.
- 1.2.2 Maintenance and repair services which include repairs and maintenance on ships, air crafts and other transport equipment.
- 1.2.3 Transportation services which include services involving carriage of passengers, movement of goods (freight) and related supporting services including postal, courier, cargo handling and storage services.
- 1.2.4 Travel related to business, education, health, holiday, pilgrimage, seminars, sports, conferences, cultural activities, visits etc. including travel services arranged through travel agents, tour operators or other service providers.
- 1.2.5 Construction services including procurement of goods and services within or outside Sri Lanka related to such construction work thereof.
- 1.2.6 Communication services which include postal, courier, radio and telecommunication services.
- 1.2.7 Insurance, re-insurance, assurance services and other related services (other than life insurance) subject to the local/international regulations relating to insurance.
- 1.2.8 Financial services that cover financial intermediation and auxiliary services including commissions and fees for letters of credit/lines of credit/foreign exchange transactions /consumer and business credit services/ brokerage services/ factoring services/ underwriting services/arrangements of hedging instruments/financial market operational and regulatory services/ security custody services, payment clearing charges, credit rating fees, trust fees and other intermediary service fees.
- 1.2.9 Telecommunication, computer and information services which include broadcasting and transmission services, business network services, computer hardware and software services, system maintenance and other support services (installation, repair, related licenses to use etc.), design and programing, warranty claims, renewal fees and data processing or web hosting services.
- 1.2.10 Royalties and other business-related fees which include license fees, franchise fees, management fees, product support service fees, entrance fees termination fees and cancellation charges.
- 1.2.11 Charges for the use of intellectual proprietary rights such as patents, trademarks, copy rights, industrial processes, designs including trade secrets, franchises, brand names, exclusive rights for title sponsorships media licenses and other transferrable contracts.
- 1.2.12 Other business services, which include research and development services, professional and management consultancy services, technical, architectural, and engineering services and other trade related services (including commissions, merchanting (entrepot), vessel operations by local shipping companies in the international waters and disbursement of foreign crew wages thereof, procurement of provisions, related statutory payments, rentals for charter of ships, aircraft or containers).

- 1.2.13 Operating leasing (rental) services where such lease rentals limited to not more than twelve months of such lease rentals in any calendar year.
- 1.2.14 Personal, cultural, and recreational services including audiovisual and related services.
- 1.2.15 Fees and charges which include membership subscriptions, registration and participation fees in global conferences/ seminars/courses, university/examination fees, honorarium payments, coordination charges, commitment fees, charges for international publications.
- 1.2.16 Other services which include all services between Governments, International and regional Organizations and public and private Institutions, such as embassy expenses, visa fees, skills or credential assessment fees, medical examination fees and processing fees on visa registration of documents and other related fees.
- 1.2.17 Other current businesses which include the following:
- 1.2.17.1 Refundable deposits or securities to be placed in advance by residents in Sri Lanka in favor of residents outside Sri Lanka or vice-versa, with respect to an underlying current transaction.
 - 1.2.17.2 Refund of payments to residents outside Sri Lanka (received as inward remittances with respect to an underlying current transaction) upon cancellation of the respective business, service agreements or contracts between the parties.
 - 1.2.17.3 Release of retention money to foreign contractors upon completion of projects or contracts in Sri Lanka, which are undertaken in respect of resident employer companies/ institutions.
 - 1.2.17.4 Remittance of funds by;
 - 1.2.17.4.1 Shipping, Airline Agencies and Freight Forwarders in Sri Lanka as freight and passage collections in Sri Lanka Rupees, to the respective foreign principals with whom such service providers have agency agreements.
 - 1.2.17.4.2 Visa service/ processing centers (which are not diplomatic missions) as collections of visa fees in Sri Lanka Rupees or in foreign exchange, to the Foreign affairs Ministries, Foreign embassies, or foreign agencies in overseas with whom such service provider has valid agreements.
 - 1.2.17.4.3 Educational/ Training Institutions registered in Sri Lanka as collections of examination or registration fees of local students in Sri Lanka Rupees or in foreign exchange, as may be applicable, to the foreign universities/ institutes /colleges with whom such Educational Institutions have valid agreements.
 - 1.2.17.4.4 Overseas company registered under the Companies Act, No. 07 of 2007 (as amended), as reimbursement of expenses/ refund of funds in respect of Overseas company operations in Sri Lanka, to the parent company in overseas.
 - 1.2.17.4.5 Companies incorporated in Sri Lanka affiliated to Multinational Companies (MNCs), as intercompany charges (in respect of an underlying current transaction), to such MNCs.
 - 1.2.17.4.6 Resident project companies to the respective donor/ funding agencies in overseas, being unspent or unutilized portion of the funds received as inward remittances, in respect of donor funded projects undertaken in Sri Lanka, subject to other applicable laws of the country.

1.3 Banking and Credit facilities

- 1.3.1 *Letters of Credit (LCs)*
ADs may issue, extend the validity period and amend clauses of LCs, when such LCs are established in terms of the provisions of the Uniform Custom Practice (UCP) for Documentary Credits of International Chamber of Commerce, in order to facilitate international trade transactions, subject to the condition that any article of UCP or part thereof is inconsistent with any laws and regulations prevailing in Sri Lanka which are applicable to and binding on the AD such laws and regulations shall prevail to the extent of such inconsistency.
- 1.3.2 *Interest payments on foreign supplier credit facilities*
ADs may remit payment of interest for the credit facilities offered to importers of goods by the foreign suppliers of such goods (i.e., in respect of payment terms involving a credit facility offered to the local importer) not exceeding the prevailing international rates of interest for the currency in which the credit is provided and, not beyond the credit period offered or the actual settlement date, whichever comes first.

2. Interest on Loans and Net Income from Other Investments

- 2.1 *Investment income, which includes dividends, interest, rental income and profits*
- 2.2.1 Investment income derived from permitted investments made in or outside Sri Lanka. In the event where any income derived from permitted investments made in Sri Lanka, such income shall be routed through an Inward Investment Account (IIA) in terms of the Regulations and Directions issued under FEA applicable for IIAs.

2.1.2 Payment of loan interest, commitment fees, loan administration and other related fees and charges in respect of loans permitted under the provisions of the FEA or the repealed Exchange Control Act, which shall be routed through an IIA or External Commercial Borrowing Account, as may be applicable.

3. Payments for amortization of Loans

3.1 Payments falling due in respect of loan agreements where the amounts and timing of repayment of capital and interest payments are in accordance with the terms and conditions of loans permitted under the provisions of the FEA or the repealed Exchange Control Act.

4. Remittances for family living expenses and compensation of employees

4.1 Family Living expenses

4.1.1 Inward remittances, by citizens of Sri Lanka working abroad.

4.1.2 Remittances of funds for maintenance of families or dependents (parents, spouse, children) living abroad excluding for emigrants.

4.1.3 Remittances of funds by emigrants for maintenance of families or dependents (parents, spouse, children) living abroad, subject to the Regulations and Directions issued under FEA applicable for Capital Transaction Rupee Accounts (CTRAs).

4.2 Compensation to Expatriate employees

4.2.1 Remittances to expatriate employees (irrespective of the nationality) which include wages, salaries, allowances and other employment benefits including pension or provident fund contributions and reimbursement of living and employment related expenses paid by the employers or sale proceeds of Motor Vehicles acquired by such expatriate while being employed in Sri Lanka.

4.2.2 Remittances as payments or reimbursement of accumulated salaries, employment, or other related benefits of former or current expatriate employees directly to expatriates' account in overseas or to designated International Pension funds/ schemes or to Parent Companies in overseas.

5. Miscellaneous Current Transfers

5.1 Government transfers relating to gifts of food, clothing and other consumer goods, medical supplies, payments for technical assistance staff, associated with relief efforts.

5.2 Fines, penalties, charges and claims imposed by courts of law and other Government or Institutional regulatory bodies on non-compliances or violations and payments of compensations, compulsory payments awarded, or settlements related to liquidation/ arbitration or other disputes agreed at the Courts of law.

5.3 Current payment of taxes including refunds of taxes subject to the local/ international laws and regulations applicable for taxes.

Schedule II to the Directions No. 02 of 2021

GUIDELINE TO DEALING IN FOREIGN EXCHANGE FOR CURRENT TRANSACTIONS

1. Trade Payments

1.1 Merchandise Exports

1.1.1 General Policy

1.1.1.1 Payments for merchandise exports which generate foreign exchange earnings to the country are permitted, subject to the trade policy of the Government.

1.1.1.2 Export proceeds shall be credited to any Sri Lanka Rupee account or to a Business Foreign Currency Account opened and maintained by the exporter with an AD.

1.1.2 Commissions and Claims

1.1.2.1 Remittances of commissions to agents abroad with respect to merchandise exports or business transactions secured by a resident in Sri Lanka where such export proceeds or inward remittances have been repatriated to Sri Lanka.

1.1.2.2 Remittances for claims to foreign buyers in respect of quality and quantity deficiencies of goods exported, where the export proceeds have been received in Sri Lanka.

1.1.3 Return or cancellation of Inward remittances - ADs may return or refund inward remittances received in Sri Lanka for merchandise exports and later recalled by the buyer/sender in overseas, where such export orders have not been completed or funds have been received in excess or unutilized.

1.2 Merchandise Imports

1.2.1 General Policy - Payments for imports of goods are permitted, subject to the trade policy of the Government.

- 1.2.2 Import payments to designated third parties-** ADs shall release foreign exchange for payments by importers of goods to designated third parties in overseas, in respect of goods supplied by another foreign supplier (as per agreed sales contracts between buyers and sellers).
- 1.3 Entrepot Trade**
- 1.3.1 General Policy**
- 1.3.1.1** Payments for importation of goods for re-export purposes under entrepot trade are permitted through the banking system other than through the Electronic Fund Transfer Cards, subject to the trade policy of the Government.
- 1.3.1.2** Payments for importation of goods under entrepot trade shall be less than the corresponding payment that would be received, ensuring a sufficient margin to the local trader (intermediary) to cover value-added costs, other local charges including bank charges, and profits.
- 2. Service Payments**
- 2.1 General Policy -** Payments for services falling under current transactions are freely permitted.
- 2.2 Return or cancellation of Inward Remittances -** ADs may return inward remittances received in Sri Lanka and later recalled by the sender, where funds have been received in excess or unutilized, etc.
- 3. General**
- 3.1 Release of Foreign exchange for Travel purpose**
- 3.1.1** ADs may issue foreign currency notes as a part of travel allowance to persons resident in Sri Lanka who are travelling abroad for the purposes which include travel for leisure and holidays, sports, recreational and cultural activities, visits for relatives and friends, pilgrimage, business purposes, training, medical and for studying abroad (in the event of persons under student visas this allowance shall be supported by documentary evidence from relevant Educational Institutions or Foreign government authorities, as may be applicable), up to a maximum of USD 5,000 or its equivalent in other foreign currency, with an appropriate endorsement made on the passport issued by the Controller General of Immigration and Emigration of Sri Lanka (CGIM) where such person is a citizen of Sri Lanka.
- 3.1.2** ADs may issue a reasonable amount of foreign exchange to the Sri Lankans who are Permanent Residents in another country or dual citizens where such persons are currently working or residing in Sri Lanka but travels to the country to which they have obtained Permanent Residency (PR) or citizenship being travel allowance up to a maximum of USD 5,000 or its equivalent in other foreign currency or issuing of a Foreign Travel Card, subject to the Regulations and Directions issued under FEA applicable for CTRAs.
- 3.2 Release of foreign exchange to persons who intends to leave Sri Lanka under Temporary Resident (TR) visas**
ADs may issue a reasonable amount of foreign exchange to persons resident in Sri Lanka who intends to leave Sri Lanka under TR visas (other than a TR visa that entitles the individual to obtain PR or citizenship in that country at a future date), being basic allowance in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021.
- 3.3 Foreign Travel Cards**
- 3.3.1** ADs may issue Foreign Travel Cards (FTCs) to persons resident in Sri Lanka who are eligible to obtain travel allowance in foreign currency when leaving Sri Lanka for travelling abroad, upon appropriate endorsement on the passport issued by the CGIM, with regard to the issuance of FTC.
- 3.3.2** A FTC shall be issued by debiting any Sri Lanka Rupee account or a foreign currency account where permission has been granted to issue foreign exchange for travel purpose.
- 3.3.3** At the request of the holder of FTC (hereinafter referred to as the 'holder') or upon the lapse of 90 days from the date of return of the holder to Sri Lanka, whichever the date that comes first, the unutilized value remaining in FTC;
- (a) may be withdrawn in Sri Lanka Rupees by the holder or credited to a Sri Lanka Rupee account of the holder; or
 - (b) may be credited to a Personal Foreign Currency Account (PFCA) or a Business Foreign Currency Account (BFCA) or any other foreign currency account, if the FTC had been loaded by debiting such foreign currency account, up to the amount that had been debited.
- 3.3.4** An FTC shall not be reloaded if the holder is in overseas except in the event where such holder is a person resident in Sri Lanka who has proceeded outside Sri Lanka for studying abroad under student visas (i.e., student) which shall be subject to the Paragraph 3.3.5 below.
- 3.3.5** ADs may upload FTCs issued to students upon verifying *bona-fide* and obtaining necessary documentary evidence issued by the respective foreign universities /educational institutions or foreign government authorities, as may be applicable, with regard to the relevant living expenses of such students in overseas

3.4 Payment Cards

ADs may issue Electronic Fund Transfer Cards (EFTCs), i.e., credit/debit/stored value cards, to a person in, or resident in Sri Lanka for making payments in foreign exchange to persons resident outside Sri Lanka for personal nature current transactions, i.e., for the purposes of the holder of EFTC or their immediate family member. The issuance and usage of EFTCs shall be subject to the Directions and Guidelines issued by the Central Bank in that regard.

3.5 Remittances of funds in advance to obtain Student Visa

3.5.1 ADs may remit funds in advance to meet living expenses of persons residing in Sri Lanka who has applied for student visa (student visa approved in principle), as per the requirements of certain Governments of the foreign States, upon verifying bona-fide of the transaction and obtaining necessary documentary evidence to that effect.

3.5.2 ADs shall verify that remittances are being made to an account of the student in a regulated Financial Institution outside Sri Lanka, opened in terms of the permission granted under the provisions of the FEA.

3.5.3 ADs shall make appropriate endorsement on the passport of such student specifying the details of remittance, including the amount and purpose.

3.6 Remittances of funds in respect of Sri Lankans who have proceeded outside Sri Lanka for Educational purpose

3.6.1 ADs may remit funds to the respective lending institutions in overseas (i.e., banks, financial institutions, universities or educational institutions) for repayment of loans by parents or guardians in Sri Lanka where such loans have been obtained by Sri Lankan citizens who have proceeded outside Sri Lanka for educational purpose (i.e., students) for meeting tuition/living expenses and other educational related expenses upon verifying bona-fide of the transaction and obtaining necessary documentary evidence in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021.

3.7 Reconversion of unspent Rupees - ADs may reconvert into foreign currency of any unspent Sri Lanka Rupees of persons resident outside Sri Lanka on the production of relevant encashment receipts issued by ADs/ Restricted Dealers.

CENTRAL BANK OF SRI LANKA**DIRECTIONS NO. 03 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017****Directions issued to Authorised Dealers on Electronic Fund Transfer Cards (EFTCs)**

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 5, 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to issue EFTCs to persons in, or resident in Sri Lanka for making payments in foreign exchange to persons resident outside Sri Lanka, subject to the following.

2. ADs shall ensure that EFTCs issued to persons in, or resident in Sri Lanka (hereinafter referred to as "card holders") may be used for making payments to persons resident outside Sri Lanka only in respect of current transactions of personal nature other than for the use of payments for purposes specified in Paragraph 10.1 of these Directions.
3. In addition, ADs are also permitted to issue **Debit Cards** to the following persons against funds held in the respective accounts of such cardholders.
 - (a) A person resident in Sri Lanka who has proceeded outside Sri Lanka temporarily for business, education or medical purposes
 - (b) A holder of a Business Foreign Currency Account (BFCA)
 - (c) A holder of a Personal Foreign Currency Account (PFCA)
 - (d) A holder of a Diplomatic Foreign Currency Account (DFCA) or a Diplomatic Rupee Account (DRA)
 - (e) A holder of an Inward Investment Account (IIA)
 - (f) A holder of a Capital Transaction Rupee Account (CTRA)
 - (g) A holder of an Emigrant's Remittable Income Account (ERIA)
 - (h) A holder of a Non-Resident Rupee Account (NRRA)
 - (i) A holder of a Resident Guest Rupee Current Account (RGRCA)
 - (j) A holder of a Senior Foreign Nationals' Rupee Account (SFNRA)
4. ADs may issue **Credit Cards** to the following persons, upon implementing necessary internal controls and mechanisms to mitigate the credit risk.

- (a) To foreign citizens who hold diplomatic passports and/or diplomatic identity cards issued by the Ministry of Foreign Affairs in Sri Lanka.
 - (b) To persons resident outside Sri Lanka only up to a limit of 90% of funds available in the foreign currency accounts in Sri Lanka of such person held as collateral/ security; where settlement of expenditure incurred on such credit cards shall be settled through inward remittances from abroad, with funds held in the foreign currency accounts or from ERIA, if available.
 - (c) To Sri Lankans who have obtained dual citizenship in Sri Lanka and in any other country while being a resident in Sri Lanka subject to the expenditure incurred on such credit cards shall be settled through inward remittances from abroad, with funds held in the foreign currency accounts or in ERIA (if available) or from Sri Lanka Rupee earnings of the card holder.
5. ADs shall ensure that **EFTCs** issued to card holders specified in Paragraphs 3. and 4. of these Directions shall be used subject to the following.
- (a) Any payment in Sri Lanka Rupees, in Sri Lanka is permitted other than for the use of payments for investments in Sri Lanka;
 - (b) Any payment to a person resident outside Sri Lanka for any purpose is freely permitted, where an EFTC is issued to a;
 - (i). A holder of a PFCA being a person resident outside Sri Lanka
 - (ii). A holder of a DFCA
 - (iii). A holder of an IIA
 - (iv). A holder of an ERIA
 - (c) Any payment to a person resident outside Sri Lanka for a current transaction of personal nature is permitted (other than for the use of payments for purposes specified in Paragraph 10.1 of these Directions), where an EFTC is issued to a;
 - (i). A holder of a BFCA
 - (ii). A holder of a PFCA being a person resident in Sri Lanka
 - (iii). A person resident in Sri Lanka who has proceeded outside Sri Lanka temporarily for business, education or medical purposes
 - (iv). A holder of a NRRA being a firm or a company established/ incorporated outside Sri Lanka
 - (v). A holder of a DRA
 - (vi). A holder of a RGRCA
 - (vii). A holder of a SFNRA
 - (d) Any payment to a person resident outside Sri Lanka for a capital transaction of the holder of the EFTC is permitted, where such card is issued to a;
 - (i). A holder of a BFCA
 - (ii). A holder of a PFCA being a person resident in Sri Lanka
6. ADs may issue EFTCs to companies/ institutions incorporated or registered in Sri Lanka (i.e., corporates), in the names of designated employees or directors of such corporates who are persons resident in Sri Lanka, as per an approved internal procedure for making any payment in foreign exchange related to current transactions of such corporate other than for the use of payments for purposes specified in Paragraph 10.1 below.
7. ADs shall issue EFTCs to persons in, or residents in Sri Lanka subject to the condition that, if the cardholder migrates or leaves Sri Lanka for permanent residence or employment abroad, the card issued to such person in Sri Lanka shall be surrendered to the card issuing bank, except in the event that an EFTC is issued for making settlements in foreign exchange against funds held in the BFCAs, PFCAs, DFCAs, DRAs, IIAs, ERIAs or on the basis that outstanding amounts are settled through inward remittances.
8. ADs shall make aware cardholders to keep evidence up to the statutory record keeping requirement in respect of withdrawal of foreign currencies using a debit card or obtaining cash advance through a credit card, that such currencies have been utilized for the transactions permitted under these Directions.
9. ADs shall direct cardholders to seek prior written permission of the Director-Department of Foreign Exchange, for any payment to a person resident outside Sri Lanka through an EFTC for any purpose which falls outside the purview of these Directions.

10. Other Conditions

- 10.1 ADs shall ensure that EFTCs issued to cardholders shall not be used for the following:

- a. Dealings in foreign exchange (Forex Trading);
- b. Payments related to virtual currency transactions;
- c. Payments related to betting, gaming and gambling activities outside Sri Lanka;
- d. Payments for import of goods to Sri Lanka for commercial purpose subject to the Regulations and Operating Instructions issued under the Import and Export (Control) Act, No. 01 of 1969 and any amendments thereto.

10.2 ADs shall apprise and communicate prevailing regulations on EFTCs in these Directions to the card holder in writing (electronically or in document form) in a preferred language of communication and obtain a declaration from such card holder as per the **Annex I** at the time of issuance of EFTCs.

10.3 ADs shall ensure that only permitted transactions as specified in these Directions are carried out by cardholders using EFTCs.

10.4 ADs shall exercise due diligence and take immediate actions to suspend payments/cash withdrawals in foreign exchange from EFTCs and bring the matter to the attention of Director - Department of Foreign Exchange, if reasonable grounds exist to suspect that any cardholder makes payments/cash withdrawals in foreign exchange for purposes not permitted by these Directions.

10.5 ADs shall identify each cardholder's transactions in foreign exchange and in Sri Lanka Rupees, separately.

10.6 ADs shall not issue EFTCs as supplementary cards to persons resident outside Sri Lanka unless where the primary card holders are also persons resident outside Sri Lanka. Issuance and usage of supplementary cards shall be subject to the terms and conditions set out in these Directions.

10.7 ADs shall at all times verify and take appropriate measures in accordance with these Directions in respect of change in the residential status of the card holders who have proceeded outside Sri Lanka for working abroad or for educational purposes.

10.8 The EFTCs already issued under the provisions of the repealed Exchange Control Act, shall be subject to the terms and conditions set out in these Directions.

11. Monthly Reporting - ADs shall submit details of all transactions irrespective of value in respect of cardholders who have made payments in foreign exchange, inclusive of cash withdrawals in foreign currency, to the Director-Department of Foreign Exchange only electronically through the Foreign Exchange Transactions Monitoring System – FOREX Net on monthly basis.

12. ADs shall retain any information or documentation relating to issuance and renewal of EFTCs including **Annex I** and **Annex II** hereof, for a period of six years or up to the statutory record keeping period whichever is longer, for verification by the Central Bank of Sri Lanka.

13. For the purposes of these Directions

- (i). "**Electronic Fund Transfer Card (EFTC)**" shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the ADs for the purposes of being compliant with the provisions of the FEA;
- (ii). "**Debit Card**" shall mean, a payment card that may be used to withdraw cash and/or execute payments for purchase of goods and services, by directly debiting from the credit balance of the cardholder's account;
- (iii). "**Credit Card**" shall mean, a payment card which involves a line of credit granted by the issuer to the card holder, where the credit utilized can be settled in full or in part on or before a specified date. The issuer may charge interest or other charges on any amount not settled on the specified date;
- (iv). "**Personal nature**" shall mean, only for the use of the holder of the card, spouse, children and parents;
- (v). "**Current transactions**" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (vi). "**Capital transactions**" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (vii) "**Virtual currency**" is a digital representation of value that can be digitally traded and functions as a medium of exchange; and/or a unit of account; and/or a store of value, but does not have legal tender status in any jurisdiction and is not issued nor guaranteed by any jurisdiction;
- (viii) "**Persons residents in Sri Lanka**" shall be determined in terms of the Order issued under Section 31 of the Foreign Exchange Act, No. 12 of 2017.

14. Directions No. 02 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to issuance of EFTCs to persons in or resident in Sri Lanka, are hereby rescinded.
15. The revocation of previous Directions referred to in Paragraph 14. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
16. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
17. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I to the Directions No. 03 of 2021

(To be included in the Electronic Fund Transfer Card (EFTC) application or EFTC agreement that the cardholder/s enter/s into with the bank)

CENTRAL BANK OF SRI LANKA

Declaration by the Applicant/s for Electronic Fund Transfer Cards

To: Director-Department of Foreign Exchange

(To be filled by the Applicant/s to obtain foreign exchange against Credit/Debit or any other Electronic Fund Transfer Card)

I/We..... (Primary/Supplementary Cardholder), (Primary/ Supplementary Cardholder) declare that all details given above by me/us on this form are true and correct.

I/We hereby confirm that I/ We am/ are aware of the terms and conditions applicable for the use of Electronic Fund Transfer Cards (EFTCs) as detailed in the **Directions No. 03 of 2021 dated 18 March 2021 (Annexed)** issued under the provisions of the **Foreign Exchange Act, No. 12 of 2017** (the FEA) subject to which the card may be used for transactions in foreign exchange and I/We hereby undertake to abide by the said conditions.

I/ We further agree to provide any information on transactions carried out by me/ us in foreign exchange on the card issued to me/ us as.....(bank) may require for the purpose of the FEA.

I/ We am/ are aware that the bank is required to suspend availability of foreign exchange on EFTC if reasonable grounds exist to suspect that foreign exchange transactions which are not permitted in terms of the annexed Directions issued under the provisions of the FEA are being carried out on the EFTC issued to me/us and to report the matter to the Director - Department of Foreign Exchange.

I/ We also affirm that I/ We undertake to surrender the EFTCs to the bank, if I/ We migrate or leave Sri Lanka for permanent residence or employment abroad, as applicable. **Further, I/we also agreed to notify my/our change in residential status to the bank, if any, accordingly.**

.....
DD.MM.YY

.....
Signature of the Primary Cardholder

.....
Signature of the Supplementary Cardholder

Annex II to the Directions No. 03 of 2021

(To be filled by the Authorised Officer on behalf of(bank) when issuing/ authorizing Electronic Fund Transfer Cards to eligible persons)

CENTRAL BANK OF SRI LANKA**Declaration by the Authorised Dealer for Electronic Fund Transfer Cards****To: Director - Department of Foreign Exchange**

I, as the Authorised Officer of the bank have carefully examined the information together with relevant documents given by the applicant/s and satisfied with the bona-fide of these information and documents. Further, I as the Authorised Officer of the bank undertake at all times, to exercise due diligence on the transactions carried out by the cardholder on his/ her EFTC in foreign exchange and to suspend the availability of foreign exchange on the EFTC if reasonable grounds exist to suspect that foreign exchange transactions which are not permitted in terms of **Directions No. 03 of 2021 dated 18 March 2021** issued under the provisions of the **Foreign Exchange Act, No. 12 of 2017** are being carried out on the EFTC, in violation of the undertaking given by the card holders and to **bring the matter to the attention of the Director - Department of Foreign Exchange**.

..... DD.MM.YY

..... Signature of the Authorised Officer

DEPARTMENT OF FOREIGN EXCHANGE**CENTRAL BANK OF SRI LANKA****DIRECTIONS NO. 04 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017****Directions issued to Authorised Dealers on Personal Foreign Currency Accounts (PFCAs)**

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No.05 of 2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017 (the FEA), read with Sections 5, 6, 7 and 8 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain PFCAs, subject to the following.

1.1 Eligible Persons

- (a) An individual including a minor who is a Sri Lankan National;
- (b) An individual of Sri Lankan origin including a minor who is a resident outside Sri Lanka;
- (c) A non-national resident in Sri Lanka including a minor;
- (d) A non-national either on temporary visit to Sri Lanka or intending to visit Sri Lanka; and
- (e) An administrator or executor of the estate of a deceased person who maintained a PFCA with an AD until the completion of the administration of the deceased person's estate.

1.2 Opening and Maintaining the Accounts

- (a) PFCAs may be opened and maintained as savings, current (without overrawing facility) or term deposit accounts in any designated foreign currency in the domestic banking unit.
- (b) PFCAs may be held as joint accounts with another eligible person. However, non-nationals either on temporary visit to Sri Lanka or intending to visit Sri Lanka are not eligible to open and maintain these accounts as joint accounts.
- (c) In the event a PFCA is to be opened in the name of a minor who is a Sri Lankan national or of Sri Lankan origin and residing outside Sri Lanka, such accounts shall be opened by crediting remittances in foreign exchange received from their parents, grandparents or guardians who are residents outside Sri Lanka or transferring funds from existing PFCAs of parents, grandparents or guardians.
- (d) A new PFCA may also be opened for an individual with a deposit of foreign currency notes brought back to the country being unutilized travel allowance by such individual where such foreign currency has been purchased from an AD or a Restricted Dealer for the purpose of travelling abroad, subject to establishing bona-fide and exercising due diligence of the underlying transaction by the AD.

1.3 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka in favour of the account holder through the banking system;

- (b) transfers from a PFCA of the same account holder and/or immediate family members;
- (c) transfers from a PFCA or an account maintained in the Offshore Banking Unit (OBU) of a person resident outside Sri Lanka, in respect of a current transaction;
- (d) transfers from other PFCAs or accounts maintained in the OBU, irrespective of the account holder where both parties are persons resident outside Sri Lanka, excluding for the purposes of sale/ acquisition of investments or assets in Sri Lanka;
- (e) unutilized foreign currency obtained for travel purpose by the account holder and/or immediate family member;
- (f) foreign exchange brought into Sri Lanka by the account holder on a declaration to Department of Customs where such foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to the AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;
- (g) unutilized balance remaining in the Foreign Travel Card (FTC) of the account holder or his/her immediate family members, up to the amount such FTC had been funded from the same PFCA of the account holder;
- (h) transfers from a Business Foreign Currency Account (BFCA), Inward Investment Account (IIA) or an account maintained in the OBU of the same account holder;
- (i) transfers from a Diplomatic Foreign Currency Account of a person resident outside Sri Lanka, in respect of supply of goods and services;
- (j) coupon income, sale/maturity proceeds and any other related receipts arising from investments made in Sri Lanka Development Bonds (SLDBs) in foreign currency, if the original investment had been made by debiting the PFCA of the account holder;
- (k) transfers from an Outward Investment Account (OIA) being any income or capital proceeds received from outward investments, where such investments had been made by debiting the PFCA of the same account holder or by utilizing the funds transferred to an OIA from the PFCA of the same account holder, proportionately to the contributions;
- (l) transfers from an OIA of another person (i.e. buyer) being proceeds from sale of a permitted investment in overseas to such buyer, where the original investment had been made by debiting the same PFCA of the account holder;
- (m) where account holder is an emigrant resident outside Sri Lanka or an emigrant leaving Sri Lanka (initially or subsequently), transfer of eligible migration allowance and current income derived in Sri Lanka from the Capital Transactions Rupee Account (CTRA) or Emigrants' Remittable Income Account (ERIA), if available, of the account holder;
- (n) where account holder is a non-national resident in or outside Sri Lanka (including a minor) transfer of funds correspondence to permitted debits stated in Paragraph 5 (c) of the Directions No. 16 of 2021 dated 18 March 2021 on CTRAs;
- (o) where account holder is employed in Sri Lanka being a non-national or a dual citizen; transfers from BFCAs, accounts maintained in the OBU or Sri Lanka Rupee Accounts of the employer or of the Employees' Provident Fund, Employees' Trust Fund or any other approved provident funds declared by the Commissioner General of Labour in respect of salaries, employment and retirement benefits or any other payments due to such employee;
- (p) transfers from a PFCA of a deceased person; where the account holder is a nominee or an administrator or executor of the estate of such deceased person as eligible under item (e) of Paragraph 1.1 above;
- (q) in respect of an existing account holder being a person resident in Sri Lanka who is nominated as a beneficiary; transfers from an IIA of an administrator/executor of the estate of a deceased person or a receiver/ liquidator of a Company;
- (r) where account holder is a citizen of Sri Lanka rendering services outside Sri Lanka to an overseas employer; transfers from a BFCA of a company incorporated in Sri Lanka which has arrangements with the overseas employer for the disbursement of wages and/ or earnings to the account holder;
- (s) where account holder is a citizen of Sri Lanka working abroad in a vessel/ air craft owned by a local shipping/ airline company; transfers from a BFCA or an account maintained in the OBU of such local shipping/ airline company (i.e., employer) in respect of crew salaries/ wages and other related employment and retirement benefits;
- (t) maturity proceeds including interest on the Special Deposit Accounts (SDAs) opened and maintained by the account holder in terms of the Regulations and Directions issued under FEA applicable for SDAs; and
- (u) interest earned in foreign currency on the funds held in the account.

1.4 Permitted Debits

- (a) any outward remittances made outside Sri Lanka in respect of current transactions of the account holder and/or immediate family members who are persons resident in Sri Lanka;
- (b) any outward remittances made outside Sri Lanka in respect of capital transactions of the account holder being a person resident in Sri Lanka;

- (c) any outward remittances made outside Sri Lanka for any purpose where account holder is a person resident outside Sri Lanka;
- (d) disbursements in Sri Lanka in Sri Lanka Rupees;
- (e) transfers to a PFCA of the same account holder and/or immediate family members;
- (f) transfers to a BFCA or an account maintained in the OBU of the same account holder;
- (g) transfers to a PFCA or an account maintained in the OBU, of a person resident outside Sri Lanka in respect of a current transaction;
- (h) transfers to other PFCAs or accounts maintained in the OBU, irrespective of the account holder where both parties are persons resident outside Sri Lanka, excluding for the purposes of acquisition of investments or assets in Sri Lanka;
- (i) payments for making investments in SLDBs in foreign currency utilizing funds in the PFCA of the account holder;
- (j) transfers to an OIA of another person (i.e. seller) being payments for purchase of a permitted investment in overseas which have been made by the seller through the same OIA;
- (k) withdrawal in foreign currency notes up to USD 5,000 or equivalent in any other foreign currency or transfer of funds for uploading a FTC for travel purpose of the account holder and/or immediate family members (per person) in terms of the Directions issued under FEA in respect of current transactions;
- (l) transfer of funds for repayment/ service of loans and advances obtained by the account holder in terms of the Directions No. 10 of 2021 dated 18 March 2021 on Loans and Advances to Sri Lankans Employed Abroad (other than emigrants);
- (m) transfer of funds to a Foreign Currency Loan Account (FCLA) or to an LKR Loan Account (LLA) of the same account holder for the repayment/ service of loans obtained in terms of the Directions No.11 of 2021 dated 18 March 2021 on Loans to Sri Lankans, resident outside Sri Lanka on Permanent Residency Visa in another country and dual citizens;
- (n) where account holder is a non-national resident outside Sri Lanka who is on temporary visit to Sri Lanka, withdrawals in foreign currency;
- (o) where account holder is a person resident outside Sri Lanka or a non-national resident in Sri Lanka transfers to an IIA of the same account holder;
- (p) where account holder is a non-national or a dual citizen employed in Sri Lanka being; transfers to BFCAs, accounts maintained in the OBU or Sri Lanka Rupee Accounts of the employer in respect of overpayment of salaries, employment and retirement benefits or any other payment due to such employer;
- (q) where account holder is a citizen of Sri Lanka working abroad in a vessel/ aircraft owned by a local shipping/ airline company; transfers to a BFCA or an account maintained in the OBU of such local shipping/ airline company (i.e., employer) being overpayment of crew salaries/ wages and other related payment due to such employer;
- (r) where account holder is a citizen of Sri Lanka working abroad; transfers to BFCAs of the Insurance Companies regulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL) being insurance payments in respect of insurance policies issued to secure foreign currency denominated housing loans granted to the account holder; and
- (s) outward remittance of funds for any purpose of the account holder, where such funds have been remitted to Sri Lanka in terms of the Section 8 (3) of the FEA.

2. Reporting Requirement

- (a) ADs shall submit a report as per the **Annex I** on a monthly basis to this department on or before the 15th day of the following month by email to dfem@cbsl.lk.
 - (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirement.
3. ADs shall require prior permission of the Director- Department of Foreign Exchange, for any transaction or transfer to/ from PFCAs for any purpose which falls outside the purview of these Directions.
4. **For the purpose of these Directions;**
- (a) **“Immediate family members”** shall mean, spouse, parents and children;

-
- (b) "**Remittances**" shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
 - (c) "**Current transactions**" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
 - (d) "**Capital transactions**" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
5. Directions No. 03 of 2017 dated 20 November 2017 and Directions No. 07 of 2020 dated 07 October 2020 issued to ADs specifying requirements related to operating PFCAs are hereby rescinded.
 6. The revocation of previous Directions referred to in Paragraph 5. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
 7. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
 8. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Monthly Statement of Personal Foreign Currency Accounts (PFCAs)

Name of the Bank:
Reporting Month & Year:

Type of Currency	No. of Accounts	Opening Balance			Credits			Debits			Closing Balance		
		Inward remittances from abroad	Transfers from other accounts	Total interest credited	Other credits	Total	Outward remittances made outside Sri Lanka	Transfers to other accounts	Other debits	Repayment of loans and advances under the scheme of loans and advances to Sri Lankans employed abroad	Transfer of funds to loan accounts of Sri Lankans, resident outside Sri Lanka on PR in another country and dual citizens	No. of Accounts	No. of Amount
AUD													
CAD													
CHF													
Other Designated Foreign Currency *													

*You may extend the rows needed for other designated foreign currencies.

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer :
Signature & Seal :
Date :Name of the Compliance Officer :
Signature :
Date :

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 05 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 5,6,7 and 8 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain BFCAs, subject to the following.

1.1 Eligible Persons

- (a) The following persons resident in Sri Lanka who earn foreign exchange from a resident outside Sri Lanka: -
 - (i) An individual resident in Sri Lanka;
 - (ii) A sole proprietorship or partnership registered in Sri Lanka where the proprietor or majority of partners are residents in Sri Lanka (in case of a partnership with two partners, at least one partner shall be a resident in Sri Lanka);
 - (iii) A company incorporated in Sri Lanka;
 - (iv) A company incorporated outside Sri Lanka which is registered as an overseas company under the Companies Act No. 7 of 2007;
 - (v) A State Institution with the recommendation of the Secretary to the relevant line Ministry or appropriate Authority;
 - (vi) An administrator or executor of the estate of a deceased person, who maintained a BFCA with an AD, until the completion of the administration of the deceased persons estate; and
 - (vii) A receiver or liquidator, of a company that maintained a BFCA with an AD, until proceedings are concluded.
- (b) A Non-Governmental Organization shall not be permitted to open and maintain a BFCA.

1.2 Opening and Maintaining the Accounts

- (a) BFCAs may be opened and maintained as savings, current or term deposit accounts in any designated foreign currency in the domestic banking unit.
- (b) ADs shall obtain documentary evidence including the authorization by the relevant authority/ies, if any, at the time of opening a BFCA to determine the applicant's eligibility to open and maintain a BFCA in respect of earnings in foreign exchange from a person resident outside Sri Lanka.
- (c) A BFCA shall not be overdrawn, except by way of an overdraft facility granted under the Directions No. 09 of 2021 dated 18 March 2021 on Accommodations to BFCA holders.
- (d) ADs shall not credit BFCAs with charges and deposits that are collected as local fees or charges which are not components of freight, where the account holder is a shipping agent or General Sales Agent (GSA) licensed by the Director General of Merchant Shipping or Director General of Civil Aviation Authority of Sri Lanka, respectively.
- (e) Under any circumstance Sri Lanka Rupees shall not be converted into foreign currency and be credited into a BFCA.

1.3 Permitted Credits

- (a) remittances received in foreign exchange from abroad through the banking system in respect of, export of goods and services, entrepot trade, overseas projects undertaken by the account holder and goods and services supplied locally to a person resident outside Sri Lanka;
- (b) foreign exchange accepted by the account holder in Sri Lanka in respect of goods and services supplied by such person to a person resident outside Sri Lanka;
- (c) foreign exchange brought into Sri Lanka by the account holder on a declaration to Department of Customs where such foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to the AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;
- (d) transfers from a Personal Foreign Currency Account (PFCA), BFCA or an account maintained in the Offshore Banking Unit (OBU) of the same account holder;
- (e) transfers from an account maintained in the OBU of a person resident outside Sri Lanka in respect of a current transaction;

- (f) where account holder is a local shipping/ airline company; transfers from PFCA of a citizen of Sri Lanka working abroad (employee) in vessels/ aircrafts owned by the account holder being overpayment of crew salaries/ wages and other related payments due from such employee;
- (g) transfers from a Diplomatic Foreign Currency Account of a person resident outside Sri Lanka, in respect of supply of goods and services;
- (h) where account holder is a shipping agent or a GSA in Sri Lanka; remittances received in foreign exchange through the banking system from the respective foreign principal or from a designated third party on behalf of the foreign principal for the purposes under the respective agency agreements;
- (i) where account holder is a shipping agent or a GSA in Sri Lanka; freight and passenger fares collected in foreign exchange by the agent on behalf of the foreign principal, by way of a bank transfer or bank draft issued by an AD in Sri Lanka against a BFCA or an account maintained in the OBU;
- (j) where account holder is a company incorporated in Sri Lanka which has arrangements with an overseas employer for disbursement of wages and/or earnings to Sri Lankan citizens who are rendering services outside Sri Lanka; remittances received in foreign exchange from abroad through the banking system from the respective overseas employers or transfers from an account maintained in the OBU of such overseas employer;
- (k) payments received in foreign exchange by the account holder who is carrying permitted business under duty-free concessions, being consideration for goods or services supplied to passengers (irrespective of the residential status) arriving in or departing from Sri Lanka at a port or airport in Sri Lanka;
- (l) any income or capital proceeds of any foreign asset of the account holder, where such asset had been acquired by debiting the BFCA;
- (m) transfers from an Outward Investment Account (OIA) being any income or capital proceeds received from outward investments, where such investments had been made by debiting the BFCA of the same account holder or by utilizing the funds transferred to an OIA from the BFCA of the same account holder, proportionately to the contributions;
- (n) transfers from an OIA of another person (i.e. buyer) being proceeds from sale of a permitted investment in overseas to such buyer, where the original investment had been made by debiting the same BFCA of the account holder;
- (o) coupon income, sale/ maturity proceeds and any other related receipts arising from investments made in Sri Lanka Development Bonds (SLDBs) in foreign currency, if the original investment in SLDBs had been made by debiting the BFCA of the account holder;
- (p) unutilized foreign currency obtained by the account holder debiting the BFCA in terms of the items (e), (f) and (g) of paragraph 1.4 of these Directions;
- (q) unutilized balance remaining in the Foreign Travel Card (FTC) of the account holder, up to the amount such FTC had been funded from the same BFCA of the account holder;
- (r) where account holder is an Insurance company regulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL); insurance premia received on foreign currency denominated insurance policies issued to eligible customers and co-insurers and claims received from re-insurers and National Insurance Trust Fund (NITF);
- (s) where account holder is an employer; transfers from a PFCA of a non-national or a dual citizen employed in Sri Lanka (i.e. employee) being overpayment of salaries, employment and retirement benefits or any other payment due from such employee;
- (t) where account holder is a property developer; transfer of funds from an Inward Investment Account (IIA) of a person resident outside Sri Lanka (i.e. investor) being payments received from sale of immovable property to such investor;
- (u) where account holder is a property developer; transfer of funds from a Foreign Currency Loan Account (FCLA) being payments received from a Sri Lankan resident outside Sri Lanka on Permanent Residency visa in another country or a dual citizen, as permitted by the Directions No. 11 of 2021 dated 18 March 2021;
- (v) remittances originating outside Sri Lanka from the account holder in terms of Section 8(3) of the FEA;
- (w) transfers from other BFCA or accounts maintained in the OBU in respect of supply of goods and services by the account holder being a category of persons listed in **Annex I**; and
- (x) interest earned in foreign currency on the funds held in the account.

1.4 Permitted Debits

- (a) any outward remittances made outside Sri Lanka in respect of current transactions and capital transactions of the account holder;
- (b) disbursements in Sri Lanka in Sri Lanka Rupees;
- (c) transfers to a PFCA, BFCA or an account maintained in the OBU of the same account holder;
- (d) transfers to an account maintained in the OBU of a person resident outside Sri Lanka in respect of a current transaction;
- (e) withdrawal in foreign currency notes up to USD 5,000 (or equivalent in any other foreign currency) or transfer of funds for uploading an FTC for travel purpose of the account holder in terms of the Directions No. 02 of 2021 dated 18 March 2021 on Current transactions;
- (f) withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) at a time by Gem and jewelry dealers for the purpose of purchasing cut and polished or rough gemstones and other raw materials abroad upon submission of confirmation obtained from the National Gem and Jewelry Authority;
- (g) where account holder is a shipping agent or a GSA in Sri Lanka; withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) per vessel per call as Cash-to-Masters, against inward remittance received from the foreign principal or from designated third parties on behalf of the foreign principal, on a request with the reasons acceptable to the AD;
- (h) transfers to External Commercial Borrowing Account (ECBA) of the same account holder (i.e. borrower) for the purpose of repayment/ service of a foreign currency loan obtained from a lender in overseas;
- (i) debt servicing expenses and repayment of foreign currency accommodations obtained by the account holder from an AD including transfer of funds to a BFCA Loan Account;
- (j) transfers to an IIA of a lender in overseas, being repayment of foreign currency loans obtained from such lender during the period from 20 November 2017 to the date of these Directions by the account holder (i.e. borrower);
- (k) transfers in respect of making investments in SLDBs in foreign currency utilizing funds in the BFCA of the account holder;
- (l) transfers to an OIA of another person (i.e. seller) being payments for purchase of a permitted investment in overseas which have been made by the seller through the same OIA;
- (m) where account holder is an Insurance company registered with the IRCSL; payments of claims to eligible customers and co-insurers in respect of foreign currency denominated policies, premia to local or overseas re-insurers and NITF and brokerage charges;
- (n) where account holder is an investee, tenant, lessee or a buyer, transfers to an IIA being payments of any income or capital proceeds attributed to capital transactions in Sri Lanka of such holder of the IIA, as permitted under the Regulations and Directions issued under the FEA applicable for IIAs;
- (o) where account holder is a company incorporated in Sri Lanka which has arrangements with an overseas employer for disbursement of wages and/ or earnings to Sri Lankan citizens who are rendering services outside Sri Lanka; transfers to PFCAs or Sri Lanka Rupee accounts of the respective employees;
- (p) where account holder is local shipping/ airline company; transfers to PFCAs of Sri Lankan citizens working abroad in the vessels/ aircrafts owned by such shipping/ airline company being payment of crew salaries/ wages and other related employment benefits;
- (q) transfers to other BFCA or accounts maintained in the OBU in respect of purchase of goods and obtaining services by the account holder being a category of persons listed in **Annex I**; and
- (r) outward remittance of funds for any purpose of the account holder being an individual, where such funds have been remitted to Sri Lanka in terms of the Section 8 (3) of the FEA;

1.5 Other Conditions

- (a) ADs shall require to obtain a written confirmation on payments received in respect of goods sold and services rendered by the account holder to a person resident outside Sri Lanka where payments for such goods and services have been made through an Electronic Data Capture Terminal or Internet Payment Gateway (EDC/IPG), by using an Electronic Fund Transfer Card (EFTC) issued outside Sri Lanka, provided that the AD shall credit such payment into a BFCA only upon

written confirmation by the EDC /IPG provider stating that it contains payments made using an EFTC issued outside Sri Lanka.

- (b) where account holder is a shipping agent or a GSA in Sri Lanka, repatriation of surplus funds to the foreign principal shall only be permitted, only upon a written confirmation obtained from the account holder (i.e. agent) to the effect that adequate funds have been retained in the BFCA, to meet all local liabilities of the foreign principal in Sri Lanka including tax payable to the Government and the agency commission.
- (c) where account holder is a company incorporated or registered in Sri Lanka; ADs may issue foreign currency notes up to a maximum of USD 5,000 (or equivalent in other foreign currency) per individual (being an employee of such company) for the purpose of travelling abroad of such employee by debiting the BFCA of the account holder (employer), subject to the Directions No. 02 of 2021 dated 18 March 2021 on Current transactions.
- (d) where account holder is a property developer (i.e., seller), funds credited to the BFCA in terms of item (t) of Paragraph 1.3 of these Directions may be held as collateral/ security by the AD for the issuance of a Bank Guarantee or a Standby Letter of Credit favoring the purchaser of the property who is a resident outside Sri Lanka on behalf of the seller, subject to the terms and conditions specified in the Directions No. 20 of 2021 dated 18 March 2021 on Issuance and Renewal of Guarantees.

2. Reporting Requirement

- (a) ADs shall submit a report as per the **Annex II** on a monthly basis to this department on or before the 15th day of the following month by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.
- 3. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction or transfer to/ from BFCAs for any purpose which falls outside the purview of these Directions.

4. For the purpose of these Directions;

- (a) **"Remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
- (b) **"Rendering services outside Sri Lanka"** shall include providing services abroad in seagoing vessels/ ships, commercial aircrafts and also providing construction, janitorial, health, security, accounting, legal and other services in foreign countries;
- (c) **"Current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (d) **"Capital transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (e) **"Non-Governmental Organization"** shall mean a voluntary social service organization registered under the National Secretariat for Non-Governmental Organizations in terms of the Voluntary Social Service Organizations [Registration and Supervision] Act, No. 31 of 1980 and any amendment thereto;
- (f) **"Foreign exchange and Foreign Assets"** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017;
- (g) **"Shipping Agent"** shall mean a person authorised to carry on business as a shipping agent in Sri Lanka on behalf of a foreign shipping line (foreign principal) with a valid license or authorization letter issued by the Director General of Merchant Shipping of Sri Lanka;
- (h) **"Foreign shipping line"** shall mean any shipping line within the meaning of the Licensing of Shipping Agency Act, No. 10 of 1972 (as amended) which is a resident outside Sri Lanka;
- (i) **"General Sales Agent"** shall mean a person authorised to carry on business as a general sales agent in Sri Lanka on behalf of a foreign airline (foreign principal) with a valid license or authorization letter issued by the Director General of Civil Aviation Authority of Sri Lanka;
- (j) **"Foreign airline"** shall mean any "foreign air operator" within the meaning of the Civil Aviation Act, No. 14 of 2010 (as amended) which is a resident outside Sri Lanka;

- (k) “**Port Terminal operators**” shall include Airport & Aviation Services (Sri Lanka) Ltd., Sri Lanka Ports Authority, South Asia Gateway Terminals (Pvt) Ltd. and Colombo International Container Terminals Ltd;
- (l) “**Person**” means any natural or legal person.
5. Directions No. 04 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to operating of BFCAs are hereby rescinded.
6. The revocation of previous Directions referred to in Paragraph 5. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
7. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
8. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I to the Directions No.05 of 2021

Category of Persons

1. Exporters of goods (Merchandise)
2. Exporters of professional services
3. Persons who engage in the business of Entrepot trade as intermediaries
4. Travel Agents and Tour Operators
5. Hotels and Restaurants
6. Gem and Jewelry Dealers
7. Foreign Employment Agencies
8. Freight Forwarders and Other logistic service providers licensed/authorised by Director General of Merchant Shipping of Sri Lanka
9. Shipping Agents licensed/authorised by Director General of Merchant Shipping of Sri Lanka
10. General Sales Agents licensed/authorised by Director General of Civil Aviation Authority of Sri Lanka
11. Bunker operators licensed by the relevant line Ministry
12. Port Terminal Operators
13. Airline Terminal service providers
14. Food and Beverages suppliers to Shipping lines and Airlines
15. Duty free shops (who engage in permitted business to supply goods and services under duty free concessions)

Monthly Statement of Business Foreign Currency Accounts (BFCAAs)

Name of the Bank:
Reporting Month & Year:

Category of the Account	Currency	Balance as at beginning of the month	CREDITS				DEBITS				Total Number of A/ICs as at end of the month
			Inward Remittances	Transfers From other Accounts	Total Interest Credited	Outward Remittances	To Other Accounts	Debt servicing expenses and repayment of foreign currency accommodations and transfer of funds to BFCA Loan Account	Local Disbursement/ Transfer to Rupee Accounts	Transfers to investment in SLDBs in foreign currency	
Exporters of goods											
Exporters Professional Service											
Persons who engage in the business of Export/Trade as intermediaries											
Travel Agents/ Tour operators											
Hotels & Restaurants											
Gem & Jewellery Dealers											
Insurers											
Foreign Employment Agencies											
Freight Forwarding & other logistic service providers											
Shipping agency											
General sales agency (airline)											
Bunker operators licensed by the relevant line Ministry											
Port Terminal Operators											
Airline Terminal service providers											
Food and Beverages suppliers to Shipping lines and Airlines											

Companies having arrangements with overseas employers for disbursement of wages to Sri Lankans rendering services abroad;				
Duty free shops (who engage in permitted business to supply goods and services under duty free concessions)				
Other (Specify the Category)				
Total				

Note : Please provide information on different types of designated currencies in all accounts (EUR, USD, GBP, Other (pls specify))

: Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/ generated from the books of accounts of the bank is accurate.

Name and Designation of the Authorised Officer :.....

Signature and Seal :.....

Date :

Name of the Compliance Officer :.....

Signature :.....

Date :

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 06 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions Issued to Authorised Dealers on Diplomatic Foreign Currency Accounts (DFCAs) and Diplomatic Rupee Accounts (DRAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017 (the FEA) read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain DFCAs and DRAs, subject to the following.

1.1 Eligible Persons

- (a) Foreign Diplomatic Missions;
- (b) Diplomatic personnel who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration; and
- (c) Family members of Diplomatic personnel in Sri Lanka who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

1.2 Opening and Maintaining the Accounts

- (a) DFCAs and DRAs may be opened and maintained as savings, current (without overdrawing facility) or term deposit accounts in the domestic banking unit.
- (b) DFCAs and DRAs may be maintained in any designated foreign currency and in Sri Lanka Rupees, respectively.
- (c) DFCAs and DRAs maintained by individuals may be held as sole or joint accounts with another eligible person.

1.3 Diplomatic Foreign Currency Accounts (DFCAs)

1.3.1 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system;
- (b) foreign exchange brought into Sri Lanka by the account holder, upon submission of adequate information/evidence to the AD, enabling ADs to comply with Anti-Money Laundering & Countering the Financing of Terrorism (AML/CFT) laws;
- (c) transfers from an Inward Investment Account (IIA) or an account maintained in the Offshore Banking Unit (OBU) of the same account holder;
- (d) transfers from DFCAs and DRAs, irrespective of the account holder; and
- (e) interest earned in foreign currency on the funds held in the account.

1.3.2 Permitted Debits

- (a) any outward remittances made outside Sri Lanka;
- (b) withdrawals in foreign currency for travel purposes;
- (c) disbursements in Sri Lanka in Sri Lanka Rupees;
- (d) transfers to an IIA or an account maintained in the OBU of the same account holder;
- (e) transfers to DFCAs and DRAs, irrespective of the account holder; and
- (f) transfers to Personal Foreign Currency Accounts (PFCAs), Business Foreign Currency Accounts (BFCAs) of any other person in respect of purchases of goods and services.

1.4 Diplomatic Rupee Accounts (DRAs)

1.4.1 Permitted Credits

- (a) remittances received from outside Sri Lanka in favor of the account holder through the banking system;
- (b) collection of visa fees, refunds/ reimbursements of salary and other similar payments due to the account holder from any person in Sri Lanka;
- (c) sale proceeds of motor vehicles owned by the account holder, derived in Sri Lanka upon submission of documents listed in **Annex I** by the account holder;
- (d) transfers from an IIA of the same account holder;

- (e) transfers from DFCAs and DRAs, irrespective of the account holder; and
- (f) interest earned in Sri Lanka Rupees on the funds held in the account.

1.4.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees;
- (b) outward remittances in respect of current transactions of the account holder including visa fees, refunds, reimbursements;
- (c) outward remittances in respect of sale proceeds of motor vehicles owned by the account holder;
- (d) transfers to an IIA of the same account holder;
- (e) transfers to DFCAs and DRAs, irrespective of the account holder; and
- (f) any other transaction in foreign exchange as approved by the relevant line Ministry.

2. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/ transfer to/ from DFCAs/ DRAs for any purpose which falls outside the purview of these Directions.

3. For purposes of these Directions

- (a) **"Diplomatic Mission"** means an embassy, high commission, consulate, permanent mission of United Nations Organization ,European Union delegation of the European Commission, International Monetary Fund, International Bank for Reconstruction and Development, Asian Development Bank or any other similar organization which has been recognized as a diplomatic mission by the Protocol Division of the Ministry of Foreign Affairs (MFA) from time to time;
 - (b) **"Diplomatic personnel"** means citizens of a foreign country represented by the diplomatic mission;
 - (c) **"Remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
 - (d) **"Current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
4. Directions No. 05 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to operating of DFCAs and DRAs are hereby rescinded.
5. The revocation of previous Directions referred to in Paragraph 4. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
6. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
7. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I to the Directions No.06 of 2021

Documents to be obtained when crediting sale proceeds of Motor Vehicles to DRAs

- i. Certificate of Registration of the Motor Vehicle in the name of the seller.
- ii. Statement of change of possession of Motor Vehicle- Documentary evidence to prove the ownership of the Motor Vehicle was transferred to the buyer.
- iii. A letter from the buyer confirming the price of the vehicle.
- iv. A duty valuation from the Department of Public Finance.
- v. A Letter from the relevant line Ministry authorizing the transfer of the vehicle.
- vi. Calculation of custom duties and other charges by the Department of Customs.
- vii. Department of Customs - Goods declaration form.
- viii. Department of Customs - Assessment Report.

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 07 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Senior Foreign Nationals' - Special Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain following accounts in favour of senior foreign nationals who are over 55 years of age and wish to a prolonged stay in Sri Lanka on resident visas under "**Sri Lanka – My Dream Home programme**" implemented by the Department of Immigration and Emigration (Implementing Agency) in their domestic banking units, subject to the following.

2. Types of Accounts

- (a) Senior Foreign Nationals' Fixed Deposit Accounts – Foreign Currency (**SFNFDAs**)
- (b) Senior Foreign Nationals' Rupee Accounts (**SFNRA**s)

3. Opening and Maintaining the Accounts

- (a) SFNFDAs shall be opened as a fixed deposit account with a minimum initial deposit of USD 15,000 or its equivalent in any other foreign currency. This minimum deposit shall be maintained as long as the applicant stays in Sri Lanka under the resident visas.
- (b) SFNRA may be opened and maintained as a current account in Sri Lanka Rupees with monthly remittances of USD 1,500 or its equivalent in any other foreign currency for the principal applicant and USD 750 or its equivalent in any other foreign currency for each accompanying spouse or dependent child for their upkeep in Sri Lanka.

4. Senior Foreign Nationals' Fixed Deposit Accounts (SFNFDAs)

4.1 Permitted Credits

- (a) Minimum initial deposit of USD 15,000 or its equivalent in any other foreign currency brought into the country by the applicant in either of following mechanisms:
 - i. remittances in foreign exchange received from outside Sri Lanka through the banking system in favour of the account holder; or
 - ii. foreign exchange brought into Sri Lanka by the account holder upon declaration, for upkeep in Sri Lanka; or
 - iii. transfers from Inward Investment Accounts or accounts maintained in the Offshore Banking Unit of the same account holder.
- (b) interest earned in foreign currency on the funds held in the account.

4.2 Permitted Debits

- (a) withdrawals from SFNFDAs shall only be permitted at the time that the account holder decides to terminate his stay in Sri Lanka, upon obtaining documentary evidence to ensure such departure. Funds may be released as follows:
 - i. remittances of funds to an account maintained outside Sri Lanka in the name of the account holder or to a designated third party.
 - ii. withdrawals in foreign currency notes up to USD 10,000.
- (b) transfer of interest earned on SFNFDAs to the SFNRA of the account holder.

5. Senior Foreign Nationals' Rupee Accounts (SFNRAs)

5.1 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka through the banking system in favour of the account holder or foreign exchange brought into Sri Lanka by the account holder for upkeep in Sri Lanka as required in Paragraph 3 (b) above.
- (b) interest paid on the funds in the SFNDA of the account holder as per Paragraph 4.2 (b), converted into Sri Lanka Rupees.

5.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees of the account holder or his dependents residing in Sri Lanka.

(b) remittances for payments in respect of current transactions of the account holder or his dependents residing in Sri Lanka.

6. Monthly Returns

(a) ADs shall submit reports as per the **Annex I** and **Annex II** on a monthly basis to this department on or before the 15th day of the following month by email to dfem@cbsl.lk.

(b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.

7. Persons eligible to open special accounts under these Directions shall only maintain one SFNFDA and SFNRA in the banking system and such accounts may be held as joint accounts with the accompanying dependents.

8. ADs shall require prior permission of the Director-Department of Foreign Exchange with the concurrence of the Implementing Agency of the scheme, for any transaction/transfer to/from SFNFDA or SFNRA for any purpose which falls outside the purview of these Directions.

9. For the purpose of these Directions

(a) "**Remittances**" shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;

(b) "**Declaration**" shall refer to the declaration to the Department of Customs where foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to an AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;

(c) "**Current transactions**" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

10. Directions No. 07 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to on operating of SFNFDA and SFNRA are hereby rescinded.

11. The revocation of previous Directions referred to in Paragraph 10. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

13. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Monthly Statement of Senior Foreign Nationals' Fixed Deposit Account (SFNFDAs)

Name of the Bank:

Reporting Month & Year:

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer : Name of the Compliance Officer :

Signature _____
Signature & Seal _____

Date:

Annex II of the Directions No. 07 of 2021

Monthly Statement of Senior Foreign Nationals' Rupee Account (SFNRA)

Name of the Bank:

Reporting Month & Year:

In | Rk

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/ generated from the books of accounts of the bank is accurate.

Name of the Compliance Officer:.....

Signature & Seal:

Signature:

Date:

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 08 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Resident Guest Scheme - Special Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain following accounts in the names of prospective investors and professionals who come to Sri Lanka under '**Resident Guest Scheme**' implemented by the Department of Immigration and Emigration (Implementing Agency) in their Domestic Banking Units, subject to the following.

2. Types of Accounts

- (a) Resident Guest Foreign Currency Accounts (**RGFCAs**)
- (b) Resident Guest Rupee Current Accounts - Investors (**RGRCAAs - Investors**)
- (c) Resident Guest Rupee Current Accounts – Professionals (**RGRCAAs - Professionals**)

3. Opening and Maintaining the Accounts

- (a) RGFCAs shall be opened as a fixed deposit account by the prospective investors with a minimum initial deposit of USD 250,000 or its equivalent in any other foreign currency for investments in Sri Lanka.
- (b) RGRCAAs - Investors shall be opened and maintained as current accounts with a minimum sum of USD 35,000 or its equivalent in any other foreign currency per person for living expenses (upkeep) in Sri Lanka of such investor and each dependent accompanied by him (including spouse) and converted into Sri Lanka Rupees.
- (c) RGRCAAs - Professionals shall be opened and maintained as current accounts with a minimum sum of USD 2,000 or its equivalent in any other foreign currency per month for the professional intending to reside in Sri Lanka and a further sum of USD 1,000 or its equivalent in any other foreign currency per month for each dependent accompanied by him (including spouse), for living expenses in Sri Lanka, and converted into Sri Lanka Rupees.

4. Resident Guest Foreign Currency Accounts (RGFCAs)

4.1 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka through the banking system in favour of the account holder.
- (b) foreign exchange brought into Sri Lanka by the account holder upon declaration.
- (c) interest on the unutilized funds held in the account initially for a period of two years (No interest shall be paid after the expiry of the initial two years period without having prior approval of the Implementing Agency, to that effect).

4.2 Permitted Debits

- (a) withdrawal of funds for investment in the following "approved projects" subject to production of documentary proof of obtaining relevant approvals.
 - i. New ventures approved by the Board of Investment in Sri Lanka or a relevant authority.
 - ii. Existing or new companies engaged in projects approved by a relevant authority.
 - iii. Shares listed in the Colombo Stock Exchange.
- (b) transfer of funds in excess of USD 250,000 or its equivalent in other designated foreign currencies brought into the country and held in the account as unutilized; to an account maintained outside Sri Lanka in the name of the same investor.
- (c) transfer of interest earned on the uninvested funds held in the account as stated in Paragraph 4.2 (b) above, to the RGRCA of the same investor.

5. Resident Guest Rupee Current Accounts - Investors (RGRCAAs – Investors)

5.1 Permitted Credits

- (a) Sri Lanka Rupee proceeds of remittances in foreign exchange received from outside Sri Lanka through the banking system or foreign exchange brought into Sri Lanka by the account holder upon declaration as required by the Paragraph 3 (b) above, for living expenses (upkeep) in Sri Lanka of the investor and each dependent accompanied by him.

- (b) interest paid on the funds in the RGFCAs of the investor as per Paragraph 4.2 (c) above, converted into Sri Lanka Rupees.
- (c) income (dividends, profits) and sale proceeds from investments acquired utilizing funds in the RGFCAs.

5.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees of the investor and his dependents.
- (b) investments in approved projects mentioned in Paragraph 4.2 (a) above.
- (c) remittances for payments in respect of current transactions of the investor or his dependents residing in Sri Lanka.

6. Resident Guest Rupee Current Accounts – Professionals (RGRCAs- Professionals)

6.1 Permitted Credits

- (a) Sri Lanka Rupee proceeds of remittances in foreign exchange received from outside Sri Lanka through the banking system or foreign exchange brought into Sri Lanka by the account holder upon declaration as required by the Paragraph 3(c) above, for living expenses (upkeep) in Sri Lanka of the professional and each dependent accompanied by him.
- (b) salary, consultancy fees, etc. received from provisioning of professional services in Sri Lanka by the account holder.

6.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees of the account holder and his/her dependents.
- (b) remittances for payments in respect of current transactions of the professional or his dependents residing in Sri Lanka.
- (c) withdrawal of any unutilized funds held in the account or transfer of such unutilized funds to an account maintained outside Sri Lanka in the name of the same professional, at the time of departure.

7. Monthly Returns

- (a) ADs shall submit quarterly statements as per the **Annex I** and **Annex II** for RGFCAs and RGRCAs – Investors, respectively, not later than the 15th day of the following quarter and monthly statements as per the **Annex III** for RGRCAs - Professionals not later than the 15th day of the following month by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.

8. ADs shall require prior permission of the Director- Department of Foreign Exchange with the concurrence of the Implementing Agency of the scheme, for any transaction/ transfer to/ from RGFCAs, RGRCAs – Investors or RGRCAs - Professionals for any purpose which falls outside the purview of these Directions.

9. For the purpose of these Directions

- (a) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
- (b) **“Declaration”** shall refers to the declaration to the Department of Customs where foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to an AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;
- (c) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

10. Directions No. 06 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to operating of Resident Guest Scheme special accounts are hereby rescinded.

11. The revocation of previous Directions referred to in Paragraph 10. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

13. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I of the Direction No. 8 of 2021

Quarterly Statement of Resident Guest Foreign Currency Accounts (RGFCA)

Name of the Bank:

Reporting Quarter & Year:

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted from the books of accounts of the bank is accurate.

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Date:

Date:

Annex II of the Directions No. 8 of 2021

Quarterly Statement of Resident Guest Rupee Current Account - Investors (RGRCA- Investors)

Name of the Bank:

Reporting Quarter & Year:

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/ generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer:

Signature & Seal

Date:

Annex III of the Directions No. 8 of 2021

Monthly Statement of Resident Guest Rupee Current Accounts- Professionals (RGRCA-Professionals)

Name of the Bank:

Reporting Month & Year:

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/ generated from the books of accounts of the bank is accurate.

Names & Designation of the Authorized Officer:

8

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 09 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Accommodations to Business Foreign Currency Accounts (BFCAs) holders

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to extend accommodations in foreign currency from their domestic banking units to holders of BFCAs (hereinafter referred to as 'borrowers'), subject to the following.

2. Purposes of granting Accommodations

- 2.1 To utilize for any purpose in Sri Lanka.
- 2.2 To make payments in respect of current transactions of the borrower.
3. Accommodations shall be extended only to holders of BFCAs being earners in foreign exchange who have established, to the satisfaction of the AD, that the borrower receives regular cash flows in foreign exchange during its normal course of business to service the loan in full, on time.
4. ADs shall prudently assess the credit risk, particularly on the ability of the BFCA holders to service such accommodations out of their existing or expected foreign exchange cash flows and shall maintain records to support their assessment.
5. A 'BFCA Loan Account' (BLA) shall be opened in the name of the borrower for the purpose of disbursing/ crediting the loan proceeds. Debits and credits of BLA shall be confined to the following.

5.1. Permitted Credits to BLA

- a. proceeds of accommodations disbursed in foreign currency by the AD in terms of these Directions.
- b. transfer of funds from a BFCA or an account maintained in Off-shore Banking Unit (OBU) of the borrower, for the purpose of servicing/ repayment of accommodations under these Directions.
- c. in the event where BFCA holder obtained a short-term borrowing from a person resident outside Sri Lanka (i.e. foreign lender); inward remittances or transfer of funds from and an Inward Investment Account (IIA) or an account maintained in the OBU of the foreign lender being loan proceeds.

5.2. Permitted Debits to BLA

- a. outward remittances in respect of current transactions of the borrower.
- b. repayment of the accommodations obtained under these Directions.
- c. remittance/ transfer of funds to an account maintained outside Sri Lanka or an IIA or an account maintained in the OBU of the lender, for the purpose of servicing/repayment of the loans obtained as stated in the Paragraph 5.1. c. above of these Directions.
- d. transfer of funds to an account maintained in the OBU of the borrower for the settlement of other accommodations obtained by the borrower from the OBU.
- e. disbursement in Sri Lanka in Sri Lanka Rupees.
6. ADs (i.e., lender) may also extend accommodations under these Directions to the borrowers upon obtaining a Bank Guarantee (BG) or a Standby Letter of Credit (SBLC) from another AD (i.e., issuer) favoring the lender, where such BG/ SBLC is issued against funds held in the BFCA of the borrower maintained with the issuer, as per the Directions No. 20 of 2021 dated 18 March 2021 on Issuance and Renewal of Guarantees in respect of current and capital transactions and subject to the terms and conditions of these Directions.

7. Recovery of Accommodations

- 7.1. ADs shall carry out recovery of accommodations in Sri Lanka Rupees, as a last resort where necessary, when recovery of such accommodations in foreign currency is remote. In this regard ADs shall;
 - a. require converting the foreign currency denominated accommodations into Sri Lanka Rupee denominated accommodations.

- b. satisfy and required to maintain necessary documentary evidence to the effect that borrowers do not receive sufficient foreign exchange cashflows from its normal course of business to service the accommodations/ installments thereof, full on time, as agreed in the respective agreements.

8. Other Conditions

- 8.1. ADs shall ensure that under no circumstance, proceeds of accommodations in foreign currency granted to the borrowers and short-term foreign currency loans obtained from overseas by such borrowers, be utilized for capital transactions outside Sri Lanka.
- 8.2. In addition to granting accommodations to BFCA holders in terms of these Directions, a BLA may be opened for the purposes specified in Paragraphs 5.1. c. and 5.2. c. of these Directions, subject to other terms and conditions as specified in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
- 8.3. ADs shall maintain documentary evidence obtained at the time of granting the accommodations beyond any statutory record keeping requirement, until such accommodations are fully settled. Once accommodations are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement from the date of the full settlement.
- 8.4. ADs shall furnish monthly statements on accommodations extended under these Directions to the Director-Department of Foreign Exchange as per the **Annex I** on or before the 15th day of the following month by email to dfem@cbsl.lk.

- 8.5. Terms and conditions and recovery of accommodations that have been granted to foreign exchange earners under the provisions of the repealed Exchange Control Act or the Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.

9. For the purposes of these Directions

- (a) **“Accommodations”** shall have the same meaning as per the Banking Act Directions No. 03 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning and any amendment thereto;
 - (b) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
 - (c) **“Capital transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
 - (d) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/ houses in foreign currency from abroad, other than currency notes;
 - (e) **“Short term borrowings”** shall refer to the loans obtained from a resident outside Sri Lanka (i.e. foreign lender) for a tenor of less than three years by the BFCA holder as permitted by the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
10. Directions No. 09 of 2017 dated 20 November 2017 and Directions No. 03 of 2020 dated 03 April 2020 issued to ADs specifying requirements related to loans to BFCA holders, are hereby rescinded.
11. The revocation of previous Directions referred to in Paragraph 10. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
13. These Directions shall come into operation with effect from 22 March 2021.

Director

Department of Foreign Exchange

18 March 2021

Annex I to the Direction No. 09 of 2021

Monthly Statement of Accommodations to Business Foreign Currency Accounts (BFCAs) holders

Name of the Bank:

Reporting Month & Year:

Table 1: Accommodations- Performing

Type of Currency	No. of accommodations at the beginning of the month	Outstanding Balance as at the beginning of the month	Disbursements during the month	Repayments (Capital)	No. of accommodations at the end of the month	Outstanding Balance as at end of the month
AUD						
CAD						
CHF						
Other designated foreign currency *						

* You may extend the rows needed for other designated foreign currencies

Table 2: Details of the BFCA Loan Accounts (BLA)

Proceeds of accommodations	Transfers from BFCA or OBU for repayments	Total	Outward remittances in respect of current transactions	Transfer of funds to an account in the OBU	Debits	
					Disbursements in LKR	Total

Table 3: Recovery of Accommodations

Name of the Borrower	Loan Account No.	Currency Code	Loan amount granted in FCY (in USD)	Tenor of the Loan	Amount Defaulted in FCY (in USD)	Amount Recovered in LKR as a last resort	Outstanding Loan balances as at End of the Month in LKR
						As Loan Instalments	As Loans balances in Full (upon converted to LKR denominated loans)

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above
We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer

Signature & Seal

Date

Name of the Compliance Officer

Signature :

Date :

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 10 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers on Loans and Advances to Sri Lankans Employed Abroad (other than emigrants)

In terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to grant loans and advances denominated in foreign currency or in Sri Lanka Rupees from their domestic banking units to Sri Lankans employed abroad (other than emigrants) who maintain Personal Foreign Currency Accounts (PFCAs) (hereinafter referred to as 'borrowers'), subject to the following.

2. Purposes of granting Loans and Advances

- 2.1 To utilize for any purpose in Sri Lanka.
- 2.2 To make payments in respect of current transactions of the immediate family members of the borrower who are residents in Sri Lanka.
3. Loans and advances shall be granted after assessing the credit risk, particularly considering the borrower's ability to repay the loans and advances in foreign currency.
4. Proceeds of the loans and advances denominated in foreign currency or in Sri Lanka Rupees, shall be disbursed in Sri Lanka Rupees to the credit of a 'PFCAs Loan Account' (PLA) except in the event where borrower requests AD to transfer such loan proceeds to a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit (OBU) of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.
5. PLA shall be opened in the name of the borrower and shall be operated confined to the following credits and debits.

5.1. Permitted Credits to PLA

- a. proceeds of loans and advances disbursed in Sri Lanka Rupees by the AD in terms of these Directions.
- b. remittances from abroad through the banking system in favour of the borrower or funds transferred from PFCAs, Inward Investment Accounts or accounts maintained in OBU of the borrower, for the purpose of service/ repayment of loans and advances.

5.2. Permitted Debits to PLA

- a. disbursement in Sri Lanka in Sri Lanka Rupees.
- b. outward remittances in respect of current transactions of the immediate family members of the borrower who are residents in Sri Lanka.
- c. repayment of loans and advances obtained under these Directions.
6. Loans and advances shall be repaid in foreign currency through inward remittances or by utilizing funds available in the PFCAs or any other foreign currency account of the borrower, as long as said borrower is employed abroad.
7. In the event where borrower discontinued or ceased his/her overseas employment and becomes a resident in Sri Lanka, any outstanding loan/ advance balance (including loans /advances denominated in foreign currency which required to be converted in to a Sri Lanka Rupee loan/ advance) may be serviced in Sri Lanka Rupees; subject to verifying necessary documentary evidence regard to cessation of employment of such borrower.

However, entire balances available in the PFCAs or any other foreign currency accounts of the borrower shall be fully utilized prior to servicing the loans and advances in Sri Lanka Rupees.

8. These loans and advances may also be granted to Sri Lankans employed abroad, jointly with an immediate family member who is a person resident in Sri Lanka, where the mortgaged property is owned by such person resident in Sri Lanka, under the normal banking procedure. However, such loans and advances shall be serviced by the Sri Lankans employed abroad subject to terms and conditions in these Directions.

9. Recovery of Loans and Advances

- 9.1. ADs shall carry out recovery of loans and advances in Sri Lanka Rupees, as a last resort where necessary, when recovery of such loans and advances in foreign currency is remote. In this regard ADs shall;

- a. require converting the foreign currency denominated loans and advances into Sri Lanka Rupee denominated loans and advances.
- b. satisfy and required to maintain necessary documentary evidence to the effect that borrowers do not receive sufficient foreign exchange from his/ her employment in overseas or have foreign currency assets including balances in the foreign currency accounts to service the loans and advances/ installments thereof, full on time, as agreed in the respective loan agreements.

10. Other Conditions

- 10.1. ADs shall maintain documentary evidence obtained at the time of granting the loans and advances beyond any statutory record keeping requirement, until such loans and advances are fully settled. Once loans and advances are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement from the date of the full settlement.
- 10.2. ADs shall furnish monthly statements on loans and advances granted under these Directions to the Director-Department of Foreign Exchange as per the Annex I on or before the 15th day of the following month by email to dfem@cbsl.lk.
- 10.3. Terms and conditions and recovery of loans and advances that have been granted to Sri Lankans employed abroad under the provisions of the repealed Exchange Control Act or the Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.

11. For the purposes of these Directions

- (a) **“Immediate family member”** shall mean spouse, children and parents;
- (b) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (c) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
12. Directions No. 10 of 2017 dated 20 November 2017 and Directions No. 05 of 2020 dated 16 April 2020 issued to ADs specifying requirements related to granting of loans and advances to Sri Lankans employed abroad, are hereby rescinded.
13. The revocation of previous Directions referred to in Paragraph 12. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
14. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
15. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I of the Direction No. 10 of 2021

Monthly Statement of Loans and Advances to Sri Lankans Employed Abroad

Name of the Bank:

Reporting Month & Year:

Table 1: Loans and Advances - Performing

Loans Denominations	Purpose of the Loan		No. of Loans as at beginning of the month	Outstanding Balance as at beginning of the month	Disbursements during the month	Repayments (Capital)		No. of Loans as at end of the month	Outstanding Balance as at end of the month
	For purposes in Sri Lanka	For current transactions				LKR	FCY * (in USD)		
FCY (in USD)									
LKR									

* Where borrower requests to transfer loan proceeds to BFCAs or an account maintained in the OBU of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.

** Where the borrower discontinued overseas employment and become a resident in Sri Lanka

Table 2: Recovery of Loans and Advances

Name of the Borrower	Loan Account No.	Currency Code	Tenure of the Loan	Loan Amount Granted in FCY (in USD)	Amount Defaulted in FCY (in USD)	Amounts Recovered in LKR as at last resort		Outstanding balances as at end of the month in USD
						As Loan Instalments	As Loans balances in Full (upon converted to LKR denominated loans)	

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer :

Signature & Seal :

Date :

Name of the Compliance Officer

Signature :

Date:

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 11 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Loans to Sri Lankans, Resident Outside Sri Lanka on Permanent Residency Visa (PR) in another Country and Dual Citizens

In terms of Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to grant loans from their domestic banking units to Sri Lankans, resident outside Sri Lanka on PR in another country and individuals who have obtained dual citizenship in Sri Lanka, irrespective of their residential status (hereinafter referred to as 'borrowers'), subject to the following.

2. Purposes of granting the loans

- 2.1 To acquire a residential property in Sri Lanka.
- 2.2 To construct/ develop/ renovate a residential property in Sri Lanka.

3. Loans in Foreign Currency (FCY loans)

- 3.1. FCY loans shall be granted after assessing the credit risk of such loans, particularly considering the borrower's ability to repay the loans in foreign currency.
- 3.2. A "Foreign Currency Loan Account (FCLA)" shall be opened in the name of the borrower, for the purposes of disbursing the loan proceeds and receiving repayments of the loan. FCLA shall be closed immediately upon settling the loan in full.
- 3.3. Loan proceeds shall be disbursed from FCLA in Sri Lanka Rupees except in the event where borrower is a resident outside Sri Lanka and requests AD to transfer such loan proceeds to a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit (OBU) of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.
- 3.4. FCY Loans shall be repaid in foreign currency through inward remittances or by utilizing funds available in Personal Foreign Currency Accounts (PFCAs), Inward Investment Accounts (IIAs) or accounts maintained in the OBU of the borrower.

4. Loans in Sri Lanka Rupees (LKR loans)

- 4.1. LKR loans shall be granted after assessing the credit risk of such loan, particularly considering the borrower's ability to repay the loan.
- 4.2. A "LKR Loan Account (LLA)" shall be opened in the name of the borrower for the purposes of disbursing the loan proceeds and receiving repayments of the loan.
- 4.3. Loan proceeds shall be disbursed only in Sri Lanka Rupees.
- 4.4. LKR loans shall be repaid in foreign currency inward remittances or by utilizing funds available in PFCAs, IIAs, Emigrants' Remittable Income Account (ERIAs) or accounts maintained in the OBU of the borrower. For this purpose, payments made from IIA – Sri Lanka Rupee accounts and ERIAs are deemed recognized as inward remittances.

5. Recovery of Loans

- 5.1. Recoveries of loans, in Sri Lanka Rupees (in the event of a default) shall be carried out only at a stage where such loans have been classified as non-performing at least in the sub-standard category in terms of the Banking Act Directions No. 3 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning, as amended, subject to fully utilizing foreign currency assets including balances in the foreign currency accounts of the borrower. In this event, ADs shall satisfy themselves that the borrowers have been taken all measures to recover loans in foreign currency.
- 5.2. Except for otherwise provided for in these Directions ADs are not permitted recover defaulted loans, in Sri Lanka Rupees.

6. Other Conditions

- 6.1. ADs shall assess all risks associated with the loans and take appropriate prudent measures to mitigate such risks.
- 6.2. Where the property is held as collateral for the borrowing, ADs shall obtain a valuation of such property from a valuer selected in terms of the Prudential Regulations issued under the Banking Act, No. 30 of 1988, prior to granting the loan; if such loan proceeds are utilized for the construction/development/renovation of an inherited property of the borrower or for the acquisition of a property by the borrower while he/she was a resident in Sri Lanka.

- 6.3. ADs shall ensure that sale proceeds derived from property that was acquired /constructed/developed/renovated utilizing loan proceeds in terms of these Directions, are remitted outside Sri Lanka (upon settling the loan outstanding in full) on the following basis.
- Sale proceeds proportionate to the amount remitted to Sri Lanka (including funds transferred from the borrowers' PFCAs, IIAs, ERIAs or accounts maintained in the OBU for repayment of loans) to repay the loan could be remitted freely, through an IIA.
 - Any balance sale proceeds shall be remitted subject to the eligible migration allowance.
- 6.4 ADs shall issue a confirmation of inward remittances utilized for servicing the loan to the borrower to facilitate future outward remittances in respect of the sale proceeds of such property.
- 6.5 ADs shall maintain documentary evidence obtained at the time of granting the loans beyond any statutory record keeping requirement, until such loans are fully settled. Once loans are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement.
- 6.6. ADs shall furnish monthly statements of loans granted under these Directions to the Director-Department of Foreign Exchange as per **Annex I** on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
7. Terms and conditions and recovery of loans that have been granted to Sri Lankans, resident outside Sri Lanka on PR in another country and Dual Citizens under the provisions of the repealed Exchange Control Act or Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.
8. Directions No. 11 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to granting of loans to Sri Lankans, resident outside Sri Lanka on PR in another country and Dual Citizens, are hereby rescinded.
9. The revocation of previous Directions referred to in Paragraph 8. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
10. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
11. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I of the Directions No. 11 of 2021

Monthly Statement of Loans to Sri Lankans Resident Outside Sri Lanka on PR in Another Country and Dual Citizens

Name of the Bank:

Reporting Month & Year:

Table 1: Loans- Performing

Type of Loan	No. of loans as at beginning of the month	Outstanding Balance as at beginning of the month	Disbursements during the month		Repayments (Capital)		No. of loans as at end of the month	Outstanding Balance as at end of the month
			LKR	FCY* (in USD)	LKR**	FCY (in USD)		
FCY (in USD)								
LKR								

* Where borrower requests to transfer loan proceeds to BFCA or an account maintained in the OBU of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.

** In the event where the loan is denominated in LKR, repayments can be made through the fund transfers from ERIA or IIA Rupee account

Table 2: Loans- Non Performing

Name of the Borrower	Loan Denomination		Currency Code	Loan Amount		Amount Defaulted in FCY (in USD)	Recoveries in LKR during the month	Outstanding balances as at end of the month in LKR
	FCY (in USD)	LKR		FCY (in USD)	LKR			

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer :.....

Signature & Seal :.....

Date :.....

Name of the Compliance Officer :.....

Signature :.....

Date :.....

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 12 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers and Primary Dealers Appointed as Designated Agents for Sri Lanka Development Bonds

In terms of Sections 4 and 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Section 7 of the FEA, permission is granted to Authorised Dealers (ADs) and Primary Dealers who have been appointed by the Superintendent of Public Debt of the Central Bank of Sri Lanka (SPD) as Designated Agents for the purpose of purchasing and marketing Sri Lanka Development Bonds (SLDBs) issued by the Government of Sri Lanka (GOSL) subject to the following.

2. To maintain a USD interest bearing account titled 'Sri Lanka Development Bonds Investment Account' (SLDBIA) on behalf of GOSL to credit funds payable to GOSL, which are received from the categories of investors specified in Paragraph 3 herein, who directly purchase SLDBs from GOSL with an AD for the purpose of acquiring, holding, and transferring SLDBs.

3. Categories of eligible investors of SLDBs:

- (a) Citizens of foreign states irrespective of their residential status through the Inward Investment Accounts (IIAs).
- (b) Citizens of Sri Lanka who are residents outside Sri Lanka through IIAs.
- (c) Holders of Personal Foreign Currency Accounts, Business Foreign Currency Accounts, or Offshore Banking Unit Accounts.
- (d) Companies incorporated outside Sri Lanka or Partnerships registered outside Sri Lanka through IIAs.
- (e) Country funds, Regional Funds, Mutual Funds, Unit Trusts, and Institutional investors established outside Sri Lanka through IIAs.
- (f) Licensed Commercial Banks appointed as ADs by the Central Bank of Sri Lanka.
- (g) Licensed Specialized Banks and Licensed Finance Companies, which have been permitted to accept deposits in foreign currency.

4. Sri Lanka Development Bond Investment Account (SLDBIA)

4.1 Permitted Credits

- (a) Funds received in USD from eligible investors specified in Paragraph 3 above for the purchase of SLDBs from GOSL including related service charges in respect of investments in SLDBs.

4.2 Permitted Debits

- (a) Transfer of funds, in accordance with instructions given in the Offer Document or circular issued by SPD, being payment to GOSL for purchasing SLDBs by eligible investors specified in Paragraph 3 above.
- (b) Transfer of funds to an account of eligible investors specified in Paragraph 3 above being refund and payments for any other purpose, on the instructions of SPD.
- (c) Disbursements in Sri Lanka Rupees or transfers to Foreign Currency Accounts of the Designated Agent being related service charges in respect of investments in SLDBs.
- (d) Transfer of funds in accordance with instructions given in the Offer Document or circular issued by SPD, being any other amounts payable to SPD.

5. Directions No. 12 of 2017 dated 20 November 2017 issued to ADs and Primary Dealers appointed as designated agents for SLDBs, are hereby rescinded.
6. The revocation of previous Directions referred to in Paragraph 5. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
7. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
8. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 13 OF 2021 UNDER FOREIGN EXCHANGE ACT NO. 12 OF 2017

**Directions issued to Authorised Dealers on Sales of foreign exchange (Form 1)
and Purchases of foreign exchange (Form 2)**

In terms of Section 9 read with Sections 6 and 7 of the Foreign Exchange Act No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are hereby required to transmit information on sales of foreign exchange (Form 1) and purchases of foreign exchange (Form 2) to

the Department of Foreign Exchange (DFE) through the FX Sales Purchases Monitoring System – FX System with respect to all such foreign exchange sale and purchase transactions, subject to the following terms and conditions.

- 1.1 An AD shall obtain accurate and duly completed Form 1 and Form 2 as per the formats given in **Annex I** and **Annex II**, respectively, from its customers who buy and sell foreign exchange, respectively, in respect of all transactions permitted under the provisions of FEA, which require conversion of Sri Lanka Rupees into foreign exchange or vice versa, upon satisfying the *bona-fide* of the transaction.
- 1.2 An AD may accept signed and completed Form 1, Form 2 and documentary evidence to execute the transactions from its customers received in electronic mode (either via fax, email or any other means of electronic transmission). In such instances, AD shall comply with the legal and regulatory obligations under the Electronic Transactions Act, No. 19 of 2006, any amendments thereto, subject to that AD shall undertake full responsibility for the authenticity and accuracy of information/details furnished by such customers.
- 1.3 ADs shall extract all information relating to Form 1 and Form 2 irrespective of the value of the transaction from their core banking systems and shall require to upload at designated times on daily basis to the FX System (<https://www.cbsl.lk/forex/>) without any manual intervention. However, ADs may report only the transactions which executed after 4.30 p.m on t+1 basis to the FX System, before commencing the business operations of the following working day.
- 1.4 An AD shall have a mechanism in its core banking system to capture all mandatory fields in Form 1 and Form 2 and shall ensure transmission of all such foreign exchange sale and purchase information electronically to DFE as per the Guidelines and Interface Requirement Specifications appear in the FX System.
- 1.5 An AD shall retain Form 1 and Form 2 obtained as per Paragraph 1.1 above along with necessary documentary evidence physically or electronically to establish *bona-fide* of the underlying transactions up to the record keeping requirement within the bank/branch premises or at a Centralized Processing Unit from the date of the transaction, enabling regular inquiries/inspections by DFE.

2. Other Conditions applicable

- 2.1 In instances where purchases of foreign exchange by an AD is less than USD 5,000 or its equivalent in any other foreign currency for a transaction, an AD may maintain all such information in the form of a consolidated statement on a weekly basis up to the record keeping requirement.
- 2.2 An AD may sign Form 1 and Form 2 on behalf of the applicants who buy and sell foreign exchange, respectively, in respect of following instances, upon satisfying the due diligence and the *bona-fide* of the request.
 - i. Inward remittances after obtaining necessary written confirmations.
 - ii. Transactions initiated through internet banking and mobile banking.
 - iii. Transactions initiated through the standing order.
 - iv. If the customer gives instruction, consent or authority in writing to effect a transaction which involve conversion of Sri Lanka Rupee in to foreign currency or vice versa only at the instances where the customer is unable to appear in the place of business of AD and when recovery actions on accommodations are executed by AD.
 - v. Debiting any tax, statutory charges or fees from a foreign currency account/ LKR account in compliance with any prevailing laws and regulations in the country and debiting bank charges/fees.
 - vi. Payments/transfers from/to head office of the bank, which involve conversion of Sri Lankan Rupees into foreign currency or vice versa.
- 2.3 Further ADs shall undertake full responsibility for the authenticity and accuracy of the Form 1 and Form 2 transactions and information uploaded to the FX system.
- 2.4 Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
- 2.5 These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I to Directions No. 13 of 2021

Form 1												
Sale of Foreign Exchange by an Authorised Dealer												
NIC/Passport./ Company Reg. No.		Income Tax File No.		Serial No.		Bank Code		Purpose Code		Released Foreign Exchange Amount		
Applicant Name		Applicant Address		Branch Code		Sub Purpose code		Currency Code				
				Country Code								
Air ticket No. (only for travel purpose)				Bank Draft								
Beneficiary Name		Beneficiary Address		Telegraphic Transfer								
Purpose		Travel Card										
Applied Foreign Exchange Amount		USD		EUR		Other (specify)						
				GBP								
						Currency issuance						
I declare that all information given by me is true and correct.												
Bank Use	Date	Signature of applicant	Signature of teller	Signature & seal of the Bank	Notes							
Note:		The applicant should be the person who converts Sri Lanka Rupees to Foreign Exchange. For example a company providing foreign exchange to an employee for business travel shall be the applicant and the employee shall be the beneficiary.										

Annex II to Directions No. 13 of 2021

Purchase of Foreign Exchange by an Authorised Dealer

Form 2

Form 2 should be signed personally by the applicant/beneficiary. In instances where the Authorised Dealer purchases the inward remittance on behalf of a constituent and inter account transfers through online banking system, the application may be signed by the Authorised Dealer.

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 14 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Outward Investment Accounts

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 01 of 2021 (the regulations) and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Outward Investment Accounts (OIAs) in the Domestic Banking Unit, subject to the following terms and conditions.

1. Eligible Persons

- (a) companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 other than a company limited by guarantee;
- (b) A Licensed Commercial Bank or Licensed Specialized Bank, in terms of the Banking Act No. 30 of 1988;
- (c) Regulated/ licensed entities (excluding the eligible investors under (a) and (b) above), under the Central Bank, Securities Exchange Commission, Insurance Regulatory Commission of Sri Lanka.
- (d) Employees' Provident Fund established under the Employees Provident Fund Act No. 15 of 1958 or Approved Provident Funds declared by the Commissioner General of Labour.
- (e) A partnership registered in Sri Lanka; and
- (f) An individual resident in Sri Lanka or/with a sole proprietorship registered in Sri Lanka by such individual (as applicable).

3. Opening and Maintaining the OIAs

- (a) OIAs may be opened and maintained as Savings or Term Deposit (out of the returns derived from an outward investment) or Current (without overdrawing facility and cheque drawing facility) accounts, as a foreign currency account in any designated foreign currency.
- (b) OIAs shall be held as sole accounts. OIAs may be held as joint accounts by individual persons with a sole proprietorship registered in Sri Lanka by such individual. ADs shall establish an internal procedure to track the records on OIAs opened by individual persons and Sole Proprietorships of such individuals.
- (c) OIAs opened in Sri Lanka Rupees prior to the date of these Directions may be continued to be operated until the closure of the OIA subject to the paragraph 8 of these Directions.

4. Conversion of OIAs into Non Resident Rupee Accounts

- (a) OIAs maintained by an emigrant who expect to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status in another country shall be converted and continued to be operated as Non-Resident Rupee Accounts, with immediate effect once the AD was informed or aware on their migration.
- (a) ADs shall inform such conversion of OIAs into Non-Resident Rupee Accounts (including the details such as sum of outward remittances (USD), date of remittances of all investments made to the country where he/she has obtained Permanent Residency status or Citizenship) to the Director- Department of Foreign Exchange via dfem@cbsl.lk within one week from the date of the conversion.

5. Permitted Credits

- (a) Sri Lanka Rupees converted into foreign currency, to the extent such limits specified for outward investments, in the regulations or the special permissions granted in terms of the provisions of the repealed Exchange Control Act or FEA.
- (b) Transfers from Business Foreign Currency Accounts or Personal Foreign Currency Accounts or OIA, of another person (i.e. buyer), being sale proceeds of an outward investment made through the same OIA.
- (c) Transfers of proceeds of the loans obtained from a foreign lender by the account holder through an External Commercial Borrowing Account of the account holder, for the purpose of financing outward investments permitted in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (d) Transfers of proceeds of the loans obtained from a foreign lender by licensed commercial banks/ licensed specialized banks/ State Owned Enterprises, from an account outside Sri Lanka or an Inward Investment Account or an account maintained in the Offshore Banking Unit (OBU), of the lender, for the purpose of financing outward investments permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or FEA.

- (e) Transfer of proceeds of the loans obtained from a foreign lender by licensed commercial bank/ licensed specialized banks, from the Nostro Account of the borrower for the purpose of financing outward investments permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or FEA.
- (f) Remittances, as any income and any capital proceeds of the outward investments, made through the same OIA, as permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (g) Remittances, as settlement charges under a court Order related to the outward investment made through the OIA.
- (h) Remittances, as any income and any capital proceeds received from any asset/investment in overseas acquired/held by the account holder, for no consideration, as permitted in the regulations or the repealed Exchange Control Act.
- (i) Remittances, as any income and any capital proceeds of shares received under an Employee Share Ownership Plan or Employee Share Option Scheme where the outward remittances for such investment was made by a company or branch office established in Sri Lanka (i.e. employer) on behalf of the account holder (i.e. employee), as permitted in the regulations or the repealed Exchange Control Act.
- (j) Remittances, as any income and any capital proceeds of any investment made through an OIA of another person which has been inherited to the account holder from such person, subject to the regulations.
- (k) Transfers from an Inward Investment Account of another person (i.e. investor) being proceeds of investments in shares, debt securities issued by a company incorporated in Sri Lanka (i.e. account holder), if the account holder intends to utilize such funds for an outward investment permitted under the regulations or the provisions of the repealed Exchange Control Act or the FEA.
- (l) Transfers from an OIA of another person, being outstanding balance of the OIA received by way of inheritance subject to the inheritance and succession laws in Sri Lanka.
- (m) Proceeds of non-materialized Outward Investments permitted under the regulations, for which the funds were remitted through the same OIA, within three months from the date of payment made for the investment.
- (n) Management fees, consultancy fees and commissions in relation to the outward investments.
- (o) Interest earned on the funds held in the account.

6. Permitted Debits

- (a) Remittances relating to an outward investment undertaken by the account holder in terms of the regulations or the provisions of the repealed Exchange Control Act or the FEA.
- (b) Transfers to an OIA or Personal Foreign Currency Accounts or Business Foreign Currency Accounts of another person (i.e. seller), to purchase a permitted investment in overseas from the seller which was made through the same OIA or Personal Foreign Currency Accounts or Business Foreign Currency Accounts in terms of regulations or the provisions of the repealed Exchange Control Act or the FEA.
- (c) Payments for current transactions of the account holder.
- (d) Transfers to Personal Foreign Currency Accounts or Business Foreign Currency Accounts or an account maintained in the OBU, of the account holder, being any income and any capital proceeds received from an outward investment, where such investments had been made by debiting such Personal Foreign Currency Accounts or Business Foreign Currency Accounts or account in OBU, or by utilizing the funds transferred from such accounts into the OIA, proportionately to the contributions.
- (e) Transfers to OIAs of the same account holder.
- (f) Transfers to External Commercial Borrowing Account of the account holder, for the purpose of repayment of loans obtained from an overseas lender.
- (g) Transfers of the outstanding balance to an OIA of a beneficiary/heir, subject to the inheritance and succession laws in Sri Lanka.
- (h) Withdrawal in foreign currency notes or transfer of funds for uploading a Foreign Travel Card, up to the limits specified in the Directions No. 01 of 2021 on current transactions (or equivalent in any other foreign currency), for travel purpose of the account holder and/or immediate family members.
- (i) Disbursements in Sri Lanka in Sri Lanka Rupees.

7. Other Conditions

- (a) Rupee proceeds should be converted into foreign currency only for the purpose of outward investments and be credited to OIA only after the fulfillment of all requirements stipulated, in the regulations and these Directions. Under no circumstances such funds shall be retained in OIA without making the investment.
- (b) Payments specified in Sub-Paragraph 6(a) of these Directions shall be remitted to an account of the overseas company (i.e. investee) or to the account of the seller of the permitted security (through stock broker in the case of investing in instruments listed on a Stock Exchange) or to an account held by the resident investor in that country (subject to the legal requirement of that country on foreign investments) or to the account of the appointed secretary or registrar of the investee in the event the investee is in the process of incorporation.
- (c) The credit under paragraph 5(c), 5(d) and 5(k) shall be executed at the time of making the outward investment upon all necessary approvals have been obtained for such outward investment.
- (d) In the event a resident investor intends to remit funds for an additional investment into an investee through an OIA, where a part of the investment has been already made via an OIA, the proposed additional investment shall be routed via the same OIA through which the initial investment was made.
- (e) Funds credited under the paragraph 5(m) of these Directions shall be transferred to a rupee account of the same accountholder, within the same day of receipt of funds. In the case of receipt of similar after three months payments, ADs may credit such payments to a rupee account of the accountholder upon satisfying with the bona fide of the transactions. However, ADs shall inform the details of said transactions (Date and Amount of outward remittance, Date and Returned Amount, reasons for the failure of the investment etc.) along with the documentary evidences to the Director- Department of Foreign Exchange within three working days from the date of said credits to OIA or rupee account (as applicable), via dfem@cbsl.lk.
- (f) ADs shall obtain an affidavit (ADs are required to maintain a specific format for this purpose) to ensure the following.
 - i. In case of an investment to be carried out by an individual person or sole proprietorship or a partnership, that the individual person or persons involved to the sole proprietorship or a partnership, are resident in Sri Lanka in terms of the Order issued under Section 31 of the FEA.
 - ii. Whether the investor has made any outward remittance for the outward investments as permitted in the regulations during the time period applicable to the investor along with the details of such outward remittances made.
 - iii. In case of the investor is an individual, whether said person owns a sole proprietorship registered in Sri Lanka and such sole proprietorship has invested outside Sri Lanka under the regulations or the provisions of the repealed Exchange Control Act or the FEA. If so, details of the same.
 - iv. In case of the investor is a sole proprietorship registered in Sri Lanka, the person who owns the sole proprietorship has invested outside Sri Lanka under the regulations or the provisions of the repealed Exchange Control Act or the FEA. If so, details of the same.
- (g) ADs shall inform the details of the outward investments (including the details of outward remittances in USD, date of remittances of all investment made to the country where he/she has obtained Permanent Residency status or Citizenship) to the AD with whom the CTRA is to be opened by the emigrant upon the request of such AD.
- (h) ADs shall obtain proper legally acceptable documentary evidence (as required) including the documents at Annex I, to establish the legality and *bona-fides* of the underlying transaction to be carried out and ensure the compliance to the regulations and these Directions.
 - (i) In case the outward remittance for the proposed investment has not been made due to any reason after obtaining the clearance letter mentioned in the sub paragraph (c) of paragraph 1 of Annex I, ADs shall inform the same within one week from the date of expiry of the clearance letter to the Director- Department of Foreign Exchange via dfem@cbsl.lk.
 - (j) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through OIA beyond any statutory record keeping requirements during the maintenance of the account and for a period of at least six years after the closure of such accounts.

8. Closure of OIAs

- (a) ADs shall close OIA only after disposing all investments acquired/made by the account holder through the said OIA.

- (b) However, in the event an OIA holder requests for a closure of the OIA before disposing the investments made through the same OIA, for the purpose of bringing future income and any capital proceeds derived from such investments to an OIA opened and maintained with another AD, the AD with whom the original OIA is held, may close the OIA only after forwarding following information/documents for the satisfaction of AD who operates the recipient OIA,
 - i. A confirmation of the outstanding investments made out of the funds in the OIA to be closed (including details of outward remittances, details of the investee, type of the investments etc.).
 - ii. Documentary evidences collected from the OIA holder, in proof of the transactions made through the OIA.
- (c) ADs shall inform such closure mentioned in subparagraphs 8(a) and 8(b) of these Directions to the Director- Department of Foreign Exchange along with the details on all investments made through the same OIA, disposal of such investments and the reasons for the closure of OIA via dfem@cbsl.lk, within three working days from the date of such closure.

9. Reporting Requirement

- (a) ADs shall furnish the details of OIA to this department on a daily basis via <https://www.cbsl.lk/forexnet>.
- (b) ADs shall implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirements.
- (c) ADs shall incorporate verification of accuracy and completeness of information submitted electronically to the Department of Foreign Exchange, in its internal audits, periodic reviews and compliance programs and evidence to that effect shall readily be available for inspection by Department of Foreign Exchange.
- (d) ADs shall obtain the documents at Annex II from the resident investor and submit such documents to the Director- Department of Foreign Exchange within stipulated time period.

10. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from OIAs for any purpose which falls outside the purview of these Directions.

11. For the purpose of these Directions

- (a) **“Outward Investments”** means the capital transactions refers in the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka By a Person Resident in Sri Lanka) Regulations No. 01 of 2021 (as amendments thereto).
- (b) **“State Owned Enterprises”** shall have the same meaning in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 (as amendments thereto).
- (c) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.

12. Directions No. 14 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to OIAs are hereby rescinded.

13. The revocation of previous Directions referred to in Paragraph 10 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

14. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

15. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.

16. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I

1. Following documents should be obtained for all outward investments under these Directions.
 - (a) Request letter including the information at Annex III
 - (b) Recommendation by a Fellow member of the Institute of Chartered Accountants of Sri Lanka or Charter holder of the CFA Institute in the format at Annex IV (Note: this is not required for the outward investments for which a special permission

is granted in terms of the provisions of FEA or any investment under Employee Share Option Scheme/ Employee Share Ownership Plan or investments to be made in Stock Exchanges in overseas under the regulations).

- (c) Clearance letter from the Department of Foreign Exchange to the effect that there is no pending suit, actions or proceedings under the provisions of the repealed Exchange Control Act No. 24 of 1953 or prosecution, investigations or any recovery actions in terms of provisions of the Act, against such persons who intends to invest in overseas (for each remittance or transfer for outward investment) related to the outward investments permitted under the regulations or the provisions of the repealed Exchange Control Act or FEA). The format of request for the clearance letter can be downloaded from the website www.dfe.lk.
 - (d) Tax clearances to cover the amount of investment (as required by the Inland Revenue Department).
 - (e) An affidavit/s (applicable only for individual or sole proprietorship or partnership) /a resolution passed by the Board of Directors of the eligible companies/ legal entities confirming that,
 - i. proposed outward investment would be made in accordance with the law/regulations prevailing in the investee's country.
 - ii. As per the regulations/laws enacted in the investee's country, any income, any capital proceeds of the proposed outward investment and the liquidation proceeds/surplus funds in case of the closure or liquidation of the investee company are freely remittable to Sri Lanka. **Note:** ADs shall obtain documentary evidence on the said regulations/laws issued by the relevant authorities of the investee country to the satisfaction of ADs.
2. In addition to above, following category-specific documents should also be obtained.
- A. Companies registered under the Companies Act, No. 07 of 2007.
 - (a) A copy of the Certificate of Incorporation and Memorandum and Articles of Association (certified by the Company Secretary).
 - (b) A copy of the Directors Particulars (certified by the Company Secretary)
 - (c) The Resolution passed by the Board of Directors or the shareholders of the company, in accordance with the Article of Association, for the approval for the proposed investment (certified by the Company Secretaries).
 - B. A partnership registered in Sri Lanka.
 - (a) A certified copy of the partnership agreement and the registration.
 - (b) Documentary evidences for the proof of the residential status of the partners.
 - C. An individual resident in Sri Lanka.
 - (a) Documentary evidences for the proof of the residential status.
 - (b) If the investment is made into an Employee Share Option Scheme (ESOS) or Employee Share Ownership Plan (ESOP), the prospectus of the ESOS or ESOP.
 - D. Sole proprietorship registered in Sri Lanka.
 - (a) A certified copy of the registration of sole proprietorship
 - (b) Documentary evidences for the proof of the residential status of the proprietor.
 - E. Regulated/licensed entities under the Central Bank, Securities Exchange Commission and Insurance Board of Sri Lanka or Approved Provident Funds declared by the Commissioner General of Labour of the Department of Labour or Licensed Commercial Banks and Licensed Specialized Banks in terms of the Banking Act No. 30 of 1988 (any amendments thereto).
 - (a) Documentary evidence for the establishment of the entity.
 - (b) The Resolution passed by the Board of Directors/ management/ governing body etc., of the entity for the approval on proposed investment and any other approvals obtained from regulatory authorities.

Annex II

1. Within three months from the outward remittance of foreign exchange:
- (a) Certified copies of Certificate of Incorporation, Memorandum and Articles of Association of the new company incorporated outside the country in case of an investment in the shares of an unlisted company.

- (b) Certified copy of the registration Certificate of Overseas Offices.
 - (c) Certified copies of the share certificates issued or any other evidence in respect of a share investment (ordinary or preference) in an unlisted investee company incorporated outside Sri Lanka.
 - (d) Certified copies of share investment/enrollment certificates issued to all resident employees who subscribed to an Employee Share Option Scheme or Employee Share Ownership Plan.
 - (e) Statements from relevant Central Depositary Systems of overseas Stock/Bond Exchanges with regard to the investment in listed ordinary shares, preference shares, corporate bonds and debentures issued by a company incorporated outside Sri Lanka and sovereign bonds issued by foreign governments.
 - (f) Certified copies of the certificates for the enrollment of units/ debenture/ corporate bonds issued by investee outside Sri Lanka.
2. On an annual basis,
- (a) Audited accounts of the unlisted overseas companies and overseas offices.
 - (b) Statements from relevant Central Depositary Systems of overseas Stock/Bond Exchanges with regard to the investments in listed ordinary shares, preference shares, corporate bonds and debentures issued by a company incorporated outside Sri Lanka and sovereign bonds issued by foreign governments.

Annex III

Information on Investments Abroad

1. General Information

- (a) Name of the Company/Partnership/Individual and sole proprietorship (if any) /Entity:
- (b) Business Registration No./National Identity Card No./Passport No. (Authorised Dealer may take the passport number only if the resident investor is a foreign national person resident in Sri Lanka and does not possess a valid National Identity Card):

2. Details on Foreign Investment (as applicable)

- (a) Investment in ordinary shares/preference shares/units/ debentures/ sovereign bonds.
 - i. Total amount to be Invested (in USD) :
 - ii. Name of investee company/issuer and country :
 - iii. Nature of the investment (ordinary shares/preference shares/units/ debentures/ sovereign bonds):
 - iv. Whether the instrument is listed or non-listed:
 - v. Number of ordinary shares/preference shares/units/ debentures/ sovereign bonds to be acquired :
 - vi. Price of an ordinary shares/preference shares/units/ debentures/ sovereign bonds:
 - vii. Date of maturity :
 - viii. Rate of Interest :
 - ix. Sovereign credit rating of the issuing entity :
- (b) Investment for Setting up and maintenance of Overseas Offices
 - i. Total amount to be Invested in USD :
 - ii. Type /purpose of Overseas office /country :

I hereby declare that the above information is true and accurate.

Authorised Signature

Authorised Signature

Designation

Designation

Rubber Stamp

Rubber Stamp

Date

Date

Annex IV

Recommendation by(name)....., a Fellow member of the Institute of Chartered Accountants of Sri Lanka or Charter holder of the CFA Institute for the release of foreign exchange for the purposes of investing outside Sri Lanka under the Regulations issued in terms of the Foreign Exchange Act, No. 12 of 2017.

To: Manager

Branch:

Name of the Authorised Dealer:

Statement 1: I hereby confirm that(name of the eligible investor)..... has maintained a sound financial position and performance for last three financial years.

Statement 2: I confirm that the proposed investment details which are set out below were analyzed by me on the basis of investment appraisal method/s of (please specify the method/s used)..... and recommend the said investment.

Note:

- i. it is required to consider the time value of the investment and its returns when evaluating and recommending the proposed investment.
- ii. the report on the financial position and performance of the investor and the analysis of the proposed investment including the reasons for the recommendations, shall be provided herewith.

1. General Information

- (a) Name of the Investor:
- (b) Amount in USD (or equivalent amount in other designated foreign currencies):

2. Details of the Investment (as applicable)

- (a) Name of the investee and Country:
- (b) Type of the investment (ordinary shares/preference shares/units/debentures/ corporate bonds/ sovereign bonds / overseas office):
- (c) Whether the instrument is listed or non-listed:
- (d) If it is an overseas office:
 - i. Type of the office (branch, project, liaison, representative etc.)
 - ii. the purpose
- (e) No. of shares/ sovereign bonds/units/ debentures etc.:
- (f) Price per share/ sovereign bonds/units/ debentures etc.:
- (g) Date of maturity:
- (h) Rate of Interest:
- (i) Special Remarks (if any):

Authorised Signature

Designation

Rubber Stamp

Date

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 15 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Inward Investment Accounts

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 (the regulations) and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Inward Investment Accounts (IIAs) in the Domestic Banking Unit, subject to the following.

2. Eligible Persons

- (a) A non-national, resident in or outside Sri Lanka.
- (b) A Sri Lankan dual citizen, resident in or outside Sri Lanka.
- (c) Sri Lankan national who has obtained Permanent Residency status or citizenship in another country, resident in or outside Sri Lanka.
- (d) A Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants).
- (e) A company incorporated outside Sri Lanka.
- (f) A partnership registered outside Sri Lanka.
- (g) Country funds, Regional Funds, Mutual Funds, Unit Trusts and Foreign Institutional Investors established outside Sri Lanka.
- (h) An administrator or executor of the estate of a deceased person, who maintained an IIA with an AD.
- (i) A receiver or liquidator of a company that maintained an IIA with an AD.

3. Opening and maintaining IIAs

- (a) IIAs may be opened and maintained in the form of Savings or Term Deposit or Current (without overdraft facility and cheque drawing facility) accounts, either in any designated foreign currency or in Sri Lanka Rupees.
- (b) IIAs shall be held as sole accounts. IIAs may be held as joint accounts by eligible individuals with an immediate family member who is eligible under subparagraphs (a), (b) and (c) of the paragraph 2.
- (c) IIAs already opened as joint accounts with a person who is not an immediate family member prior to the date of these Directions, may be continued and operated until the closure of IIA subject to the paragraph 7(a) of these Directions.

4. Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.
- (b) Foreign exchange brought into Sri Lanka by the account holder upon declaration to the Customs Department, subject to the Order issued under Section 8 of the FEA.
- (c) Transfers from Personal Foreign Currency Accounts or IIAs or Emigrant's Remittable Income Account or Diplomatic Foreign Currency Accounts or Diplomatic Rupee Accounts or accounts maintained in the Offshore Banking Unit, of the account holder.
- (d) Transfers, as any income and any capital proceeds received from capital transactions in Sri Lanka of the account holder, as permitted under the regulations or provisions of the repealed Exchange Control Act or the FEA, from a Sri Lanka rupee account or Business Foreign Currency Account or an account maintained in the Offshore Banking Unit of another person (i.e. investee or tenant or lessee or buyer, who is a resident person).
- (e) In the case of the selling the investments made through the same IIA under the regulations or provisions of the repealed Exchange Control Act or the FEA to another person (i.e. buyer), transfers, as sale proceeds from an IIA of such buyer.
- (f) Settlement charges under a court Order related to the capital transactions made through the IIA.
- (g) Claims received by the account holder as determined by the Central Depository Systems (Private) Limited and Colombo Stock Exchange.
- (h) Transfers from an External Commercial Borrowing Account of a person resident in Sri Lanka (i.e. the borrower), as recoveries of loans granted by the account holder to the borrower, as permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (i) Transfers, as repayments of the loans granted under the regulations or the provisions of the FEA, to licensed commercial banks or licensed specialized banks or the Government of Sri Lanka or State-Owned Enterprises (i.e. borrower), from a rupee account of the borrower.
- (j) Repayments of the loans granted during the period from the date of 20th November 2017 to the date of these Directions by the account holder through the same IIA to a person resident in Sri Lanka (i.e. the borrower), from a Sri Lanka rupee account or Business Foreign Currency Account or account maintained in the Offshore Banking Unit, of the borrower.

- (k) Any income or any capital proceeds derived from a residential property acquired by the accountholder utilizing a loan obtained under the Directions No. 11 of 2021, subject to the subparagraph of 6(e) of these Directions.
- (l) Proceeds of non-materialized capital transactions excluding the loans (including Initial Public Offering) in Sri Lanka under the regulations, for which the funds were remitted through the same IIA, within three months from the date of payment made for the investment. In case of the investment in a condominium property, such proceeds returned by the property developer from the Business Foreign Currency Account of the property developer, before the completion of such property due to any failure to meet the conditions in the agreement or termination of the agreements between parties.
- (m) Transfers of the migration allowance or current income from the Capital Transactions Rupee Account of the same account holder.
- (n) Maturity Proceeds including the interest of Special Deposit Accounts (SDAs) opened and maintained by the accountholder under the Regulations published in the Gazette No. 2170/4 dated 08 April 2020 (subject to any amendments there to) and the Directions applicable on SDAs.
- (o) Where the accountholder is a non-national resident in or outside Sri Lanka;
 - i. Any income and any capital proceeds, received from capital transactions undertaken by the account holder in Sri Lanka while being a resident in Sri Lanka, utilizing the funds out of salaries, superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
 - ii. Transfers of USD 30,000 per annum from the Capital Transactions Rupee Account of the accountholder.
- (p) Where the accountholder is a company incorporated outside Sri Lanka; Transfers of USD 30,000 per annum from the Non Resident Rupee Account of the accountholder.
- (q) Where the account holder is an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company.
 - i. Any income or any capital proceeds, received from capital transactions in Sri Lanka made by the deceased person or liquidating company as permitted in the regulations or provisions of the repealed Exchange Control Act or the FEA.
 - ii. Funds transferred from IIAs of such deceased person or liquidating company.
- (r) Transfers from an IIA of an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company, in the event of the accountholder is a beneficiary.
- (s) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Any outward remittances in favor of the accountholder.
- (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (c) Transfers to Personal Foreign Currency Accounts or IIAs or Diplomatic Foreign Currency Accounts or Diplomatic Rupee Accounts or accounts maintained in the Offshore Banking Unit, of the same account holder.
- (d) Payments relating to capital transactions undertaken in Sri Lanka by the account holder, in terms of the permissions granted under the regulations or the provisions of FEA, to;
 - i. A rupee account of the investee/seller (who is a resident) of the investment.
 - ii. A foreign currency account of the investee or issuer who is a resident if the said investee or issuer is permitted to receipt such proceeds in foreign currency in terms of the foreign exchange regulations or special permission granted for such investee/ issuer.
 - iii. An IIA of another person (i.e. seller) in respect of the purchase of permitted investment.
 - iv. A Business Foreign Currency Account of the property developer if the investment is to purchase a condominium property.
 - v. An account maintained in Offshore Banking Unit of the investee, if the investee has been exempted from relevant provisions of the FEA on investments into Sri Lanka under the Board of Investments Law.
- (e) Transfer of proceeds of the loan granted under the regulations or the provisions of the FEA, to a licensed commercial banks or licensed specialized banks or the Government of Sri Lanka or State-Owned Enterprises (i.e. borrower), to a rupee account, of the borrower.
- (f) Transfer of proceeds of the loan granted under the regulations or the provisions of the FEA, to a licensed commercial banks or licensed specialized banks (i.e. the borrower) to an Outward Investment Account of the borrower, if such borrowings are made for the purpose of financing outward investment of the borrower under the regulations or the provisions of the FEA.

- (g) Transfer of proceeds of the loans granted under the regulations or the provisions of the FEA, to an External Commercial Borrowing Account of the person resident in Sri Lanka (i.e. borrower).
- (h) Payments relating to the investments in shares, debt securities issued by a company incorporated in Sri Lanka (i.e. investee) under the regulations or the provisions of FEA, to an Outward Investment Account of the investee, if such proceeds of the investment are to be utilized for the purpose of financing outward investment of the investee under the regulations or the provisions of FEA.
- (i) Settlement charges under a court Order related to the capital transactions made through the IIA.
- (j) Claims to be paid by the account holder as determined by the Central Depository Systems (Private) Limited and Colombo Stock Exchange.
- (k) Where the account holder is an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company;
 - i. Outward remittances in favour of the beneficiary or administrator/executor or receiver/liquidator of the company, outside Sri Lanka.
 - ii. Transfers to the IIA of the beneficiary.
 - iii. In the case of beneficiary is a resident person in Sri Lanka, transfers to a Sri Lanka Rupee account or existing Personal Foreign Currency Accounts of the beneficiary.

6. Other Conditions

- (a) The eligible persons mentioned under subparagraph 2(h) and 2(i) are eligible only for permitted credits and debits under subparagraphs 4(a), 4(f), 4(q), 4(r), 4(s) and 5(b), 5(k), respectively.
- (b) ADs shall ensure that all income and capital proceeds of investments are credited to the IIA through which the investment was made, as stipulated in the regulations.
- (c) In case of joint IIAs, when executing transactions/transfers permitted under these Directions, ADs may follow the procedure in the normal banking business on transferring funds from a "Join Account" to a "Sole Account" of a party to the joint account.
- (d) IIAs opened by a Sri Lankan citizen employed abroad (excluding emigrants), may be continued to operate IIAs even after the account holder becomes a resident in Sri Lanka for the purpose of receiving any income or any capital proceeds of such investments made through the same IIA, until all such investments have been divested/liquidated. The operations of such accounts will be confined only for permitted credits specified under 4(d), 4(e) and 4(f) and debits specified under subparagraph 5(b) and 5(c) of these Directions.
- (e) In the case of the credit under paragraph 4(k), the capital proceeds of the property shall be proportionated to the sum of repayments of the loan made by utilizing funds out of inward remittances or Personal Foreign Currency Accounts or IIAs or Emigrant's Remittable Income Account or an Account in the Offshore Banking Unit, of the account holder.
- (f) Any income or capital proceeds received from the investee or issuer with regard to the investments which was made under subparagraph (ii) of paragraph 5(d) of these Directions shall be received from the foreign currency accounts of such investee and no rupee conversions will be permitted for the said purpose. ADs shall obtain a consent of the investee or issuer appropriately on this condition, at the time of transferring funds for the investment from the IIA to the investee's foreign currency accounts as permitted under subparagraph (ii) of paragraph 5(d) of these Directions.
- (g) ADs are hereby permitted to facilitate transactions related to investments by eligible investors mentioned under paragraph 2(a) to 2(g) of these Directions, in the following manner.
 - i. The funds to the credit of an IIA of the eligible investors may be routed via a Vostro Account.
 - ii. Any income and any capital proceeds of such investments referred in paragraph 6 (f) (i) above may be repatriated following the same way that the investment was routed.
 - iii. At the time of making investment into Sri Lanka, rupee conversions into foreign exchange for the payments of permitted capital transactions to be made through IIAs may be carried out for customers whose underlying transactions are established with another AD provided that documentary evidence on each transaction is furnished by the said AD with whom the IIA is maintained.
 - iv. Outward remittances of any income or any capital proceeds of an permitted capital transactions in favour of the account holder may be effected through an AD other than the AD with whom the IIA is maintained, upon having a confirmation from the AD with whom the IIA is maintained confirming that the funds for the purpose of the captioned

capital transactions were debited from the same IIA of the account holder and income or capital proceeds received from such capital transactions were credited to the same IIA in compliance with the regulations.

- (h) ADs shall obtain proper legally acceptable documentary evidence (as required) to establish the legality and *bona-fide* of the underlying transaction to be carried out and to ensure the compliance to the regulations and these Directions.
- (i) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) obtained at the time of making transactions through IIAs beyond any statutory record keeping requirements during the maintenance of the account and for a period not less than six years after the closure of such accounts.

7. Closure of IIAs

- (a) IIAs may be closed only after the repatriation/ transfer of proceeds of disposal/ liquidation of all investments acquired by the account holder through the said IIA.
- (b) However, in the event an IIA holder requests for a closure of the IIA before disposing the investments made through the same IIA, for the purpose of crediting future income and any capital proceeds derived from such investments to an IIA opened and maintained with another AD, the AD with whom the original IIA is held, may close the IIA only after forwarding following information/documents for the satisfaction of AD who operates the recipient IIA,
 - i. A confirmation of the outstanding investments made out of the funds in the IIA to be closed (including details of inward remittances, details of the investee, type of investment etc.).
 - ii. Documentary evidence collected from the IIA holder, for the proof of the transactions made through the IIA.
- (c) In the case of IIAs held by a Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants),
 - i. Such IIAs may be closed at the request of the account holder, after the account holder becomes a resident.
 - ii. If the IIAs had been continued to operate as permitted under subparagraph 6(d) of these Directions, such IIAs shall be closed after fully utilization of proceeds of disposal/liquidation of all such investments made through same IIA, under the permitted credits and debits.
- (d) IIAs opened by an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company shall be closed immediately upon completion of the repatriation of proceeds subject to the fulfillment of legal requirement in Sri Lanka.
- (e) ADs shall inform such closure mentioned (a) to (d) above to the Director- Department of Foreign Exchange within one week from the date of such closure via dfem@cbsl.lk.

8. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from IIAs for any purpose which falls outside the purview of these Directions.

9. Reporting Requirement

- (a) ADs shall furnish the details of IIA to this department on a daily basis via <https://www.cbsl.lk/forexnet>.
- (b) ADs shall implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirements.
- (c) ADs shall incorporate verification of accuracy and completeness of information submitted electronically to the Department of Foreign Exchange, in its internal audits, periodic reviews and compliance programs and evidence to that effect shall readily be available for inspections by Department of Foreign Exchange.

10. For the purpose of these Directions.

- (a) **“Migration Allowance”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No.03 of 2021 (amendments thereto).
- (b) **“Emigrant”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No.03 of 2021 (amendments thereto).
- (c) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.

11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

12. Directions No. 13 of 2017 dated 20 November 2017, No. 2 of 2018 dated 21 December 2018 and Directions No.8 of 2020 dated 7 October 2020 issued to ADs specifying requirements related to IIAs are hereby rescinded.
13. The revocation of previous Directions referred to in Paragraph 12 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
14. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
15. These Directions shall come into operation with effect from 22 March 2021.

Director, Department of Foreign Exchange

18 March 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 16 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Capital Transactions Rupee Accounts

In terms of the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 03 of 2021 (the regulations) and Sections 9 of the Foreign Exchange Act, No.12 of 2017 (FEA), read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain Capital Transactions Rupee Accounts (CTRAs) in the Domestic Banking Unit, subject to the following.

2. Eligible Persons

- (a) An emigrant, resident in or outside Sri Lanka.
- (b) A Non- National resident in or outside Sri Lanka including minors of such person.
- (c) An individual Sri Lankan resident in or outside Sri Lanka who has obtained Temporary Resident visa in another country, aged 18 years or above.
- (d) An individual Sri Lankan resident in Sri Lanka who is a prospective migrant under the parent migration scheme.
- (e) An administrator or executor of the estate of a deceased person who was an emigrant.

3. Opening and Maintaining the CTRAs

- (a) The CTRA may be opened and maintained in the form of Savings or Current (without overdrawing facility) account, in Sri Lanka Rupees.
- (b) Eligible persons shall open only one CTRA in the banking system and shall be held as sole account.
- (c) Both CTRA and Emigrant's Remittable Income Account shall be opened and maintained with the same AD.
- (d) All existing CTRAs except the accounts for which a Registration Number has been issued by the Central Bank, shall be re-designated and continued to be operate as Non Resident Rupee Accounts, within three months from the date of the regulations.
- (e) All existing CTRAs maintained by foreign firms/ companies registered/ incorporated outside Sri Lanka, shall be re-designated and continued to be operated as Non-Resident Rupee Accounts, within three months from the date of the regulations.
- (f) All existing CTRAs maintained by Sri Lankans employed abroad who are residing outside Sri Lanka, shall be re-designated and continued to be operated as Sri Lanka Rupee Accounts, within three months from the date of the regulations.

4. Permitted Credits

- (a) Where the account holder is an emigrant, resident in or outside Sri Lanka;
 - i. Remittances in foreign exchange received from outside Sri Lanka in favour of the account holder through the banking system, for the purpose of local disbursements in Sri Lanka.
 - ii. Any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets), owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such emigrant's Sri Lanka Rupee accounts prior to the regulations coming into effect.
 - iii. Any proceeds derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited by an emigrant, from a person resident in Sri Lanka.

- iv. Any proceeds derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are received as a gift by the emigrant, from an immediate family member who is a person resident in Sri Lanka.
 - v. Any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are inherited or received by way of a gift to or by the emigrant from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his or her Sri Lanka Rupee accounts prior to the regulations coming into effect or inherited by the transferor or received as a gift by the transferor or made through an Non Resident Rupee Account of the transferor as permitted in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - vi. Monetary gifts received by the emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets).
 - vii. Any income derived from the investments owned or acquired or inherited or received by way of a gift by the emigrant as mentioned under subparagraph 4(a)(ii) to 4(a)(v) of these Direction.
 - viii. Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
 - ix. Transfers from Non-Resident Rupee Account of the account holder.
- (b) Where the account holder is a Non- National resident in or outside Sri Lanka including a minor;
- i. any income and any capital proceeds of the investments as permitted under subparagraph 4(5) (c), 4 (5) (d) and 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - ii. Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
- (c) Where the account holder is an individual Sri Lankan who has obtained Temporary Resident visa in another country, aged 18 or above; funds equivalent to maximum of USD 30,000, to obtain foreign exchange, as permitted under the regulations.
- (d) Where the account holder is an individual Sri Lankan who is a prospective migrant under the parent migration scheme; funds equivalent to the amount of the payment to be made to overseas authorities for obtaining visa under the parent migration scheme, as permitted under the regulations.
- (e) Where the account holder is an administrator/executor of the estate of a deceased person who was an emigrant;
- i. Transfers from CTRA or Non-Resident Rupee Account or Emigrant's Remittable Income Account of such deceased person.
 - ii. Any income or capital proceeds receivable to such deceased person as referred under paragraph 4(a) excluding 4(a) (vi) of these Directions.
- (f) Income received for the services provided by the accountholder; and
- (g) Interest earned in Sri Lanka Rupees on the funds held in the account.

5. Permitted Debits

- (a) Where the account holder is an emigrant resident outside Sri Lanka or an emigrant leaving Sri Lanka (initially or subsequently);
- i. Remittance/ transfer eligible migration allowance to a Personal Foreign Currency Account or Inward Investment Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder.
 - ii. Remittance/ transfer of funds which was credited under paragraphs 4(a)(vii) to 4(a)(viii) above to a Personal Foreign Currency Account or Inward Investment Account or Emigrant's Remittable Income Accounts or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder.
 - iii. Transfers to a CTRA of the children, grandchildren, spouse or siblings of the account holder as a gift, subject to the regulations.
 - iv. Transfers to a Non-Resident Rupee Account of the account holder.

- (b) Where the account holder is an emigrant resident in Sri Lanka;
 - i. Withdrawal in foreign currency notes up to the maximum limit specified in the Directions on Current Transactions or transfer of funds for uploading a Foreign Travel Card for travel purpose of the account holder who is a resident in Sri Lanka.
 - ii. Remittance for the purpose of living expenses of immediate family member/s (who is/are dependent/s living outside Sri Lanka) of the account holder who is a resident in Sri Lanka.
- (c) Where the account holder is a Non-National resident in or outside Sri Lanka including a minor;
 - i. Remittance/ transfer of USD 30,000 per annum out of the funds credited under subparagraph 4(b)(i), to Inward Investment Account or Personal Foreign Currency Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder;
 - ii. remittances/ transfer out of the funds credited under subparagraph 4(b)(ii) above, to Inward Investment Account or Personal Foreign Currency Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder;
- (d) Where the account holder is an individual Sri Lankan who has obtained Temporary Resident visa in another country, aged 18 or above; issuance of foreign exchange up to a maximum of USD 30,000.
- (e) Where the account holder is an individual Sri Lankan who is a prospective migrant under the parent migration scheme; payments to overseas authorities for obtaining visa under the parent migration scheme.
- (f) Where the account holder is an administrator or an executor of the estate of a deceased person who was an emigrant, transfer of funds to the CTRA of beneficiary/s of estate of the deceased person.
- (g) Disbursements in Sri Lanka in Sri Lanka rupees.

6. Procedure for Opening a CTRA

- (a) ADs shall obtain a registration number from the Director-Department of Foreign Exchange prior to opening a CTRA for an eligible person, upon submission of following scanned documents (as applicable) through CTRA@cbsl.lk:
 - i. A completed form of Annex I.
 - ii. A copy of the identification page and alternative and observation pages of the current passport.
 - iii. A copy of the Permanent Residency (PR) endorsement or other documentary evidence/s to prove PR date and country.
 - iv. A copy of the certificate of citizenship or dual citizenship.
 - v. If the emigrant has been born outside Sri Lanka, a copy of the certificate of birth registered in Sri Lanka (if any).
- (b) ADs shall open a CTRA upon receipt of a registration number issued by the Director-Department of Foreign Exchange. At any event, ADs may open the Emigrant's Remittable Income Account in name of the same account holder under the same Registration Number issued by the Director-Department of Foreign Exchange. In the event where an emigrant who already has a Emigrant's Remittable Income Account for which the Registration Number has been issued by the Director – Department of Foreign Exchange requires to open a CTRA, ADs are permitted to open a CTRA under the same Registration Number.

7. Other Conditions

- (a) The migration allowance shall be claimed only at the time of leaving Sri Lanka (initially or subsequently) or at the time that the emigrant is residing outside Sri Lanka.
- (b) The account number assigned to the CTRA in respect of eligible persons, shall be informed to the Director-Department of Foreign Exchange through CTRA@cbsl.lk immediately after it is assigned.
- (c) When opening a CTRA for eligible minors (i.e. persons aged below 18 years), ADs shall open CTRA through his/her natural or legally appointed guardian. Such minors may claim their eligible allowances once they reach 18 years as permitted in the regulations.
- (d) When executing the transaction permitted under the paragraph 4(a)(ix) of these Directions, ADs shall obtain a confirmation on the source of funds from the AD with whom the Non-Resident Rupee Account is maintained.
- (e) When executing the transaction permitted under the paragraph 5(b) of these Directions,

- i. If the travel allowance is to be claimed for the purpose of travel to the country where the accountholder has obtained PR or citizenship and the funds to be utilized for this purpose has been credited under paragraph 4(a) (i) to 4(a) (vi) of these Directions, the amount shall be deducted from the eligible migration allowance at the time of claiming such allowance.
- ii. If the living expenses are to be remitted his/her dependents who are living in the country where the accountholder has obtained PR or citizenship and the funds to be utilized for this purpose has been credited under paragraph 4(a) (i) to 4(a) (vi) of these Directions, the amount shall be deducted from the migration allowance at the time of claiming such allowance.
- (f) When executing the transaction permitted under the paragraph 5(a)(iv) and 5(f) of these Directions, ADs shall forward a confirmation on the source of funds to the AD with whom the CTRA is maintained.
- (g) ADs may issue foreign exchange on eligible migration allowance at the time of leaving Sri Lanka initially by the emigrant or on transactions permitted under subparagraph 5(d) above, subject to a maximum of USD 5,000 or equivalent amount in any other designated foreign currency in the form of foreign currency notes with an appropriate endorsement made on the passport by the AD, including date, amount of foreign currency, CTRA registration number, destination.
- (h) If the AD observe or was informed that the emigrant has made outward investments while being a resident in Sri Lanka through an Outward Investment Account, in the country where the said individual has obtained Permanent Residency or Citizenship, the AD shall obtain details of such investments from the AD with whom the Outward Investment Account is maintained and deduct the value of outward remittances made for such investments from the his/her eligible migration allowance of such emigrants and inform the migration of the said emigrant to the AD with whom the Outward Investment Account is maintained, in order to enable the conversion of such Outward Investment Accounts into Non Resident Rupee Accounts.
- (i) ADs shall have a mechanism in place to identify the individual from the registration number issued by this department as well as the CTRA number.
- (j) ADs shall obtain proper legally acceptable documentary evidence including the documents referred in Annex 2 and 3 (where applicable) to establish the legality and *bona-fide* of the underlying transaction to be carried out and ensure the compliance to the regulations and these Directions and maintain such documentary evidence/records (either in hard copy or electronic/digital form) beyond any statutory record keeping requirement until the closure of the CTRA.

8. Closure of CTRAs.

- (a) ADs require prior approval of the Director-Department of Foreign Exchange for closure of CTRAs opened and maintained in respect of eligible persons except an administrator or executor of the estate of a deceased person permitted under paragraph 2(e) of these Directions.
 - (b) ADs shall close CTRAs opened in respect of an administrator or executor of the estate of a deceased person upon completion of the administration activities in Sri Lanka under the estate of such deceased person.
 - (c) ADs shall inform such closure mentioned under 8(b) above to the Director-Department of Foreign Exchange within one week from the date of such closure via CTRA@cbsl.lk.
9. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from CTRAs for any purpose which falls outside the purview of these Directions.

10. Reporting Requirement

ADs shall submit a report as per the Annex 4 of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk.

11. For the purpose of these Directions

- (a) **“Emigrant”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (b) **“Immediate Family member”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (c) **“Parent Migration Scheme”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.

- (d) "**Temporary Resident Visa**" shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (e) "**Migration Allowance**" shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (f) "**Remittances**" shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
13. Directions No. 08 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to CTRAs are hereby rescinded.
14. The revocation of previous Directions referred to in Paragraph 13 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
15. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
16. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex 1 to the Directions No. 16 of 2021

Request for registration number to open a Capital Transactions Rupee Account (CTRA) and Emigrant's Remittable Income Account (ERIA).

1) Details of CTRA or ERIA Holder

- a). Full Name :
- b). NIC No (Sri Lanka) :
- c). Personal Identification No. (Foreign) :
- d). Current Passport No :
- e). Sri Lankan Passport No. (if any) :
- f). Date of Birth (DD/MM/YY) : Place of Birth:
- g). Date of Obtaining PR (DD/MM/YY) :
- h). Country of PR/Citizenship :
- i). The Account to be opened (ERIA or CTRA or Both) :
- j). Eligible Category of the Accountholder (specify the eligibility) :

2) Details of the Authorised Dealer

- a). Name :
- b). Branch :
- c). Branch Address :
- d). Email :
- e). Name of the Requesting Officer :
- f). Designation :
- g). Contact No : Direct:
Mobile:
- h). Date and Signature :

Note: 1. Authorised Dealers are required to fill and submit the Annex 1 with accurate and complete information above.

Annex 2 to the Directions No. 16 of 2021

Documents to be obtained when releasing the foreign exchange for migration allowance

- i. A formal request from emigrant (Authorised Dealers are advised to maintain a format).
- ii. A copy of Personal Identification Card (Foreign).
- iii. A copy of birth certificate of the emigrant.
- iv. Documents to prove the Permanent Residency (PR), Citizenship (if any) and Dual Citizenship (if any).
- v. Copies of introductory pages of the emigrant's current passport (as applicable).
- vi. Valid documents to prove the source/s of funds (eg. Deed of transfer etc.). If it is a gift as permitted in the regulation, it is mandatory to submit a consent letter signed by the grantor along with the certified copies of birth certificate/s or marriage certificate or any other documentary evidence (as applicable) to prove the relationship (as an immediate family member) between grantor and the emigrant.
- vii. A tax clearance certificate from the Commissioner General of Inland Revenue Department of Sri Lanka for the amount to be remitted (if required, as per the regulations of Department of Inland Revenue).
- viii. An affidavit duly stamped and attested by a Justice of Peace/ Commissioner for Oaths/ solicitor, declaring that,
 - (a) no transfers have been made or will be made in excess of the initial allowance of USD 200,000 and the annual allowance of USD 30,000, as applicable. If any migration allowance has been availed prior to the date of declaration, it should be declared.
 - (b) no transfers have been made for the purpose of investing/acquiring asset outside Sri Lanka. If any investment has been made, details of such investments (name of the AD through which the remittances made, date of remittance, amount, currency, name and number of the account, nature of the investment, details of investee) along with documentary evidences should be declared.
- ix. A copy of air ticket (as applicable).
- x. A copy of emigrant's power of attorney (as applicable).
- xi. Other than above, Authorised Dealers may obtain any documentary evidence/information in order to adhere to their internal procedures and as required in paragraph 7(j) of these Directions.

Annex 3 to the Directions No. 16 of 2021

Documents to be obtained when releasing the foreign exchange for the capital transaction permitted for "A Non- National resident in or outside Sri Lanka" under these Directions

- i. A formal request from the applicant (Authorised Dealers are advised to maintain a format).
- ii. Copy of Personal Identification Card (Foreign).
- iii. A copy of the introductory pages of the current passport, of the applicant.
- iv. Valid documents to prove the source/s of funds.
- v. A tax clearance certificate from the Commissioner General of Inland Revenue Department of Sri Lanka for the amount to be remitted (if required, as per the regulations of Department of Inland Revenue).
- vi. Other than the above, Authorised Dealers may obtain any documents to adhere to their internal procedures and as required in the paragraph 7 (j) of these Direction.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 17 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Emigrant's Remittable Income Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the Purpose of Engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 (the regulations) and Sections 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA) read with Section 6 and 7 of FEA, Authorised Dealers (ADs) are permitted to open and maintain Emigrant's Remittable Income Accounts

(ERIAs) in the Domestic Banking Unit, for the purpose of repatriation of current income derived in Sri Lanka by an emigrant only if there is a regulatory requirement in the country where the emigrant is residing permanently, to identify the current income globally derived by such emigrant, subject to the following.

2. Eligible Persons

- (a) An emigrant

3. Opening and maintaining the ERIAs

- (a) ERIA may be opened and maintained in the form of Savings or Current (without overdrawing facility) account, in Sri Lanka Rupees as sole account.
- (b) Eligible persons shall open only one ERIA in the banking system.
- (c) Both the Capital Transaction Rupee Account and ERIA shall be opened and maintained with the same AD.
- (d) An AD is permitted to open and maintain ERIAs in the name of emigrants who has already opened the Capital Transaction Rupee Accounts with the registration number issued by the Director- Department of Foreign Exchange. An AD shall inform the details of such ERIAs (registration number, name of the emigrant, account number of ERIA) to the Director-Department of Foreign Exchange via CTRA@cbsl.lk, within one week from the date of opening.

4. Procedure for Opening an ERIA

- (a) ADs shall obtain a registration number from the Director-Department of Foreign Exchange when opening a ERIA for an eligible person, upon submission of following scanned documents (as applicable) through CTRA@cbsl.lk:
 - i. A completed form of Annex I.
 - ii. A copy of the identification page and alternative and observation pages of the current passport.
 - iii. A copy of the Permanent Residency (PR) endorsement or other documentary evidence/s to prove PR date and country.
 - iv. A copy of the certificate of citizenship or dual citizenship.
 - v. If the emigrant is born outside Sri Lanka, a copy of the certificate of birth registered in Sri Lanka (if any).
- (b) ADs shall open an ERIA upon receipt of a registration number issued by the Director-Department of Foreign Exchange. At any event, ADs may open the Capital Transaction Rupee Account in name of the same accountholder under the same Registration Number issued by the Director-Department of Foreign Exchange. In the event where an emigrant who already has a Capital Transaction Rupee Account for which a registration number has been issued by the Director – Department of Foreign Exchange requires to open an ERIA, ADs are permitted to open an ERIA under the same Registration Number.

5. Permitted Credits

- (a) Any income derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets), owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such emigrant's Sri Lanka rupee accounts prior to the regulations coming into effect.
- (b) Any income derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited by the emigrant, from a person resident in Sri Lanka.
- (c) Any income derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are received as a gift by the emigrant, from an immediate family member who is a person resident in Sri Lanka.
- (d) Any income realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited or received as a gift to or by the emigrant, from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his/her Sri Lanka Rupee accounts prior to the regulations coming into effect or inherited by the transferor or received as a gift to the transferor or made through Non Resident Rupee Account of the transferor as permitted in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 (as amendments thereto).
- (e) Income received for services provided by the account holder.
- (f) Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].

- (g) Transfers being current income of the account holder, from a Non Resident Rupee Account or Capital Transaction Rupee Account of the account holder.
- (h) Interest earned on the funds held in the account.

6. Permitted Debits

- (a) Remittances in favor of the account holder.
- (b) Transfers to Inward Investment Account or Personal Foreign Currency Account or an account maintained in Offshore Banking Unit or an account maintained outside Sri Lanka, of the same account holder.
- (c) Transfer of funds to the Capital Transaction Account of the administrator/executor of the estate of a deceased person (i.e. account holder).
- (d) Payments in relation to the loan obtained by the account holder under the Direction No. 11 of 2021 (as amendments thereto).
- (e) Payments for the settlements of the Electronic Fund Transfer Cards of the account holder issued in terms of the Directions No. 02 of 2021 (as amendments thereto).
- (f) Disbursements in Sri Lanka in Sri Lanka Rupees.

7. Other terms and conditions

- (a) The account number assigned to the ERIA in respect of eligible persons, shall be informed to the Director-Department of Foreign Exchange through CTRA@cbsl.lk immediately after it is assigned.
- (b) When executing the transaction referred under the subparagraph 5.(g) of these Directions, ADs shall obtain a confirmation on the source of funds from the AD with whom the Non Resident Rupee Account or Capital Transaction Rupee Account is maintained.
- (c) ADs shall obtain documentary evidences for the satisfaction of AD on the requirement of opening ERIA.
- (d) ADs shall obtain proper legally acceptable documentary evidence (as required) to establish the legality and *bona-fide* of the transactions to be carried out through the ERIA and ensure the compliance to the regulations and these Directions.
- (e) ADs shall have a mechanism in place to identify the individual from the registration number issued by this department as well as the ERIA number.
- (f) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the ERIA held by the emigrants beyond any statutory record keeping requirements during the maintenance of the account.

8. Closure of ERAs

- (a) ERIA may be closed at the request of account holder upon obtaining a confirmation from the account holder that he/she will not require to open an ERIA in future. ADs are not permitted to open another ERIA in the name of the same account holder under the previous Registration Number issued by the Director-Department of Foreign Exchange.
 - (b) ADs shall inform such closure to the Director- Department of Foreign Exchange via an email to CTRA@cbsl.lk, within three working days from the date of such closure.
9. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from ERAs for any purpose which falls outside the purview of these Directions.

10. Reporting Requirement

ADs shall submit a report as per the Annex 2 of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk.

11. For the purpose of these Directions;

- (a) **“Emigrant”** means an individual Sri Lankan who has obtained Permanent Residency status or citizenship in another country, a dual citizen of Sri Lankan origin (Sri Lankan origin means at least one of parents was born in Sri Lanka) and a non-national of Sri Lankan origin residing outside Sri Lanka whose birth has been registered in Sri Lanka, including minors.

- (b) "**Remittances**" shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
- (c) "**Immediate Family member**" shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No.3 of 2021.
12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
13. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
14. These Directions shall come into operation with effect from **22 March 2021**.

Director**Department of Foreign Exchange****18 March 2021****Annex 1 to the Directions No. 17 of 2021****Request for registration number to open a Capital Transactions Rupee Account (CTRA) and Emigrant's Remittable Income Accounts (ERIA)****1) Details of CTRA and ERIA Holder**

- a). Full Name :
- b). NIC No (Sri Lanka) :
- c). Personal Identification No. (Foreign) :
- d). Current Passport No :
- e). Sri Lankan Passport No. (if any) :
- f). Date of Birth (DD/MM/YY) : Place of Birth:
- g). Date of Obtaining PR (DD/MM/YY) :
- h). Country of PR/Citizenship :
- i). The Account to be opened (ERIA or CTRA or Both) :
- j). Eligible Category of the Accountholder (specify the eligibility) :

2) Details of the Authorised Dealer

- a). Name :
- b). Branch :
- c). Branch Address :
- d). Email :
- e). Name of the Requesting Officer :
- f). Designation :
- g). Contact No : Direct:
Mobile:
- h). Date and Signature :

Note: 1. Authorised Dealers are required to fill and submit the Annex 1 with accurate and complete information above.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 18 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Non Resident Rupee Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the Purpose of Engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 (the regulations) and Sections 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA) read

with Section 6 and 7 of FEA, Authorised Dealers (ADs) are permitted to open and maintain Non Resident Rupee Accounts (NRRA) in the Domestic Banking Unit, subject to the following.

2. Eligible Persons

- (a) An emigrant resident in or outside Sri Lanka.
- (b) A firm or a company established/incorporated outside Sri Lanka.

3. Opening and Maintaining the NRRA

- (a) NRRA may be opened and maintained in the form of Savings or Current (without overdrawing facility) or Term Deposit account, in Sri Lanka Rupees.
- (b) NRRA shall be held as sole account and NRRA maintained by emigrants may be held as joint accounts with another emigrant.
- (c) A firm or a company established/incorporated outside Sri Lanka who expect to execute transactions permitted under subparagraph 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, shall only be eligible to open one NRRA in the banking system, for such purpose.
- (d) All Capital Transactions Rupee Accounts except the accounts for which Registration Numbers have been issued by the Central Bank, shall be re-designated and continued to be operate as NRRA, within three months from the date of the regulations.
- (e) All Sri Lanka Rupee Accounts maintained by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status, shall be re-designated and continued to be operated as NRRA, with immediate effect once the AD is informed or aware on his/her migration.

4. Procedure of re-designating all Sri Lanka Rupee Accounts maintained by an individual Sri Lankan who is a prospective migrant under a Permanent Residency visa issued by another country, as NRRA;

- (a) Any Sri Lanka Rupee account which maintained as "sole account or joint account" by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status, shall be re-designated and continued to be operate as NRRA.
- (b) Any Sri Lanka Rupee account maintained as "joint account" by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status with another person resident in Sri Lanka, shall be closed and the said emigrant may open NRRA, if required. The balance lying in such Sri Lanka Rupee Accounts may be transferred to the NRRA to be opened by the prospective migrant, subject to the procedure of normal banking business.
- (c) Any Sri Lanka Rupee account maintained as "joint account" by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status with another emigrant, shall be re-designated and continued to be operate as NRRA.
- (d) Outward Investment Accounts maintained by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status, shall be re-designated and continued to be operated as NRRA, with immediate effect once the AD is informed or aware on his/her migration. ADs shall inform such converted of Outward Investment Accounts into NRRA (including the details such as sum of outward remittances (USD), date of remittances of all investment made to the country where he/she has obtained Permanent Residency status) to the Director- Department of Foreign Exchange via dfem@cbsl.lk within one week from the date of conversion.

5. Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system, for the purpose of local disbursements in Sri Lanka.
- (b) Where the account holder is an emigrant;
 - i. Any proceeds derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets), owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such emigrant's Sri Lanka rupee accounts prior to the regulations coming into effect or acquired by funding through the account as permitted in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.

- ii. Any proceeds derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited by an emigrant, from a person resident in Sri Lanka.
 - iii. Any proceeds derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are received as a gift by an emigrant, from an immediate family member who is a person resident in Sri Lanka.
 - iv. Any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited or received by way of a gift to or by the emigrant, from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his or her Sri Lanka rupee accounts prior to the regulations coming into effect or inherited by the transferor or received as a gift by the transferor or made through an NRRA of transferor as permitted in the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - v. Any income derived from the investments owned or inherited or received as a gift by the emigrant as mentioned under subparagraph 5(b)(i) to 5(b)(iv) of these Direction.
 - vi. Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
- (c) Where the account holder is a firm or a company established/incorporated outside Sri Lanka;
- i. Local income derived from a current transaction, subject to the verification of the documentary evidence and upon establishing *bona-fide* of the transactions.
 - ii. Any income and any capital proceeds of the investments as permitted under subparagraph 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
- (d) Interest earned on the funds held in the account.

6. Permitted Debits

- (a) Where the account holder is an emigrant;
- i. Payments relating to the investments as permitted the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - ii. Transfers to the Capital Transactions Rupee Account of the accountholder.
 - iii. Transfer out of current income of the accountholder credited under paragraph 5(b)(v), to the Emigrant's Remittable Income Account of the account holder.
 - iv. Transfer of funds to the Capital Transaction Rupee Account of the administrator/executor of the estate of a deceased person (i.e. accountholder).
- (b) Where the account holder is a firm or a company established or incorporated outside Sri Lanka;
- i. Remittances out of the funds credited under paragraph 5(c) i. and 5(d) of these Directions.
 - ii. Out of the funds credited under paragraph 5(c) ii. of these Directions, remittance/ transfer of USD 30,000 per annum, to Inward Investment Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder.
- (c) Disbursements in Sri Lanka in Sri Lanka Rupees.

7. Other Terms and Conditions

- (a) All income and capital proceeds of such investments made through the NRRA as permitted in the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 shall be credited to respective NRRA, through which the investment was made.
- (b) When executing the transactions under the subparagraph 6(a)(ii) to 6(a)(iv) of these Directions, ADs shall forward a confirmation on the source of funds to the recipient AD with whom the Capital Transactions Rupee Account or Emigrant's Remittable Income Account is maintained.
- (c) ADs shall obtain legally acceptable documents confirming that,

- i. No NRRA has been opened with another AD when opening an NRRA under the subparagraph 3(c) of these Directions.
- ii. Accepting to forego the future remittances, if the declaration mentioned under 7(c)i was false in any event.
- (d) ADs shall obtain proper legally acceptable documentary evidence (as required) to establish the *bona-fide* of the transactions to be carried out through the NRRA and ensure the compliance to the regulations and these Directions.
- (e) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the NRRA held by the emigrants beyond any statutory record keeping requirements during the maintenance of the account.

8. Closure of NRRA

- (a) NRRA may be closed at the request of the account holder if all investments made through NRRA (if any) are disposed/ liquidated and such proceeds are transferred to the CTRA of the account holder.
- (b) ADs shall inform such closure to the Director- Department of Foreign Exchange via an email to dfem@cbsl.lk, within one weeks from the date of such closure.
- 9. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from NRRA for any purpose which falls outside the purview of these Directions.

10. Reporting Requirement

- (a) ADs shall submit a report as per the Annex of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk.
- (b) ADs shall submit the details (Name and address of the Account holder, Registration Number of the firm/company in that country, Account Number) of NRRA opened by the firm/company established/incorporated outside Sri Lanka who expect to execute transactions permitted under subparagraph 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, within one week from the date of opening.

11. For the purpose of these Directions;

- (a) **“Emigrant”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (b) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
- (c) **“Immediate Family member”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- 12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
- 13. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
- 14. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 19 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on External Commercial Borrowing Accounts

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 (the regulations) and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain External Commercial Borrowing Accounts (ECBAs) in the Domestic Banking Unit, subject to the followings.

2. Eligible Persons

- (a) Companies incorporated in Sri Lanka under the companies Act, No 7 of 2007.

3. Opening and Maintaining the ECBAs

- (a) ECBAs may be opened and maintained in the form of Savings or Term Deposit accounts in any designated foreign currency or in Sri Lanka Rupees and shall be held as sole accounts.

4. Permitted Credits

- (a) Remittances/ transfers of proceeds of the loan obtained by the accountholder from an overseas lender, from an account maintained outside Sri Lanka or an Inward Investment Account or an account maintained in Off-shore Banking Unit, of such lender.
- (b) Transfers from an Outward Investment Account or Business Foreign Currency Account, an account maintained in Off-shore Banking Unit or Sri Lankan Rupee account, of the accountholder, for the purpose of servicing the loan.
- (c) Transfers from another ECBA of the same accountholder.
- (d) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Remittance/ transfers of funds to an account maintained outside Sri Lanka or an Inward Investment Account or an account maintained in Off-shore Banking Unit, of the lender, for the purpose of servicing and repayments of the loan, in terms of the loan agreement.
- (b) Transfers of loan proceeds, to a Sri Lanka Rupee account of the account holder.
- (c) Transfers of loan proceeds, to an Outward Investment Account of the accountholder only if the loan has been obtained for the purpose of financing outward investments, as permitted in the Foreign Exchange (the Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 01 of 2021 or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (d) Remittances in respect of current transactions of the account holder.
- (e) Transfers to the ECBAs of the same accountholders.
- (f) Bank charges, fees, commissions, etc. payable with respect of the loan.
- (g) Disbursement in Sri Lanka in Sri Lanka Rupees.

6. Other Conditions

- (a) ADs shall open an ECBA savings in respect of receiving the proceeds of each loan and all repayments (including interest) of such loan shall be made through the same ECBA. An affidavit on this effect shall be obtained by the AD from the borrower at the time of opening an ECBA.
- (b) ECBA Term Deposit may be opened only for the purpose of keeping it under lien for a Sri Lanka Rupee loan to be obtained by the accountholder from an AD, in order to mitigate foreign exchange risk. Such shareholders shall make the repayments of the capital of the said foreign currency loan utilizing the funds in the ECBA Term Deposit and rupee conversions will not be permitted for these purposes. Interest on the ECBA Term Deposit shall also be utilized for the repayment of the interest of the foreign currency loan and rupee conversions may be permitted for any shortfall of the repayment of the interest of the said foreign currency loan.
- (c) ECBA Term Deposits are confined only to the permitted credits and debits under subparagraph (c), (d) of paragraph 4 and subparagraph (b) (e) (g) of paragraph 5 of these Directions, respectively, ADs shall obtain a consent of the accountholder on the condition stated under paragraph 6(b) of these Directions at the time of opening the ECBA Term Deposit appropriately.
- (d) ADs shall obtain proper legally acceptable documentary evidence (as required) including the following information/documents, to establish the legality and bona-fide of the transactions made through the ECBA and ensure the compliance to the regulations and these Directions.
 - i. A certified copy of the loan agreement including the repayment schedule.
 - ii. Profiles of the lender and borrower.
 - iii. A copy of the Resolution passed by the Board of Directors of the company (i.e. borrower) for the approval on the proposed loan, certified by the company secretaries.

- (e) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the ECBA beyond any statutory record keeping requirements during the maintenance of the account.

7. Closure of ECBAs

- (a) ADs shall close an ECBA, if the borrower has fully settled the respective loan.
 - (b) However, in the event an ECBA holder requests for a closure of the ECBA before fully settled the respective loan, for the purpose of continue the future repayments of the said loan via a ECBA to be opened with another AD, the AD with whom the original ECBA is held, may close the ECBA only after forwarding following information/documents for the satisfaction of AD who wish to open new ECBA,
 - i. A confirmation on the details of the receipt of the loan (Date, Amount with currency type, Lender, Borrower etc.,) all repayments (Date, Amount, Beneficiary details, etc.) and outstanding balance.
 - ii. Documentary evidences collected from the ECBA holder, in proof of the transactions made through the ECBA.
 - (c) ADs shall inform such closure to the Director- Department of Foreign Exchange via an email to dfem@cbsl.lk, within one week from the date of such closure.
8. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from ECBAs for any purpose which falls outside the purview of these Directions.

9. Reporting Requirements

ADs shall submit a report as per the Annex of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk

10. For the purpose of these Directions

- (a) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
- 11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
- 12. Directions No. 01 of 2021 dated 15 January 2021 issued to ADs specifying requirements related to operating of Temporary Special Foreign Currency Accounts for Licensed Finance Companies are hereby rescinded.
- 13. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 20 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

**Directions issued to Authorised Dealers on issuance and renewal of guarantees
in respect of current and capital transaction.**

In terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to issue and renew guarantees (i.e. bank guarantees, bonds, standby letters of credit) from the Domestic Banking Unit, as the case may be, in respect of current transactions and capital transactions stipulated below and make payments being claims of such bank guarantees, bonds, standby letters of credit and corporate guarantees subject to the following.

1. Guarantees permitted in respect of current transactions

- (a) ADs are permitted to issue and renew guarantees in respect of current transactions permitted under the Directions on Current Transactions.

2. Guarantees permitted in respect of capital transactions

- (a) In the event where a company incorporated in Sri Lanka (i.e. investor) requires to provide a guarantee to enable a company incorporated outside Sri Lanka (i.e. investee) in which the said investor is a shareholder, to enable the investee

to raise facilities from a financial institution, a guarantee subject to a maximum limit of USD 1,000,000 may be issued if the investment in said investee has been made in compliance with the provisions of the repealed Exchange Control Act or the FEA. The guarantee value shall be proportionate to the percentage shareholding of the investor in the said investee at any given time;

- (b) In the event where a company incorporated in Sri Lanka (i.e. investor) requires to provide a guarantee to enable a branch or project office established outside Sri Lanka by the said investor, to raise facilities from a financial institution, a guarantee up to USD 500,000 may be issued per branch or project office established outside Sri Lanka by the investor, if the investment in said branch or project office has been made in compliance with the provisions of the repealed Exchange Control Act or the FEA.
- (c) In the event the investor does not have the capacity to provide the guarantees specified under subparagraph 2(a) and 2(b) of these Directions on behalf of its investee, the parent company or a fully owned subsidiary of the investee in Sri Lanka (i.e., guarantor) may request to issue such guarantee through an AD with the consent of the investor on the same. Such guarantee may be issued by the AD subject to the limits applicable to the guarantees permitted in subparagraph 2(a) and 2(b) of these Directions. This permission will not be applicable in the event where the investment in overseas has been made out of a Business Foreign Currency Account of the investor.
- (d) In the event where a company incorporated in Sri Lanka act as an agent of a company incorporated outside Sri Lanka (i.e. the principal) subject to an agreement entered into between both parties (agency agreement), a guarantee may be issued on behalf of the agent in favor of the principal up to the amount stipulated in the said agency agreement.
- (e) A guarantee on behalf of a person resident outside Sri Lanka (i.e. investor) against the funds lying to the credit of an Inward Investment Account, of the said investor, in connection with the purchases of shares of companies listed at Colombo Stock Exchange in Sri Lanka.

3. Other guarantees

- (a) A guarantee on behalf of a Business Foreign Currency Account holder in favor of another AD, to enable such Business Foreign Currency Account holder to obtain accommodations under the Direction No. 09 of 2021, from such AD.
- (b) A guarantee on behalf of a property developer (i.e. seller of the property) in favor of an Inward Investment Account holder (i.e. purchaser of the property) up to the 50% of the payments made through the same Inward Investment Account for the purpose of purchasing an apartment from the seller, for the construction period of such property.

4. Other terms and conditions

- (a) ADs shall evaluate and ensure on the contingent liabilities of the company on guarantees provided to third parties so far and the financial strength of the company to meet any contingent liability arising out of the guarantee to be issued and the ability of the beneficiary of the guarantee to meet its obligations which to be secured by the said guarantee by the company in Sri Lanka.
- (b) In the event of issuing guarantees in subparagraph (a), (b) and (c) of paragraph 2 of these Directions, the following conditions are also applicable;
 - i. The investor/ guarantor shall make appropriate legal agreement with the investee to recover the value of the claim (to be made in the event of a default), prior to issuing the said guarantees.
 - ii. Such recoveries as stated in sub paragraph (i) above, shall be brought into the same Outward Investment Account or Business Foreign Currency Account of the investor or rupee account of the investor/ guarantor, through which the payment of the claim was made.
 - iii. If the investment in the investee has been made through a Business Foreign Currency Account of the investor, the proposed guarantee shall be issued subject to the condition that any outward remittance arising from such guarantee shall be claimed out of the funds in the Business Foreign Currency Account of the investor.
 - iv. ADs shall obtain documentary evidence,
 - a) on the compliance with subparagraph (b)(i) above.
 - b) a resolution passed by the Board of Directors of the company (i.e. investor and guarantor) which is certified by the company secretaries or an affidavit/s or any other legally acceptable document on undertaking to comply with subparagraph 4(b)(ii) and 4(b)(iii) of these Directions, to the satisfaction of AD.

- (c) When executing guarantees permitted under paragraph 2 and 3 of these Directions, ADs shall obtain a resolution passed by the Board of Directors of the company which is certified by the company secretaries on,
 - i. the approval for the proposed guarantee and to the effect that no guarantee has been obtained from any other ADs for the same purpose.
 - ii. ensuring that the company has financial strength to meet any contingent liability arising out of the guarantee to be issued.
- (d) ADs shall obtain proper legally acceptable documentary evidence (as required) to establish the legality and bona-fide of the underlying transaction to be carried out and to ensure the compliance to the regulations and these Directions.
- (e) In the event of issuing a guarantee on behalf of a person resident outside Sri Lanka (i.e. principal obligor) who intends to involve in a current transaction with a person resident in Sri Lanka, in favor of such resident person in Sri Lanka, at the request from the principal obligor or its agent in Sri Lanka, such guarantees shall be issued upon obtaining an enforceable counter guarantee from a reputed international bank outside Sri Lanka with a rating acceptable to the ADs.
- (f) In the event of issuing;
 - i. Advance payment guarantees,
 - (a) the guarantee value shall be less than or equal to the value of the advance payment received by the resident in Sri Lanka from the person resident outside Sri Lanka, and subject to paragraph 3(b) of these Directions.
 - (b) the guarantee shall include a condition that it will be valid only after the receipt of the advance payment from the resident outside Sri Lanka to an account in Sri Lanka of the person resident in Sri Lanka,
 - ii. Performance bond, it shall be subject to proof of award of the contract and conditions stipulated therein.
 - iii. Bid bond, it shall be subject to the conditions stipulated in the tender or quotation.

5. Outward remittances on valid claims

- (a) ADs are permitted to make outward remittances/payments arising from valid claims in respect of the guarantees permitted in these Directions, Corporate Guarantees permitted under "the paragraph 11 under schedule I of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka By a Person Resident in Sri Lanka) Regulations No. 01 of 2021" and Sovereign Guarantees permitted under "the Schedule I of the Foreign Exchange (Classes of Miscellaneous Capital Transactions)Regulations No. 4 of 2021", upon satisfying with the bona-fide of the underlying transaction, subject to the followings;
 - i. The maximum amount of the valid claim under a guarantee shall be limited to the proportion of the outstanding obligation of the underlying transaction.
 - ii. In the event, a valid claim of a guarantee issued under subparagraph 2(a) of these Directions, the maximum amount of the claim shall be proportionated or lower to the percentage of shareholding of the investor in the investee of the outstanding obligation at the time of the claim.
 - iii. Any claim arising from guarantees issued under subparagraph 2(a) and 2(b) of these Directions where the investment has been made through a Business Foreign Currency Account of the investor, shall be made out of the funds in the Business Foreign Currency Account of the investor.
 - iv. Any valid claim arising from guarantees issued under subparagraphs 3(a) and 3(b) of these Directions shall be made only out of the funds available in the Business Foreign Currency Account of the borrower or property developer, as the case may be.
- 6. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any guarantee for any purpose which falls outside the purview of these Directions.

7. Reporting requirement

A quarterly Report on guarantees issued and renewed by the ADs as permitted in these Directions as per the Annex I shall be forwarded to the Director- Department of Foreign Exchange on or before 15th day of the following month. The scanned copy of the signed report and Ms Excel version of the same shall be forwarded via dfem@cbsl.lk.

8. For the purpose of these Directions.

- (a) **"Current Transactions"** shall refers to the Foreign Exchange Act No 12 of 2017.
- (b) **"Capital Transactions"** shall refers to the Foreign Exchange Act No 12 of 2017.

9. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
10. Previous Directions issued to ADs under the Directions No. 15 of 2017 dated 20 November 2017 specifying requirements related to issuance and renewal of bank guarantees, bonds, standby letters of credit and corporate guarantees, are hereby rescinded.
11. The revocation of previous Directions referred to in Paragraph 10 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
12. These Directions shall come into operation with effect from 22 March 2021.

Director

Department of Foreign Exchange

18 March 2021

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2220/69 - FRIDAY, MARCH 26, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

Order under Section 4

BY virtue of the powers vested in me by Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Mahinda Rajapaksa, Minister of Finance, do by this Order, prescribe the purposes, terms and conditions as specified hereunder, subject to which any hotel registered with the Sri Lanka Tourism Development Authority ("hotels") shall deal in foreign exchange within Sri Lanka.

Hotels are hereby permitted to accept foreign currency from persons resident in Sri Lanka who have foreign currency in their possession up to such limits and subject to such terms and conditions, prescribed by the Minister by an Order published in the Gazette under Section 8 of the Act, in respect of services rendered to such persons by the hotels.

Provided that, foreign currency so accepted, shall not be retained in possession of such hotels, for a period exceeding seven (7) days from the date of the acceptance, without;

- (a) depositing into a Business Foreign Currency Account opened and maintained with an authorised dealer or restricted dealer, in the name of the respective hotel; or
- (b) selling to an authorised dealer, upon submitting evidence to such effect.

MAHINDA RAJAPAKSA
Minister of Finance

Ministry of Finance,
Colombo 01,
26th March 2021.

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PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

1. The Regulations published in the Gazette Extraordinary No. 2170/4 on 8 April, 2020 as amended by the Regulations published in the Gazette Extraordinary No. 2202/7 on 17 November, 2020, are hereby further amended as follows :
 - (a) The words "Twelve months" appearing in paragraph 1 are hereby repealed and replaced by the words "Twenty Four months".

2. The Regulations published in the Gazette Extraordinary No. 2182/32 on 1 July, 2020 as amended by the Regulations published in the Gazette Extraordinary No. 2202/7 on 17 November, 2020, are hereby further amended as follows :
- (a) The words " Twelve months" appearing in paragraph 1 and paragraph 2 are hereby repealed and replaced by the words "Twenty Four months".

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
07th April, 2021.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 21 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers on the Special Deposit Accounts

In terms of the Regulations published in the Gazette Extraordinary No. 2170/4 dated 08 April 2020, the subsequent Regulations published in the Gazette Extraordinary No. 2182/32 dated 01 July 2020, No. 2196/22 dated 06 October 2020, No. 2222/37 dated 07 April 2021 (the regulations) and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Special Deposit Accounts (SDAs) at the Domestic Banking Units (DBUs) subject to the following.

2. Eligible Persons

- (a) Sri Lankan individuals resident in or outside Sri Lanka
- (b) Dual Citizens
- (c) Citizens of other States with Sri Lankan origin
- (d) Non- nationals resident in or outside Sri Lanka
- (e) Funds, corporate bodies, associations incorporated/registered outside Sri Lanka
- (f) Any other well-wisher

3. Opening and Maintaining SDAs

- (a) SDAs shall be opened during the twenty-four months period from 08 April 2020.
- (b) SDAs shall be opened and maintained only in the form of Term Deposits. SDAs in the form of savings accounts may be opened as operational accounts only for the purpose of receiving funds to be placed in SDA Term Deposits and repatriation of funds in SDA Term Deposits.
- (c) SDAs shall be opened and maintained either in any designated foreign currency or in Sri Lanka Rupees (LKR).
- (d) SDAs may be held as joint accounts by eligible persons.

4. Minimum tenure: Six (06) months.

5. **Interest payable:** One (1) percentage point and two (2) percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable (in the currency of deposit) at the maturity of the SDAs, in addition to the deposit interest rates applicable for normal deposits of similar maturities by the respective AD.

Note: The Central Bank of Sri Lanka (CBSL) will periodically reimburse the additional interest to the ADs in LKR, converted using an indicative rate specified by the CBSL applicable on the date of paying such interest at the maturity of the deposit.

6. **Repatriation of Funds:** Freely convertible and repatriable outside Sri Lanka on the maturity of term deposits.

7. Permitted Credits

- (a) Inward remittances in foreign currency received from outside Sri Lanka in favour of the account holder through the banking system.
- (b) Transfers from Inward Investment Accounts or accounts maintained in the Offshore Banking Unit by the account holder, out of the proceeds received as inward remittances during the twenty four months period from 08 April, 2020 in favour of the account holder.
- (c) Foreign exchange legitimately acquired and brought by the account holder who arrived into Sri Lanka on or after 01 January, 2020 subject to a declaration made to the Customs Department at the port of arrival, as prescribed by the Minister by an Order published in the Gazette under section 8 of the FEA.

- (d) Foreign exchange equal or less than USD 15,000 or an equivalent amount in any designated foreign currency legitimately acquired and brought by the account holder who arrived into Sri Lanka after 01 January, 2020 subject to an appropriate declaration to the AD.
- (e) Foreign Currency notes in possession of any person resident in Sri Lanka up to such limits and subject to such terms and conditions, as prescribed by the Minister by an Order published in the Gazette under section 8 of the FEA, subject to a declaration on source of funds to the AD.

8. Permitted Debits

- (a) Outward remittances of maturity proceeds upon maturity of the deposit.
- (b) Transfer of maturity proceeds of SDA term deposits to an Inward Investment Account or an account maintained in the Offshore Banking Unit by the same account holder.
- (c) Transfer of maturity proceeds including the interest of SDAs into an Inward Investment Account (IIA) of the same account holder provided that such SDA holder is eligible to maintain an IIA in terms of the Regulations No. 2 of 2021 published in the Gazette Extraordinary No. 2213/35 dated 03 February 2021.
- (d) Transfer of maturity proceeds including the interest of SDAs into a Personal Foreign Currency Account (PFCA) of the same account holder, provided that such SDA holder is eligible to maintain PCFAs in terms of the Regulations No. 5 of 2021 published in the Gazette Extraordinary No. 2213/38 dated 03 February 2021.
- (e) Disbursements in Sri Lanka in Sri Lanka Rupees.

9. Other Conditions

- (a) In the event of receiving funds through an Inward Investment Account or an account maintained in the Offshore Banking Unit, of the same account holder, ADs shall ensure that such funds have been received as inward remittances into Sri Lanka on or after 08 April 2020.
- (b) ADs shall ensure that inward remittances which are subject to other regulatory requirements such as export proceeds, returns/sale proceeds of investments made outside Sri Lanka by resident investors or other inward remittances subject to any other statutory requirements are not qualified to be credited to an SDA.
- (c) Premature withdrawals shall be discouraged before the minimum tenure of 6 months. Premature withdrawal of SDAs shall not be eligible for any additional interest payable as per paragraph 5 above.
- (d) SDAs with 6 months maturity period may be rolled over (without interest) only for a further 6 months term and will be only eligible for additional interest rate offered for 6 months tenure SDAs (i.e. 1 percentage point per annum payable at maturity of the deposit, above the deposit interest rates applicable for normal deposits of similar maturities by the respective bank).
- (e) ADs may consider SDAs as collaterals for granting loans in Sri Lanka rupees to persons resident in Sri Lanka. Further, SDAs may be used as collaterals for granting Sri Lankan Rupee loans or Foreign Currency loans to any person resident outside Sri Lanka subject to the relevant regulations on granting loans to such persons as permitted in the Regulations No. 4 of 2021 published in the Gazette Extraordinary No. 2213/37 dated 03 February 2021.
- (f) Funds withdrawn under paragraph 8 (e) above cannot be credited back to an SDA.
- (g) In the event of inward remittance in favour of the account holder routed via another AD due to any corresponding banking relationship, the AD who is the recipient of the inward remittance shall at the time of transferring such funds issue a confirmation, to the AD with whom the SDA is to be opened, stating that such funds have been received as eligible inward remittances.
- (h) Outward remittances in favour of the account holder may be effected through an AD other than the AD with whom the SDA is maintained, provided that a confirmation shall be obtained from the AD with whom the SDA is maintained stating that the funds were debited from the SDA of the account holder and out of the funds credited in compliance with the regulations.
- (i) At the time of opening the deposit, ADs shall make customer aware on the terms and conditions of the SDAs.
- (j) ADs may continue to maintain SDAs opened under the Regulations, as normal term deposits in the name of "Special Deposit Account" in the Domestic Banking Unit beyond the designated date of maturity of such SDAs. These SDAs so maintained beyond the date of maturity shall only be offered with the normal deposit interest rates offered by the ADs for other term deposits.

10. Reporting Requirement

- (a) ADs are required to furnish information on SDAs via e-mail dfem@cbsl.lk to this department as follows;

- i. **on weekly basis**, as per the format at **Annex I** to these Directions, not later than the close of the business of the 2nd working day of the following week, and
 - ii. **on monthly basis**, as per the format at **Annex II** to these Directions, on or before the 15th day of the following month.
- (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirements.
11. Previous Directions issued to ADs under the Directions No. 06 of 2020 dated 06 July 2020, No. 09 of 2020 dated 7 October 2020 and No. 10 of 2020 dated 25 November 2020 on SDAs, are hereby rescinded.
12. The revocation of previous Directions referred to in Paragraph 11 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

Director

Department of Foreign Exchange

07 April 2021

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
 NO. 2222/60 - FRIDAY, APRIL 09, 2021
 (Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank Notifications
MONETARY LAw ACT, NO. 58 Of 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949.

Professor W D Lakshman

**Chairman of the Monetary Board and, Governor of
 the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
 Colombo,
 9th April, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as "Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021".
2. Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2215/39 on 18 February 2021 as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the Gazette (Extraordinary) Notification No. 2218/38 on 9 March 2021, is hereby further amended by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rule.

"4. Every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert Ten per centum (10%) from and out of the total of the said exports proceeds received in Sri Lanka into Sri Lanka Rupees, through a licensed bank.

Provided, however, that such date of conversion, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka as required by Rule 3 (i) above (i. e., not later than One Hundred and Eighty (180) days from the date of shipment)."

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 22 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Hotels registered with the Sri Lanka Tourism Development Authority (SLTDA)

In terms of the Order issued under Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) as published in the **Gazette (Extraordinary) Notification No. 2220/69 dated 26.03.2021** (the Order) and Section 9 (4) of the FEA, permission is hereby granted to hotels who have been registered with SLTDA for the purpose of accepting foreign currency from persons resident in Sri Lanka in respect of services rendered to such persons, subject to the following.

2. Foreign currency so accepted by the hotels, shall not be retained in possession, for a period exceeding seven (7) days from the date of the acceptance and require to;
- deposit into a Business Foreign Currency Account opened and maintained with an authorised dealer or restricted dealer in the name of the hotel; or
 - sell to an authorised dealer, upon submitting evidence to such effect.

3. Other Conditions

- The amount of foreign currency accepted shall be limited to the value of the services rendered by the hotel and subject to valid receipts issued for such acceptance.
- Any balance due to the visitors to the hotel being persons resident in Sri Lanka shall be paid in Sri Lanka Rupees.
- Acceptance of foreign currency shall be at the prevailing exchange rates offered by the authorised dealers.
- All transactions related to acceptance of foreign currency notes shall be recorded in a separate register along with related documentary evidence to establish the *bona-fide* of the underlying transaction and shall be retained within the hotel premises enabling inspections of the Central Bank of Sri Lanka (CBSL), as may be required.
- In terms of the Section 5.1 of the Prevention of Money Laundering Act No. 5 of 2006, you are required to inform to the Financial Intelligence Unit (FIU) of CBSL, if you have any reason to believe that the foreign currencies accepted by you in respect of rendering the hotel services from persons resident in Sri Lanka has been derived or realized from any unlawful activity.

4. Reporting Requirement

The hotels permitted by these Directions shall require to submit a report as per the **Annex I** on a quarterly basis to the SLTDA on or before the 15th day of the following month by email to dfem@cbsl.lk.

5. For the purpose of these Directions;

- “authorised dealer”** shall have the same meaning as per the Foreign Exchange Act, No. 12 of 2017.
- “restricted dealer”** shall have the same meaning as per the Foreign Exchange Act, No. 12 of 2017.
- “the Order”** shall be the Order published in Gazette (Extraordinary) Notification No. 2220/69 dated 26.03.2021 in **Annex II**.

6. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing the hotels dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of the FEA or any other written law.

Additional Director

Department of Foreign Exchange

04 May 2021

Annex I to the Directions No. 22 of 2021

Acceptance of foreign currency from persons resident in Sri Lanka in respect of services rendered by the Hotels registered with SLTDA.

Name of the Hotel :

Reporting Quarter & Year

Amount accepted (equivalent in USD)*	Details of deposit/sale of Foreign Currencies (equivalent in USD)*	
	Amount deposited into a Business Foreign Currency Account maintained with an Authorised Dealer/ Restricted Dealer	Amount sold to an Authorised Dealer.

* Shall report each transaction in USD by using the exchange rates prevelled on the transaction date

We certify that the above information extracted/generated from the books of the hotel are true and accurate.

Name & Designation of the Authorised Person :

Signature & Seal :

Date :

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2229/5 - TUESDAY, MAY 25, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 of 2017****Order under Section 4**

BY virtue of the powers vested in me by Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017,¹, Mahinda Rajapaksa, Minister of Finance, do by this Order, prescribe the purposes, terms and conditions as specified hereunder, subject to which companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 shall deal in foreign exchange within Sri Lanka.

2. Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (hereinafter referred to as "parent company") are hereby permitted to lend in any designated foreign currency to their subsidiaries incorporated in Sri Lanka who are foreign exchange earners with prior permission of the Monetary Board of the Central Bank of Sri Lanka subject to the followings,
- i. The parent company shall grant the said foreign currency loan (hereinafter referred to as "foreign currency loan") to the subsidiary only out of the proceeds of a loan obtained by the parent company from a person resident outside Sri Lanka (hereinafter referred to as "foreign loan") subject to the Foreign Exchange Regulations No. 2 of 2021 published in the Gazette Extraordinary No. 2213/35 dated 3 February 2021 (hereinafter referred to as "Regulations No. 2 of 2021") and the terms and conditions stated under this Order.
 - ii. The parent company shall make the repayments of the said foreign loan out of the foreign exchange earnings of the company including the foreign exchange received from the subsidiaries being the repayments of foreign currency loans granted under the above permission. The rupee conversion for the repayments of the said foreign loan is permitted only as a last resort subject to the directions issued by the Central Bank.
 - iii. The foreign currency loan obtained from the parent company by the subsidiary shall be credited to a Special Foreign Currency Account opened by the subsidiary with an authorised dealer as per the permission granted by the Monetary Board of the Central Bank of Sri Lanka and all repayments of the said loan (principal and the interest) shall be made through the same Special Foreign Currency Account.
 - iv. The subsidiary shall have prospective foreign exchange earnings and all repayments of the said foreign currency loan obtained from the parent company shall be made only out of the foreign exchange earnings of the subsidiary.
 - v. The subsidiary may utilize the proceeds of the said foreign currency loan only for its business operations (excluding any capital transactions outside Sri Lanka).
 - vi. Under no circumstances, the repayments (principal and the interest) of the said foreign currency loan could be made by conversion of rupees into foreign exchange by the subsidiary.

MAHINDA RAJAPAKSA

Minister of Finance

Colombo,

25 May, 2021.

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2229/9 - FRIDAY, MAY 28, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL**Central Bank of Sri Lanka Notices****MONETARY LAW ACT, No. 58 OF 1949**

RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN

**Chairman of the Monetary Board and Governor of the
Central Bank of Sri Lanka.**

Central Bank of Sri Lanka, Colombo,
28th May, 2021.

Repatriation of Export Proceeds into Sri Lanka

1. These Rules shall be cited as the "Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021".
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2215/39 dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the Gazette (Extraordinary) Notification No. 2218/38 dated 9 March 2021 and the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the Gazette (Extraordinary) Notification No. 2222/60, dated 9 April 2021, is hereby further amended.

(a) by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rules

"4. Every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert not less than Twenty- five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka, into Sri Lanka Rupees, through a licensed bank".

"4A. The Monetary Board may however determine the specific export sectors or industries or individual exporters, who or which may be permitted to convert less than twenty five per centum of the total of the export proceeds received in Sri Lanka, if the Monetary Board is satisfied, in its discretion, that the export goods and processes of such export sector, industry or exporter, utilize a very high percentage of imported goods that cannot be sourced domestically.

Provided however, that in no instance, shall any such partial exemption that the Monetary Board may grant in its discretion, as referred to immediately above, be below ten per centum (10%) of the total export proceeds".

"4B. Such date of conversion mentioned in Rule 4 and 4A above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than One Hundred and Eighty (180) days from the date of shipment)".

(b) by the repeal of Rule 5 thereof and the substitution therefor, of the following new Rule

"5. The Monetary Board may in general, having regard to the liquidity situation in the foreign exchange market and the Gross Official Reserve levels in Sri Lanka, determine from time to time, such other percentage as the case may be, of the export proceeds received in Sri Lanka, that shall be converted into Sri Lanka Rupees through a Licensed Bank as the Monetary Board may deem fit and appropriate in the prevailing circumstances".

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 23 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

**Directions issued to Authorised Dealers on Diplomatic Foreign Currency Accounts (DFCAs) and
Diplomatic Rupee Accounts (DRAs)**

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017, **item (b) of Paragraph 1.3.2.** of the Directions No. 06 of 2021 dated 18.03.2021, is hereby amended and replaced with the following.

" (b) withdrawals in foreign currency for local expenses of the accountholder including for travel purposes".

Director

Department of Foreign Exchange

11 June 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 24 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), the Directions No. 05 of 2021 dated 18.03.2021 (the Directions) issued to Authorised Dealers (ADs), is hereby amended, and read as follows.

- I. **Annex I** of the Directions is hereby amended and replaced with the attached hereof.
- II. In addition to the other conditions specified in the Paragraph 1.5 of the Directions, following shall be included and read as **item (e)** thereof.
 - (e) Notwithstanding to the fact that foreign exchange is earning from a resident outside Sri Lanka, ADs may maintain the BFCAs already opened in terms of the provisions of the repealed Exchange Control Act, or the Regulations and Directions issued under the provisions of the FEA previous to these Directions, in respect of the persons who fulfill the criteria specified in item 16 of Annex I to these Directions as indirect exporters of goods.

Director

Department of Foreign Exchange

17 June 2021

Annex I

Category of Persons

1. Exporters of goods (Merchandise)
2. Exporters of professional services
3. Persons who engage in the business of Entrepot trade as intermediaries
4. Travel Agents and Tour Operators
5. Hotels and Restaurants
6. Gem and Jewelry Dealers
7. Foreign Employment Agencies
8. Freight Forwarders and Other logistic service providers licensed/authorised by Director General of Merchant Shipping of Sri Lanka
9. Shipping Agents licensed/authorised by Director General of Merchant Shipping of Sri Lanka
10. General Sales Agents licensed/authorised by Director General of Civil Aviation Authority of Sri Lanka
11. Bunker operators licensed by the relevant line Ministry
12. Port Terminal Operators
13. Airline Terminal service providers
14. Food and Beverages suppliers to Shipping lines and Airlines
15. Duty free shops (who engage in permitted business to supply goods and services under duty free concessions)
16. Indirect exporters of goods who comply with the requirements and/ or recommendations of Board of Investment of Sri Lanka or Export Development Board or registered under Temporary Import & Export Processing (TIEP) scheme and importing goods for process and supply such goods to the direct exporters

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2234/19 - WEDNESDAY, JUNE 30, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

IN addition to the Regulations on “Special Deposit Accounts” published in the Gazette Extraordinary Notifications No. 2170/4, No. 2182/32 and No. 2196/22 dated 08th April, 2020, 1st July, 2020 and 06th October, 2020, respectively, as amended by the Gazette Extraordinary Notifications No. 2202/7 and No. 2222/37 dated 17th November, 2020 and 07th April, 2021, respectively (Regulations), permission is granted to rollover the Special Deposit Accounts opened under the Regulations (excluding interest), with six months or twelve months tenures, provided that the accumulated period of the said Special Deposit Accounts does not exceed the maximum of twenty four months from the initial date of placing such deposits, in accordance with the directions issued by the Central Bank.

Special Deposit Accounts so rolled over will be eligible for additional interest offered by the Government as indicated in the Regulations published in the Gazette Extraordinary Notifications No. 2170/4 dated 08th April, 2020, subject to the directions issued by the Central Bank on Special Deposit Accounts.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
30th June, 2021.

**The Gazette of the Democratic Socialist Republic of Sri Lanka
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No. 2234/20 - WEDNESDAY, JUNE 30, 2021
(Published by Authority)

**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017**

REGULATIONS made by the Minister of Finance under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
30th June, 2021.

REGULATIONS

1. These regulations may be cited as the Foreign Exchange (Investment in the International Sovereign Bonds issued by the Government of Sri Lanka) Regulations No. 6 of 2021.
2. Permission is hereby granted for companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (excluding companies engaged in finance business as per the Finance Business Act, No. 42 of 2011) in Sri Lanka who have borrowed foreign currency from a person resident outside Sri Lanka in terms of the Foreign Exchange Regulations, to purchase International Sovereign Bonds issued by the Government of Sri Lanka, from the secondary market, utilizing fifty percent of the said borrowing subject to the following terms and conditions and in accordance with the directions issued by the Central Bank of Sri Lanka,
 - i. The Monetary Board of Central Bank of Sri Lanka would consider such requests and grant approval on case by case basis.
 - ii. Balance fifty percent of the said borrowing shall be invested in the Sri Lanka Development Bonds issued by the Government of Sri Lanka.
 - iii. Sources of funds for investments in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka shall exclusively be from overseas as external borrowings and received as inward remittances into Sri Lanka.
 - iv. Eligible companies shall receive such loan proceeds into an External Commercial Borrowing Account opened with an authorised dealer subject to the prevailing Regulations issued under the Foreign Exchange Act, No. 12 of 2017, on foreign borrowings and all remittances in respect to the investments in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka shall be made through the same External Commercial Borrowing Account, in accordance with the directions issued by the Central Bank of Sri Lanka.
 - v. Receipts of coupons and maturity proceeds of International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka so acquired, shall be brought back to the credit of the External Commercial Borrowing Account through which the investment was made.
 - vi. Repayments of interest and capital of the corresponding borrowings shall be scheduled (as agreed between the borrower and the lender), to match against receipt of coupons and maturity proceeds of the corresponding investments in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka.
 - vii. Under no circumstance, the repayments of the said loan obtained from overseas for the purpose of investing in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka, shall be made out of Sri Lanka Rupee conversions into foreign exchange.
 - viii. Further, authorised dealer shall always ensure the due diligence and compliance to the regulations by the eligible companies.

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2234/49 - FRIDAY, JULY 02, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017****Order under Section 22**

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Mahinda Rajapaksa, Minister of Finance, do by this Order,

- i. Suspend the repatriation of funds under the migration allowance out of funds received as monetary gifts by an emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets), under the general permission granted in the Part I of the Schedule of the Regulations No. 3 of 2021 published in the Extraordinary Gazette Notifications No. 2213/36 dated 03rd February, 2021 (hereinafter referred to as "Regulations No. 3 of 2021") ;
- ii. Limit the repatriation of funds under the migration allowance through Capital Transactions Rupee Accounts by the emigrants who have already claimed migration allowance under the general permission stated in the Regulations No. 3 of 2021, by the date of this Order, up to a maximum of USD 10,000 or equivalent in any other designated foreign currency, during the effective period of this Order ;
- iii. Limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time under the general permission stated in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- iv. Limit the repatriation of any current income or accumulated current income (including Employees' Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits) by the emigrants through the Capital Transactions Rupee Accounts or Emigrant's Remittable Income Accounts, under the general permission granted in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order ;
- v. Limit the outward remittances or issuance of foreign exchange for any Sri Lankan individual who resides in or outside Sri Lanka and has obtained Temporary Residence Visa of another country, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Regulations No. 3 of 2021.
- vi. Limit the issuance of foreign exchange for any person resident in Sri Lanka who intends to leave Sri Lanka under the Temporary Residence Visa of another country up to a maximum of USD 10,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Schedule of the Regulations No. 4 of 2021 published in the Extraordinary Gazette Notifications No. 2213/37 dated 03rd February, 2021.
- vii. Suspend making payments through Outward Investment Accounts for the purpose of making investments in overseas by persons resident in Sri Lanka under general permission granted in the Schedule of the Regulations No. 1 of 2021 published in the Extraordinary Gazette Notifications No. 2213/34 dated 03rd February, 2021, excluding :
 - (a) investments to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
 - (b) an additional investment to be made to fulfill the regulatory requirements in the investee's country applicable on the investment already made in compliance with the provisions of the Act or repealed Exchange Control Act, in a company or a branch office in that country, or
 - (c) an additional investment/infusion of funds (as applicable) to be made by eligible resident companies in already established subsidiaries or branch offices in overseas incorporated/established subject to the provisions of the Act or repealed Exchange Control Act, up to a maximum of USD 15,000 or equivalent in any other designated foreign currency, for the purpose of working capital requirements of the investee, or
 - (d) the remittances for the purpose of maintenance of liaison, marketing, agency, project, representative or any other similar offices already established in overseas subject to the provisions of the Act or repealed Exchange Control Act, by eligible resident companies, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency ;

provided that, the Head of Department of Foreign Exchange is satisfied with the fulfillment of such requirement.

- viii. Limit the outward remittances on capital transactions through Business Foreign Currency Accounts or/and Personal Foreign Currency Accounts held by a person resident in Sri Lanka, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency, during the effective period of this Order ;
- ix. The Monetary Board shall have the authority to grant permission in terms of the Section 7 (10) of the Foreign Exchange Act for the investments on case-by-case basis which exceeds the limits specified in the general permission granted in the Regulations No. 1 of 2021 provided that,
- (a) the proposed investment is to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
 - (b) the proposed investment is to be made to fulfill the regulatory requirement in the investee's country applicable on the investment already made in a company or branch office in that country in compliance with the provisions of the Act or repealed Exchange Control Act.

This Order is valid for a period of six months from the date of this Order.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
30th June, 2021.

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2235/22 - TUESDAY, JULY 06, 2021

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**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017**

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
06th July, 2021.

Regulations

The Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette Extraordinary Notification No. 2213/35 dated 03 February 2021 issued under the Foreign Exchange Act, No. 12 of 2017 (the regulations), are hereby amended as follows:

- (1) Item (g) of sub paragraph (8) of the paragraph 1 under heading A of the Part I of the Schedule of the regulations, is hereby repealed and replaced with the following :
 - (g) "debt securities in Sri Lanka Rupees listed in the Colombo Stock Exchange".
- (2) Following is inserted as item (h) of sub paragraph (8) to the paragraph 1 under heading A of the Part I of the Schedule of the regulations :
 - (h) "debt securities in any designated foreign currency listed in the Colombo Stock Exchange"
- (3) Following is inserted as sub paragraph (11) of the paragraph 1 under heading A of the Part I of the Schedule of the regulations.
 - (11) "subject to the exclusions and limitations stated in paragraphs 7 and 8, under heading A of this Part of the Schedule, to acquire, hold or divest all classes of shares in any designated foreign currency (including the shares under an entitlement to shares or conversions to shares) listed in the Colombo Stock Exchange and issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007".
- (4) Following is inserted as sub paragraph (9) of the paragraph 4 under heading A of the Part I of the Schedule of the regulations.
 - (9) "Under no circumstances, the said listed shares or listed debt securities issued in any designated foreign currency by companies in Sri Lanka, under item (h) of sub paragraph (8) and sub paragraph (11) of paragraph 1 under heading A of the Part I of the Schedule, are permitted to be sold to any person resident in Sri Lanka excluding non-nationals who are residing in Sri Lanka and making such investments through Inward Investment Accounts."

(5) The following is inserted as sub paragraph (10) of the paragraph 4 under heading A of the Part I of the Schedule of the regulations.

(10) "Further conditions apply for investments made in listed shares and listed debt securities in any designated foreign currency.

(a) Company shall be a foreign exchange earner that had continuous foreign exchange earnings at a minimum level of 50% of the total annual revenue of the company which is at least equivalent to a minimum of USD 5 million, as per the audited financial statements for the three years immediately preceding the listing in the Colombo Stock Exchange (i.e., the investee). The investee so eligible under these regulations shall have prospective earnings in foreign exchange at the same level.

(b) The consideration of the investment in listed shares issued in any designated foreign currency received through the Inward Investment Account of the non-resident investor shall be credited into a Special Foreign Currency Account opened and maintained by the investee with an authorised dealer subject to the directions issued by the Central Bank.

(c) An amount equivalent to 60% of the proceeds referred under item (b) of sub paragraph 10 above may be utilized for any capital transaction of the investee, outside Sri Lanka.

(d) The investee shall require to repatriate any income or capital proceeds of the said investments made through the Special Foreign Currency Account as permitted in these regulations, into Sri Lanka, to the credit of the same Special Foreign Currency Account through which said investments were made, opened and maintained by the investee with an authorised dealer subject to the directions issued by the Central Bank, within one month from the date of receipt of the payment.

(e) An amount equivalent to the portion of 50% of capital gain of proceeds so received may be utilized for any capital transactions outside Sri Lanka through the Special Foreign Currency Account. Any income or capital proceeds of such continued investments also shall be subject to the condition under item (d) of the sub paragraph (10) above.

(f) The consideration of the investments in listed debt securities issued in any designated foreign currency received through the Inward Investment Account of the non-resident investor shall be credited into the Special Foreign Currency Account opened and maintained by the investee with an authorised dealer subject to the directions issued by the Central Bank.

(g) Any income or maturity proceeds on the listed debt securities or listed shares, issued in any designated foreign currency shall be paid only out of the foreign exchange earnings of the investee held in the Special Foreign Currency Account opened and maintained with an authorised dealer subject to the directions issued by the Central Bank.

(h) The investee shall adhere to the rules and regulations of the Colombo Stock Exchange issued in this regard.".

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 25 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers on the Special Deposit Accounts

In terms of the Regulations published in the Gazette Extraordinary No. 2170/4 dated 08 April 2020, the subsequent Regulations published in the Gazette Extraordinary No. 2182/32 dated 01 July 2020, No. 2196/22 dated 06 October 2020, No. 2222/37 dated 07 April 2021 and Regulations published in the Gazette Extraordinary No. 2234/19 dated 30.06.2021 (the regulations) and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Special Deposit Accounts (SDAs) at the Domestic Banking Units (DBUs) subject to the following.

2. Eligible Persons

- (a) Sri Lankan individuals resident in or outside Sri Lanka
- (b) Dual Citizens
- (c) Citizens of other States with Sri Lankan origin
- (d) Non- nationals resident in or outside Sri Lanka
- (e) Funds, corporate bodies, associations incorporated/registered outside Sri Lanka
- (f) Any other well-wisher

3. Opening and Maintaining SDAs

- (a) SDAs shall be opened during the twenty-four months period from 08 April 2020.
- (b) SDAs shall be opened and maintained only in the form of Term Deposits. SDAs in the form of savings accounts may be opened as operational accounts only for the purpose of receiving funds to be placed in SDA Term Deposits and repatriation of funds in SDA Term Deposits.
- (c) SDAs shall be opened and maintained either in any designated foreign currency or in Sri Lanka Rupees (LKR).
- (d) SDAs may be held as joint accounts by eligible persons.

4. Minimum tenure: Six (06) months.

5. Interest payable: One (1) percentage point and two (2) percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable (in the currency of deposit) at the maturity of the SDAs, in addition to the deposit interest rates applicable for normal deposits of similar maturities by the respective AD.

Note: The Central Bank of Sri Lanka (CBSL) will periodically reimburse the additional interest to the ADs in LKR, converted using an indicative rate specified by the CBSL applicable on the date of paying such interest at the maturity of the deposit.

6. Repatriation of Funds: Freely convertible and repatriable outside Sri Lanka on the maturity of term deposits.

7. Permitted Credits

- (a) Inward remittances in foreign currency received from outside Sri Lanka in favour of the account holder through the banking system.
- (b) Transfers from Inward Investment Accounts or accounts maintained in the Offshore Banking Unit by the account holder, out of the proceeds received as inward remittances during the twenty-four months period from 08 April, 2020 in favour of the account holder.
- (c) Foreign exchange legitimately acquired and brought by the account holder who arrived into Sri Lanka on or after 01 January, 2020 subject to a declaration made to the Customs Department at the port of arrival, as prescribed by the Minister by an Order published in the Gazette under section 8 of the FEA.
- (d) Foreign exchange equal or less than USD 15,000 or an equivalent amount in any designated foreign currency legitimately acquired and brought by the account holder who arrived into Sri Lanka after 01 January, 2020 subject to an appropriate declaration to the AD.
- (e) Foreign Currency notes in possession of any person resident in Sri Lanka up to such limits and subject to such terms and conditions, as prescribed by the Minister by an Order published in the Gazette under section 8 of the Act, subject to a declaration on source of funds to the AD.

8. Permitted Debits

- (a) Outward remittances of maturity proceeds upon maturity of the deposit.
- (b) Transfer of maturity proceeds of SDA term deposits to an Inward Investment Account or an account maintained in the Offshore Banking Unit by the same account holder.
- (c) Transfer of maturity proceeds including the interest of SDAs into an Inward Investment Account (IIA) of the same account holder provided that such SDA holder is eligible to maintain an IIA in terms of the Regulations No. 2 of 2021 published in the Gazette Extraordinary No. 2213/35 dated 03 February 2021.
- (d) Transfer of maturity proceeds including the interest of SDAs into a Personal Foreign Currency Account (PFCA) of the same account holder, provided that such SDA holder is eligible to maintain PFCAs in terms of the Regulations No 5 of 2021 published in the Gazette Extraordinary No. 2213/38 dated 03 February 2021.
- (e) Disbursements in Sri Lanka in Sri Lanka Rupees.

9. Other Conditions

- (a) In the event of receiving funds through an Inward Investment Account or an account maintained in the Offshore Banking Unit, of the same account holder, ADs shall ensure that such funds have been received as inward remittances into Sri Lanka on or after 08 April 2020.

- (b) ADs shall ensure that inward remittances which are subject to other regulatory requirements such as export proceeds, returns/sale proceeds of investments made outside Sri Lanka by resident investors or other inward remittances subject to any other statutory requirements are not qualified to be credited to an SDA.
- (c) Premature withdrawals shall be discouraged before the minimum tenure of 6 months. Premature withdrawal of SDAs shall not be eligible for any additional interest payable as per paragraph 5 above.
- (d) SDAs rolled over under the Regulations with six-months or twelve-months tenures, will be eligible for additional interest for the tenures as stated in the Gazette Extraordinary No. 2170/4 dated 08 April 2020.
- (e) ADs may consider SDAs as collaterals for granting loans in Sri Lanka rupees to persons resident in Sri Lanka. Further, SDAs may be used as collaterals for granting Sri Lankan Rupee loans or Foreign Currency loans to any person resident outside Sri Lanka subject to the relevant regulations on granting loans to such persons as permitted in the Regulations No. 4 of 2021 published in the Gazette Extraordinary No. 2213/37 dated 03 February 2021.
- (f) Funds withdrawn under paragraph 8 (e) above cannot be credited back to an SDA.
- (g) In the event of inward remittance in favour of the account holder routed via another AD due to any corresponding banking relationship, the AD who is the recipient of the inward remittance shall at the time of transferring such funds issue a confirmation, to the AD with whom the SDA is to be opened, stating that such funds have been received as eligible inward remittances.
- (h) Outward remittances in favour of the account holder may be effected through an AD other than the AD with whom the SDA is maintained, provided that a confirmation shall be obtained from the AD with whom the SDA is maintained stating that the funds were debited from the SDA of the account holder and out of the funds credited in compliance with the regulations.
- (i) At the time of opening the deposit, ADs shall make customer aware on the terms and conditions of the SDAs.
- (j) ADs may continue to maintain SDAs opened under the Regulations, as normal term deposits in the name of "Special Deposit Account" in the Domestic Banking Unit beyond the designated date of maturity of such SDAs. These SDAs so maintained beyond the date of maturity shall only be offered with the normal deposit interest rates offered by the ADs for other term deposits.
- (k) SDAs so continued as normal term deposits in the name of SDAs which were only eligible for interest offered by the Authorised Dealers for normal term deposits, during the period from 08 April 2021 to the date of the Regulations published in the Gazette Extraordinary No. 2234/19 dated 30.06.2021, may be considered as SDAs so rolled over under the Regulations and be eligible for the additional interest rate as permitted in the Regulations, upon the request of the account holder on the same.

10. Reporting Requirement

- (a) ADs are required to furnish information on SDAs via e-mail dfem@cbsl.lk to this department as follows;
 - i. **on weekly basis**, as per the format at **Annex I** to these Directions, not later than the close of the business of the 2nd working day of the following week, and
 - ii. **on monthly basis**, as per the format at **Annex II** to these Directions, on or before the 15th day of the following month.
- (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirements.

- 11. Previous Directions issued to ADs under the Directions No. 21 of 2021 dated 07 April 2021 on SDAs, are hereby rescinded.
- 12. The revocation of previous Directions referred to in Paragraph 11 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

Director

Department of Foreign Exchange

08 July 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 26 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

**Directions issued to Authorised Dealers on Special Foreign Currency Accounts (SFCAs) to facilitate
Foreign Currency Denominated Investments on the Colombo Stock Exchange (CSE)**

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/35 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No. 2235/22 dated 06.07.2021 (the regulations) and Section 9 read with Sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to open and maintain SFCAs to facilitate foreign currency denominated investments on the CSE, subject to the following.

2. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, having listed shares/ debt securities denominated in any designated foreign currency on the CSE, as permitted by the regulations.

3. Opening and Maintaining the Accounts

- (a) The SFCA may be opened and maintained in the form of savings or term deposit accounts in any designated foreign currency in which shares or debt securities are listed on the CSE.
- (b) SFCA term deposit accounts may be opened only for the purpose of keeping it under lien for a Sri Lanka Rupee loan to be obtained by the account holder from an AD, in order to mitigate the foreign exchange risk.
- (c) Eligible persons shall open only one SFCA as permitted by these Directions in the banking system and shall be held as a sole account.

4. Permitted Credits

- (a) transfer of funds from an Inward Investment Account (IIA) of an eligible investor, being proceeds of listed shares denominated in any designated foreign currency on the CSE in terms of the regulations;
- (b) transfer of funds from an IIA of an eligible investor, being proceeds of listed debt securities denominated in any designated foreign currency on the CSE in terms of the regulations;
- (c) remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system, being any income or capital proceeds derived from the capital transactions made outside Sri Lanka in terms of the regulations;
- (d) transfer of earnings in foreign exchange from a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit of the account holder for the purposes referred to in Paragraph 5 (a) below; and
- (e) interest earned on the funds held in the account, in foreign currency.

5. Permitted Debits

- (a) transfers to an IIA of an eligible investor being payments of any income or maturity proceeds attributed to investments made in listed shares or listed debt securities denominated in any designated foreign currency on the CSE by the holder of IIA, as permitted under the regulations;
- (b) outward remittances in respect of current transactions of the account holder;
- (c) outward remittances in respect of capital transactions of the account holder being funds derived in terms of Paragraphs 4 (a) and 4 (c) above, excluding the proceeds of debt securities, subject to such limits and conditions specified in the regulations; and
- (d) disbursements in Sri Lanka, in Sri Lanka Rupees.

6. Other Conditions

- (a) This SFCA shall not be overdrawn under any circumstances.
- (b) ADs shall obtain adequate documentary evidence including the authorization by the relevant authority/ies, as applicable, at the time of opening this SFCA to determine the applicant's eligibility.

- (c) ADs shall exercise all due diligence in exercising the transactions in foreign exchange through this SFCA in terms of the regulations and these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through this SFCA beyond any statutory record keeping requirements during the maintenance of the account.

7. Reporting Requirement

- (a) ADs shall submit a report as per the **Annex I** on a quarterly basis to the Director-Department of Foreign Exchange (D/ DFE) on or before the 15th day of the following month by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

8. Closure of the SFCA

- (a) ADs shall close the SFCA, in the event when shares or debt securities denominated in designated foreign currency issued by the account holder has been de-listed on the CSE and/ or account holder is no longer eligible to maintain the SFCA.
 - (b) ADs shall inform such closure to the D/DFE via an email to dfem@cbsl.lk within one week from the date of the closure.
9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/ from this SFCA for any purpose which falls outside the purview of these Directions.

10. For the Purpose of these Directions

- (a) **"remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
- (b) **"shares and debt securities"** shall have the same meaning in terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, as amended.
- (c) **"current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (d) **"capital transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (e) **"designated foreign currency"** shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.
- (f) **"eligible investor"** shall mean an eligible person to open and maintain Inward Investment Accounts as referred to in Paragraph 1. of Part VI of the Schedule to the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, as amended.

11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Additional Director

Department of Foreign Exchange

30 July 2021

Annex I of the Directions No. 26 of 2021
Quarterly Statement of Special Foreign Currency Account (SFCA) to facilitate Foreign Currency Denominated Investments on the Colombo Stock Exchange

Name of the bank :

Reporting quarter and year:

Authorised Dealers are required to furnish both scanned copy of the report and MS Excel version of the same as above.

We certify that the above information extracted/ generated from the books of accounts of the bank as accurate

Name of the Authorised Officer : _____

Name of the Compliance Officer :

Signature:

Date: _____

Sign

Date :

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 27 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/35 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No. 2235/22 dated 06.07.2021 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are hereby permitted to facilitate the following debit to BFCAs, in addition to the debits specified in the Directions No. 05 of 2021 dated 18.03.2021 on BFCAs.

1.4 Permitted Debit

- (s) Transfer of earnings in foreign exchange to the Special Foreign Currency Account opened in terms of the Directions No. 26 of 2021 dated 30 July 2021 by the account holder, for making payments of any income or maturity proceeds attributed to investments made by the eligible investors in respect of listed shares or debt securities denominated in designated foreign currency on the Colombo Stock Exchange, as permitted under the regulations.

Additional Director

Department of Foreign Exchange

30 July 2021

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
NO. 2251/42 - THURSDAY, OCTOBER 28, 2021
(Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, NO. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka.

Central Bank of Sri Lanka,
Colombo,
28th October, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as the "Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021".
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the section 10 (c) of the Monetary Law act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka Rupees.
3. Every exporter of goods and services shall;
 - (i) mandatorily receive the export proceeds in Sri Lanka, in respect of all goods exported or services provided outside Sri Lanka, within one hundred and eighty (180) days from the date of shipment or provisioning of services, as the case may be; and,
 - (ii) immediately upon all and every receipt/s of export proceeds being received, forthwith submit all related documentary evidence on each and every receipt of export proceeds, in respect of every export of goods and services to the respective Licensed Commercial Bank or a permitted Licensed Specialized Bank (hereinafter referred to as a "licensed bank"), that receives such proceeds, in Sri Lanka.
4. Every exporter of goods and services, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned **authorised payments**, on or before the seventh (7th) day of the following month,
 - i. outward remittances in respect of current transactions of the exporter of goods and services;

- ii. withdrawal in foreign currency notes or transfer of funds for travel purpose of the exporter of goods and services;
 - iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods and services, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended;
 - iv. payments for purchases of goods and obtaining services by the exporter of goods and services, related to such export of goods and services including one-month commitments in foreign currency, thereof; and
 - v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received.
5. Such date of conversion mentioned in Rule 4 above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than one hundred and eighty (180) days from the date of shipment or provisioning of services).
6. All licensed banks shall be required to strictly and mandatorily monitor the receipts of exports proceeds in Sri Lanka, within the period stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above and shall at all times, maintain all necessary documentary evidence relating to, or in connection therewith.
7. All licensed banks shall submit reports and/or statements to the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka, as may be required from time to time and shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and review all actions taken by such licensed banks in ensuring full and strict compliance with these Rules.
8. The Director of the Department Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any exporter of goods or services or licensed bank, in respect of the export of goods and services, in terms of these Rules.
9. These Rules shall apply in respect of all and every export of goods and services, made on or after the effective date of these Rules, and shall also apply to the export of goods and services, made prior to the effective date of these Rules, where the hundred and eightieth (180th) date from the date of the shipment of such goods or provisioning of services falls on any date after these Rules come into force.
10. For the avoidance of any doubt, and for the purposes of these Rules, "Export Proceeds" shall include such proceeds required to be repatriated into Sri Lanka, under and in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2213/37, dated 03 February 2021 (as amended) and payments received in foreign exchange by a person resident in Sri Lanka for the services provided including professional, vocational, occupational or business services provided to a person resident outside Sri Lanka.
11. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialized Bank", shall have the meaning assigned to them in terms of the provisions of the Banking Act, No. 30 of 1988, as amended.
12. For the purposes of these Rules, the term "current transactions" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
13. For the purposes of these Rules, the term "withdrawal of foreign currency notes or transfer of funds for travel purposes" shall be in terms of the Directions issued to the licensed banks by the Central Bank of Sri Lanka, under the Section 9 of the Foreign Exchange Act, No. 12 of 2017, in that behalf.
14. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2215/39, dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021, published in the Gazette (Extraordinary) Notification No. 2218/38, dated 9 March 2021, the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the Gazette (Extraordinary) Notification No. 2222/60, dated 9 April 2021, and the Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2229/9, dated 28 May 2021, are hereby repealed.

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

NO. 2258/23 – WEDNESDAY, DECEMBER 15, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017****Order under Section 22**

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Basil Rajapaksa, Minister of Finance do by this Order, extend the period of validity of the Order under Section 22 of the Act published in the Extraordinary Gazette Notification No. 2234/49 dated 02nd July, 2021, for further six months from 02nd January, 2022.

BASIL RAJAPAKSA
Minister of Finance

Colombo 01,
Ministry of Finance
13, December 2021

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 28 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Special Foreign Currency Accounts for investee to facilitate Current Transactions (SFCA- Investee)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 read with Section 6 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to open and maintain SFCA- Investee, in order to facilitate current transactions out of the proceeds received being an investments into the share capital of the company, so received from a person resident outside Sri Lanka (i.e. non-resident investors), subject to the following.

2. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, who are receiving the investment from non-resident investor into the share capital of the company in compliance with the Regulations No. 2 of 2021 published in the Gazette No. 2213/35 dated 03.02.2021, as amended, and with the requirement to meet the payments of current transactions and repayments of foreign currency loans.

3. Opening and Maintaining the Accounts

- (a) The SFCA- Investee may be opened and maintained in the form of current (without overdraft facility and cheque drawing facility) or saving accounts in any designated foreign currency, out of the proceeds received as investment into the share capital of the company routed through Inward Investment Accounts (IIAs) of non-resident investors.
- (b) Eligible persons shall open only one SFCA- Investee as permitted by these Directions in the banking system and shall be held as a sole account.
- (c) Opening and maintenance of SFCA- Investee shall be valid only for a one year period from the date of these Directions.

4. Permitted Credits

- (a) transfer of funds from an IIA of the investor/s, being investment into the share capital of the company.
- (b) Interest on the funds in the account.

5. Permitted Debits

- (a) outward remittances with respect to current transactions of the account holder.
- (b) debt servicing expenses, repayment of foreign currency loans or accommodations obtained by the account holder, where such foreign currency loans and accommodations are permitted in terms of the Regulations, Orders and Directions issued under the provisions of the FEA, as amended, adhering to the procedures on repayments/ servicing of such foreign currency loans/ accommodations mentioned in the said Regulations and Directions.
- (c) Local disbursements in Sri Lanka rupees

6. Other Conditions

- (a) ADs shall obtain adequate documentary evidence, at the time of opening this SFCA-Investee to determine the applicant's eligibility in terms of the requirement of the account.
- (b) ADs shall exercise all due diligence in exercising the transactions permitted in foreign exchange through this SFCA-Investee in terms of these Directions.
- (c) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through this SFCA- Investee, up to 6 years period from the closure of SFCA- Investee.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining of SFCA- Investee under these Directions in a format as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department on or before the 15th day of the following month, by email to dfem@cbsl.lk
- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

8. Closure of the SFCA- Investee

- (a) ADs shall close the SFCA- Investee, if the account holder has fully utilized the funds in the SFCA- Investee for the intended purposes.
 - (b) All SFCA- Investee shall be closed upon lapse of one (1) year from the date of these Directions. In this case, any outstanding balance in the account shall be transferred to a rupee account of the account holder.
 - (c) ADs shall inform such closure to the D/DFE via an email to dfem@cbsl.lk within one week from the date of the closure.
9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/ from this SFCA- Investee for any purpose which falls outside the purview of these Directions.

10. For the Purpose of these Directions

- (a) "**current transactions**" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
 - (b) "**designated foreign currency**" shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.
11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director, Department of Foreign Exchange

27 December 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 29 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Accommodations to Business Foreign Currency Accounts (BFCA) holders

In terms of the Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 9 of 2021 dated 18.03.2021 issued to Authorised Dealers (ADs) on Accommodations to BFCA holders (the Directions), is hereby amended, as follows.

- I. In addition to the **Permitted Credits to the BFCA Loan Account** specified in the Paragraph 5.1. of the Directions, following shall be included and read as **item d. of Paragraph 5.1.** thereof.
 - d. in the event where BFCA holder has received proceeds of equity investments from a person resident outside Sri Lanka (i.e., non-resident investor); transfer of funds from 'Special Foreign Currency Account for investee to facilitate Current Transactions' of the account holder opened and maintained in terms of the Directions No. 28 of 2021 dated 27 December 2021, for the purpose of servicing/ repayment of accommodations obtained under these Directions.

Addl. Director

Department of Foreign Exchange

27 December 2021

Circular – 01/21

27 April 2021

Ref No: 037/05/006/0004/018

To: CEOs/GMs/MDs of Financial Institutes,

Dear Sir/Madam,

IMPLEMENTATION OF AML/CFT MEASURES ON PARTIES INVOLVED WITH ONLINE PAYMENT PLATFORMS

The FIU has observed serious deficiencies in the implementation of Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) measures carried out on the parties involved (customers and merchants), in the different online payment platforms introduced by Financial Institutions (FIs) during the recent past.

The facilitating financial institution of the respective online payment system has the responsibility to ensure the AML/CFT compliance of all parties involved with such online payment platforms to ensure compliance with Financial Transactions Reporting Act No. 6 of 2006 (FTRA), Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 and other rules, regulations, guidelines issued thereunder in relation to followings, for parties involved with such online payment platforms.

- Identification and verification of customers
- Conduct ongoing due diligence on customers and scrutiny of transactions
- Identification and reporting of Suspicious Transactions
- Wire transfer requirements (in particular, originating financial institution shall make originator information available to the beneficiary financial institution)
- Target financial sanctions screening
- Record keeping
- Other reporting requirements

Yours faithfully

Director**Financial Intelligence Unit**

Cc: Compliance Officer

CEO/ Lanka Clear (Pvt) Ltd

Director/Payments and Settlements Department-Central Bank of Sri Lanka

Director/Bank Supervision Department- Central Bank of Sri Lanka

Director/Department of Supervision of Non – Bank Financial Institutions – Central Bank of Sri Lanka

Circular – 02/21

28 April 2021

Ref No: 037/03/009/0001/021

To: CEOs/GMs/MDs of Financial Institutions,

Dear Sir/Madam,

TRENDS IN FOREIGN CURRENCY OUTFLOWS VIA ATMS: CASH WITHDRAWALS IN OVERSEAS

Financial Intelligence Unit (FIU) observes an increasing trend of suspicious transactions related to the above-mentioned suspicion. Accordingly, you are advised to, perform Customer Due Diligence measures as required by the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 at the time of onboarding the customer and when conducting transactions.

Further, your attention is drawn to Section 3 of the Financial Transactions Reporting Act (FTRA), No. 6 of 2006, which requires you not to proceed with transactions if satisfactory evidence of identity is not submitted as required in terms of the provisions of Section 2 of the FTRA. Accordingly, you may take appropriate measures to cancel the Electronic Fund Transfer Cards (EFTCs) issued under the reported accounts or any other account which will be identified in the future under the same suspicion where the person who is conducting the transaction has not been identified as required or where the transaction is carried out by an unauthorised, unidentified third party.

Yours faithfully

Director**Financial Intelligence Unit**

Cc: Compliance Officer

Director/Payments and Settlements Department-Central Bank of Sri Lanka

Director/Bank Supervision Department- Central Bank of Sri Lanka

Director/Department of Supervision of Non – Bank Financial Institutions – Central Bank of Sri Lanka

Director/Department of Foreign Exchange - Central Bank of Sri Lanka

Circular – 03/21

4 May 2021

Ref No: 037 /05/003/0005/016

To: CEOs/GM/MDs of the Financial Institutions,

Dear Sir/Madam,

ADDITIONAL MEASURES TO MITIGATE THE EMERGING MONEY LAUNDERING/ TERRORIST FINANCING RISKS DURING THE THIRD WAVE OF THE COVID -19 PANDEMIC

Further to our circular No.03/2020 dated 15.06.2020, the Financial Institutions (FIs) are advised to be vigilant and take additional measures to protect the FIs as well as the financial system from possible money laundering/ terrorist financing risks arising during the third wave of COVID-19 Pandemic.

The criminals may attempt to use the pandemic as an opportunity to misuse the FIs for their intended unlawful activities. Therefore, the FIs are required to strengthen the process of conducting customer due diligence, ongoing monitoring of customers and scrutiny of transactions and also awareness among all level of staff on possible risks in order to mitigate the exposed risk, if any.

Yours faithfully
Additional Director
Financial Intelligence Unit

Cc: Compliance Officers, all Financial Institutions

Director General, Securities Exchange Commission

Director General, Insurance Regulatory Commission of Sri Lanka

Director, Bank Supervision Department, Central Bank of Sri Lanka

Director, Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka

Director, Payment and Settlements Department, Central Bank of Sri Lanka

Guidelines 02/2021

20 July 2021

Ref: 037/06/008/0006/020

To: CEOs / General Managers / Managing Directors of All Financial Institutions

Dear Sir/Madam,

GUIDELINES FOR FINANCIAL INSTITUTIONS ON CCTV OPERATIONS FOR AML/CFT PURPOSES, NO. 2 OF 2021

The above Guidelines will come into force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 06 of 2006 and the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016.

Yours faithfully
E H Mohottu
Director,
Financial Intelligence Unit

Cc: Director, Bank Supervision Department of the Central Bank of Sri Lanka

Director, Department of Supervision of Non - Bank Financial Institutions of the Central Bank of Sri Lanka

Director General, Securities and Exchange Commission of Sri Lanka

Compliance Officers, all Financial Institutions

GUIDELINES FOR FINANCIAL INSTITUTIONS ON CCTV OPERATIONS FOR AML/CFT PURPOSES, NO. 2 OF 2021**PART I****Introduction**

1. These Guidelines are issued pursuant to section 15(1)(i) of the Financial Transactions Reporting Act, No. 06 of 2006 (hereinafter referred to as FTRA).
2. These Guidelines are applicable to Financial Institutions (hereinafter referred to as FIs) that are engaged in or carrying out "finance business" as defined in Section 33 of the FTRA where closed-circuit television (hereinafter referred to as CCTV) systems are being used where relevant.

3. These Guidelines should be read along with the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016, issued by Gazette Extraordinary No. 1951/13, dated January 27, 2016 (hereinafter referred to as CDD Rules). More specifically, these Guidelines should be referred together with Rules 7 and 11 of the CDD Rules, to take measures specified therein for the purpose of having proper risk control and mitigation measures by having internal policies, controls and procedures to manage and mitigate money laundering and terrorist financing risks and affiliating and integrating Financial Institution's money laundering and terrorist financing risk management with the overall risk management relating to the Financial Institution.
4. These Guidelines are issued in addition to the operational directives or circulars that are issued by the respective sector regulators with regard to CCTV systems.
5. These Guidelines are not intended to be exhaustive and do not constitute legal advice from the Financial Intelligence Unit. Nothing in these Guidelines should be construed as relieving FIs from any of their obligations under the FTRA and regulations and rules issued thereunder.

Part II

The Requirements for CCTV Systems

6. As part of the constant commitment to enhance operational risk management and safeguard banking operations against risks of being abused for money laundering and financing of terrorism, every FI is advised to have in place a robust CCTV system installed fully operational both within and outside of the premises. The business premises refer to the head office, branches, areas of Automated Teller Machines, Cash Recycling Machines and Cash deposit Machines (ATM/CRM/CDM), cash centers, outlets, and any other place or places where Customer Due Diligence (hereinafter referred to as CDD) is conducted.
7. In ensuring the CCTV system installed is effective to enable proper surveillance and monitoring of the business operations, all FIs should consider setting up a system of necessary standard with proper processes and controls, which could, at a minimum, cover the requirements set in these Guidelines.

Placement of CCTV cameras

8. In order to enhance the effective usage of the CCTV system, FIs need to ensure that CCTV cameras are installed at appropriate locations, in a manner that the camera is able to clearly capture, monitor and record the relevant areas where business operations take place. These locations are required to include the counters, customer interaction areas where CDD takes place, areas where safe deposit boxes are located, safe or vault and other cash handling areas, ATMs/CDMs, vehicle parking areas, the entrance and exit of the business premises, any other suitable areas, both inside and outside the building as determined by the FI.
9. The CCTV surveillance systems must be aligned in a suitable manner and at an angle as to obtain a complete and unimpeded view of the area. Further, CCTVs need to be positioned in a manner where the capturing and processing information of the CCTV system is not interfered or impeded by internal or external lighting, glare, or any object.

Functions of CCTV system

10. FIs should ensure all images captured and recorded by the CCTV cameras are visible, recognizable and clear. The visual images or videos rendered through the CCTV cameras need to have the capability of identifying the features of the individuals, if any, that transact and should be clearly discernible from one image from another. In addition, adequate lighting must be maintained in order to capture clear CCTV footage.
11. Higher quality digital equipment should be used in CCTV systems to capture a clear frontal images of individuals. The CCTV systems should permit easy viewing, recording and retrieval of high-quality images (e.g., adequate number of pixels for improved zoom capabilities) of all information contained in CCTV system. Necessary technical specifications (e.g., resolution, frame rate) need to be maintained at a standard level to achieve an effective CCTV surveillance.
12. The CCTV systems of ATMs/CRMs/CDMs should remain operational throughout the 24-hours of a day - every day of the year, including during times when the FI is closed for business.

Real time monitoring

13. FIs should ensure real-time monitoring at the head office and/or branches or at a central monitoring unit, as far as practicable.
14. FIs are advised to obtain assistance of its security services personnel or law enforcement agencies (LEAs) to mitigate immediate risks that may arise to the FI's premises or to equipment, to its customers or to potential customers, or to any person at the vicinity of the CCTV camera, if such risk is detected based on CCTV footage obtained on real-time basis.

Maintenance of records

15. FIs should maintain all information captured in the CCTV system for a minimum period of 180 days.

16. FIs, at their discretion, may retain the CCTV recordings relevant to observed suspicious activities for a longer period.
17. The FIU, LEAs or any other competent authority would, from time to time, instruct the FIs to retain the CCTV recordings relevant to a Suspicious Transactions Report furnished to FIU or any other related CCTV footage of a possible offending until the relevant investigations are concluded by the LEAs or other relevant competent authorities.
18. The FIs should ensure that its CCTV system(s) are capable of transferring the information to data storage devices, to allow retrieving and viewing of the CCTV records on electronic apparatus, such as computers.
19. To confirm the credibility of the CCTV records, FIs should ensure the timing of CCTV recording is properly set, synchronized and is consistent with the time and date of the operations that takes place at the business premises.

System administration and maintenance

20. FIs are expected to allocate adequate resources for CCTV monitoring systems, and sufficiently train the authorised personnel and staff to operate the CCTV system.
21. In order to ascertain effective surveillance and monitoring of business operations, FIs should ensure that the CCTV system(s) deployed is/are properly maintained and operational, and remain under good working condition at all times.
22. The CCTV system should be equipped with the relevant features and functions to enable to implement control measures that will prevent such system from being manipulated or misused by any unauthorised parties.
23. FIs need to ensure that all information and records of the CCTV systems maintained safely and securely without unauthorised access and adequate controls are in place to prevent unauthorised alterations of records and access by unauthorised parties, by designating and appointing officers with appropriate responsibility and authorization levels, limiting system access only to relevant personnel to ensure proper accountability for the assigned functions.
24. FIs are expected to have procedures and mechanisms to ensure that regulators, LEAs and the FIU are able to obtain information and records in relation to money laundering investigations and prosecution upon request without delay.
25. FIs are required to issue internal operational guidelines on placement, functionality, monitoring, record keeping, system maintenance and administration, and include it as a part of AML/CFT policy as well with the approval of BOD.
26. Procedures should be in place for periodical review and audit of the CCTV system(s) for number of existing cameras in the premises at branch level and where standalone ATM/CDM are located. Audits and reviews should ensure the adequacy of the number of cameras, functionality, accuracy, operability, record keeping and other salient requirements. A report of such review/ audit on the adequacy of CCTV coverage should be submitted to the Board of Directors (BOD) and to the senior management.
27. Based on the report submitted to the BOD, if the quality and coverage of CCTV systems are inadequate or more quality and coverage is desired, the senior management and the BOD are advised to take appropriate steps to rectify such deficiency or increase the coverage as appropriate. Further, immediate steps should be taken to replace or upgrade the equipment soon after any malfunction is detected.
28. FIs should ensure activities relating to the maintenance and recalibration of the CCTV system including system upgrading, reformatting and removal of records are clearly recorded in the system's maintenance log and reported to the senior management, as appropriate.

Circular – 04/21

04 October 2021

To: CEOs/GMs/MDs of Licensed Banks,

DEPOSITS MADE UNDER THE FINANCE ACT, NO. 18 OF 2021

When any person/entity depositing funds under the Finance Act, No. 18 of 2021, through a licensed bank, such licensed bank is required to comply with the requirements imposed under Financial Transactions Reporting Act, No. 6 of 2006 and any regulations, rules, directives, guidelines issued there under.

In addition, when a customer makes a deposit under the above scheme, the deposit slip must state that such "deposit is made under the Finance Act, No. 18 of 2021".

**Director
Financial Intelligence Unit**

Cc: Director/ Bank Supervision Department, Central Bank of Sri Lanka
Compliance Officers

Our Ref: 33/04/012/0011/005

01st January 2021

To : Chief Executive Officers of All Licensed Banks

**AMENDMENTS TO OPERATING INSTRUCTIONS FOR LICENSED BANKS ON "INCENTIVE SCHEME
ON INWARD WORKER REMITTANCES"**

This is with reference to the Operating Instructions (Ref: 33/04/012/ 0011/ 004) for Licensed Banks on "Incentive Scheme on Inward Worker Remittances" issued on 22.12.2020.

This is to inform you that the Paragraph 2(i) of the above Operating Instructions is hereby amended as "The foreign currency income earned through an employment by a Sri Lankan national who is working/ has worked abroad or a Sri Lankan national who resides in Sri Lanka and earns foreign currency income through rendering services in nature of employment abroad will qualify to receive an additional LKR 2.00 per US Dollar (USD) converted to LKR on or after 28.12.2020.

The template for the quarterly information to be submitted to the International Operations Department (IOD) of the Central Bank of Sri Lanka (CBSL) is at Annexure I (Ref: Section 5 (ii) of the previously issued Operating Instructions). Please note that the first reporting as per the attached template should be for the period from 28.12.2020 to 31.03.2021. The other requirements of the previously issued Operating Instructions (Ref: 33/04/012/0011/ 004) remain unchanged.

For any further information, you may contact IOD of the CBSL on 0112398711, 0112477595 or 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Annexure I

**Special Incentive Scheme for Inward Worker Remittances
Quarterly Reimbursement Request**

Name of Bank :

Reporting Period : Quarter ending

Date Converted to LKR (dd/mm/yyyy)	Inward Remittance Currency	Amount Converted			Incentive Paid in LKR
		Equivalent in USD	Rate	Equivalent in LKR	
Total Amount to be Reimbursed for the Quarter Ending					

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer lists maintained by the bank.

Signature :

Name : Chief Executive Officer Chief Compliance Officer Chief Financial Officer

Designation:

Date :

Our Ref: 33/04/012/0011/006

27 January 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "INCENTIVE SCHEME ON INWARD REMITTANCES"

This is with reference to the Operating Instructions issued to Licensed Banks (LBS) on "Incentive Scheme on Inward Worker Remittances" dated 22.12.2020 and 01.01.2021 (under reference numbers: 33/04/012/0011/004 and 33/04/012/0011/005), respectively.

The cost of the incentive of Rs. 2 per US Dollar (USD) as mentioned in the aforementioned Operating Instructions is borne by the Government of Sri Lanka.

Following from the above, all LBS are hereby required to sell to the Central Bank of Sri Lanka (CBSL) ten per centum of the inward worker remittances which are converted to LKR, in USD, as per the listed guidelines below, with immediate effect.

1. Frequency and the Threshold of USD Sales to the CBSL

- (a) Once ten per centum of total converted inward worker remittances of an LB equals USD 1.0 Mn on a particular working day, such LB is hereby required to sell to the CBSL the said amount, in USD.
- (b) Notwithstanding the provisions of paragraph 1. (a) above, every LB is required to ensure sale of ten per centum of the total converted inward worker remittances of such LB to the CBSL, in any given quarter, in USD.
- (c) Sale of foreign currency to the CBSL referred to in paragraphs 1. (a) and (b) above shall be made on the first working day:
 - (i) after the working day that the said ten per centum of the total converted inward worker remittances equal USD 1.0 Mn, or
 - (ii) after the last working day of a given quarter, whichever occurs earlier

2. Applicable USD / LKR Exchange Rate for Sale of USDs to the CBSL

The volume weighted average of the USDs / LKR exchange rate shall be applicable for the sale of USD to the CBSL. In case of converted currencies other than USDs, the USD / LKR rate shall be derived, as appropriate.

3. Tenor Basis for Settlement

Each transaction between the CBSL and an LB shall be on "TOM (i.e.: T+1)" basis.

4. Settlement Instructions

In settlement, LBS are required to follow the standard USD / LKR settlement instructions. In executing, LBs are required to execute deals through "Thomson Reuters" or "Bloomberg" trading platforms. However, if any LB does not have access to such trading platforms, the said LB is required to use official e-mail as a source for deal execution.

5. Submission of Information

LBS are required to duly complete the following template in a "MS Excel format" named as "Remittance Conversions for the Week/ Quarter ending" (Name of the LB) and are required to e-mail to dfx@cbsl.lk on weekly/ quarterly basis, as may be applicable.

For further information or clarification, you may contact the International Operations Department of the CBSL on 0112398711, 0112477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/007

18 February 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS TO LICENSED BANKS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

This has reference to the Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021 as published in the Gazette Extraordinary No. 2215/39 dated 18.02.2021 (hereinafter referred to as "the Rules"), which have been issued by the Monetary Board of the Central Bank of Sri Lanka (hereinafter referred to as "the CBSL") acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, in respect of the receipt of export

proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lankan Rupees (a copy of the Rules is at Annex I).

As per the Rules, *inter alia*, every exporter of goods shall, immediately upon the receipt of such export proceeds into Sri Lanka, convert twenty-five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka into Sri Lankan rupees (hereinafter referred to as "LKR"), through a Licensed Commercial Bank or a Licensed Specialised Bank (hereinafter referred to as "Licensed Bank"), until further notice.

All Licensed Banks (hereinafter referred to as "LBs") are hereby required to sell fifty per centum (50%) of the export proceeds in various currencies purchased from exporters of goods as per the Rules, to the CBSL in US dollars (hereinafter referred to as "USD"), as per the guidelines given below, with immediate effect, until further notice.

1. Frequency and the Threshold of USD Sales to the CBSL

Once the fifty per centum (50%) of total value of export proceeds in various currencies so converted into LKR by exporters of goods, equals USD 1.0 Mn or more on any working day, on an ongoing basis, an LB is required to sell such amount in USD to the CBSL, on the immediate following working day (Refer the example demonstrated in Annexure II).

2. Applicable USD / LKR Exchange Rate for Sale of USD to the CBSL

The volume weighted average of the USD converted shall be applicable for the sale between the CBSL and an LB. In case of converted currencies other than USD, the USD / LKR rate shall be derived, as appropriate.

3. Tenor Basis for Settlement

Each transaction between the CBSL and an LB shall be on "TOM (i.e.: T+1)" basis.

4. Settlement Instructions

In settlement, LBs are required to follow the standard USD / LKR settlement instructions. In executing, LBs are required to execute deals through "Thomson Reuters" or "Bloomberg" trading platforms. However, if any LB does not have access to such trading platforms, the said LB is required to use official e-mail as a source for deal execution.

5. Monitoring of Export Proceeds, Record Keeping and Accounting

All LBs are required to strictly monitor the receipt of export proceeds into Sri Lanka and conversion of such proceeds into LKR as per the Rules, and are required to maintain all necessary records with supporting documents to be presented upon any inquiry by the CBSL. Further, LBs are required to maintain separate accounts to with regard to such export proceeds and sales of USD to the CBSL under the above requirement.

6. Submission of Information

All LBs are required to submit the duly completed following template in a "MS Excel format" named as "Export Proceeds Conversions as at -" (Name of the LB) upon fulfilling the requirement as stated in paragraph 1 above, on the immediate following working day and are required to e-mail the same to dfx@cbsl.lk.

A Date Converted into LKR (dd/mm/ yyyy)	B Total Export Proceeds Converted under the Requirement of 25% In respective Currency	C 50% of the Converted Export Proceeds (B * 50%)	D Amount Equivalent to USD of "C" (to Nearest Whole Figure)	E Applicable USD / LKR Rate
Volume (USD) Weighted Average Rate Applicable to USD/ LKR as at (rounded-off to two decimal places)				xxx.xx

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398715, 0112477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2215/39 - THURSDAY, FEBRUARY 18, 2021
(Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, NO. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN
**Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
Colombo,
18th February, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as "Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021".
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such exports proceeds into Sri Lanka Rupees.
3. Every exporter of goods shall, until further notice:
 - (i) receive the export proceeds in Sri Lanka in respect of all goods exported within hundred and eighty (180) days from the date of shipment, and
 - (ii) forthwith submit all related documentary evidence on each and every receipt of export proceeds in respect of every export of goods made, to the respective Licensed Commercial Bank or the Licensed Specialised Bank (hereinafter referred to as "Licensed bank") that receives such proceeds in Sri Lanka.
4. Every exporter of goods shall, immediately upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert twenty five per centum (25%) from and out of the total of the said exports proceeds received in Sri Lanka into Sri Lanka Rupees, through a Licensed bank.
5. The requirement of converting the aforesaid twenty five per centum (25%) from and out of the export proceeds received in Sri Lanka, shall continue, until any other percentage as may be determined by the Monetary Board, from time to time.
6. All licensed banks shall be required to mandatorily monitor, strictly, the receipts of exports proceeds in Sri Lanka within the period as stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above, and shall maintain all documentary evidence relating or in connection thereto.
7. All licensed banks shall submit reports to the Director of the Foreign Exchange Department of the Central Bank of Sri Lanka as may be required from time to time and provide unencumbered access to the officers of the Central Bank of Sri Lanka as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and to examine and review all actions taken by such licensed banks in securing full and strict compliance with these Rules.
8. These rules shall apply in respect of all goods exported and where the hundred and eightieth (180th) date from the date of the shipment of such goods falls on any date after these Rules come into force.
9. These Rules shall come into force with immediate effect and from the date hereof.
10. For the avoidance of any doubt, and for the purposes of these Rules, 'Export Proceeds' shall include such proceeds required to be repatriated, into Sri Lanka, under and in terms of the Regulations made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the Extraordinary Gazette No. 2145/49 of the Democratic Socialist Republic of Sri Lanka dated 17.10.2019.
11. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialised Bank" shall have the meaning assigned to them in the provisions of the Banking Act, No. 30 of 1988.

Example: Bank A - Export Proceeds											
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(k)	(l)	
Date Converted into LKR	Currency	Total Export Proceeds in Respective Currency	USD/LKR Rate Applicable for Conversion	Total Export Proceeds in USD Equivalent	Total Converted Amount under the Requirement of 25% in USD [(e) * 25%]	50% of the Converted Export Proceeds [(f) * 50%]	Cumulative Value of (g) (as applicable) USD	Amount to be Sold to CBSL USD	Rate Applicable	Date of Sale	
01.02.2021	USD	10,000,000	194.00	10,000,000	2,500,000	1,250,000	1,250,000	1,250,000	194.00	02.02.2021	
02.02.2021	USD	5,000,000	194.20	5,000,000	1,250,000	625,000	625,000	N/A	N/A	N/A	
03.02.2021	USD	6,000,000	194.30	6,000,000	1,500,000	750,000	1,375,000	1,375,000	194.2545*	04.02.2021	
04.02.2021	EUR	10,000,000	194.50**	12,000,000***	3,000,000	1,500,000	1,500,000	1,500,000	194.50	05.02.2021	
05.02.2021	EUR	5,000,000	194.10	6,000,000***	1,500,000	750,000	750,000	N/A	N/A	N/A	
08.02.2021	EUR	6,000,000	194.20	7,200,000***	1,800,000	900,000	1,650,000	1,650,000	194.1545***	09.02.2021	
Note: All the numbers, rates and dates given in the above table are arbitrary and only used for illustration purposes.											

Assumption: 01.02.2021 is a Monday (Business day) and no holidays are there in February 2021 except for weekends.

* Volume Weighted Average Rate applicable = $[(194.20 * 1.25\text{Mn}) + (194.30 * 1.5\text{Mn})] / (1.25\text{ Mn} + 1.5\text{ Mn})$

$$= (242.75 + 291.45) / 2.75\text{Mn.}$$

$$= 194.2545$$

** USD/LKR rate is derived based on EUR/LKR and EUR/USD rates. In this illustration, EUR/LKR rate used to convert EUR export proceeds is assumed as 233.40. Further, EUR/USD rate is assumed as 1.2.

*** EUR/USD rate applicable for conversion is 1.2.

**** Volume Weighted Average Rate applicable = $[(194.10 * 1.50\text{Mn}) + (194.20 * 1.80\text{Mn})] / (1.50\text{Mn} + 1.80\text{Mn})$

$$= (291.15 + 349.56) / 3.30\text{Mn}$$

$$= 194.1545$$

Our Ref: 33/04/ 012/ 0011/008

17th March 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS FOR LICENSED BANKS ON "INCENTIVE SCHEME ON INWARD REMITTANCES"

This is with reference to the amendments to the Operating Instructions (Ref: 33/04/012/ 0011/006) issued for Licensed Banks (LBS) on Inward Worker Remittances on 27.01.2021, requesting LBS to sell to the Central Bank of Sri Lanka (CBSL) ten per centum (10%) of the inward worker remittances which are converted to Sri Lanka Rupees (LKR), in US dollars (USD).

Considering the prevailing market conditions, the above requirement of LBS to sell ten per centum (10%) of inward worker remittances to the CBSL is suspended in respect of conversion of worker remittances which have taken place from 17.03.2021 onwards with immediate effect, until further notice.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/ 0011/ 009

17th March 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO OPERATING INSTRUCTIONS TO LICENSED BANKS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

This is with reference to the Operating Instructions (Ref: 33/ 04/ 012/0011/ 007) issued for Licensed Banks (LBS) on Repatriation of Export Proceeds into Sri Lanka on 18.02.2021, requesting LBS to sell fifty per centum (50%) of the export proceeds in various currencies purchased from exporters of goods as per the Rules, to the Central Bank of Sri Lanka (CBSL) in US dollars (USD).

Considering the prevailing market conditions, the above requirement of LBS to sell fifty per centum (50%) of the conversions of export proceeds received as from 17.03.2021 onwards is suspended with immediate effect, until further notice.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/002

29.03.2021

To : Chief Executive Officers and Heads of Treasuries of All Licensed Commercial Banks and National Savings Bank

OPERATING INSTRUCTIONS TO LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK FOR PARTICIPATION AT THE BUY-SELL, USD/LKR FX SWAPS AUCTIONS CONDUCTED BY THE CENTRAL BANK OF SRI LANKA

All Licensed Commercial Banks (LCBs) and National Savings Bank (NSB) are hereby requested to adhere with the following Operating Instructions in participation at the Buy-Sell, USD/LKR FX SWAPs Auctions Conducted by the Central Bank of Sri Lanka (CBSL).

1. Eligible Banks for Participation

All LCBs and NSB are the eligible banks. Eligible banks may participate at the auction at their own discretion and participation is not mandatory.

2. Near Leg USD / LKR Rate

2.1 If the near leg is on "Spot Basis", the applicable USD / LKR exchange rate for the near leg should be the latest available "Indicative USD/LKR Spot Exchange Rate" published in an official website of the CBSL.

2.2 If the tenor of the near leg deviates from the "Spot Basis" (i.e. either, Cash, Tom or Forward basis) an adjustment of 2 cents per day will be applied to the latest available published "Indicative USD/LKR Spot Exchange Rate", as appropriate (ie: 2 cents per day will be added for forward tenors and deducted for Cash and Tom tenors).

3. Auction Duration

Auction will be closed after 30 minutes from the opening of the auction.

4. Mechanism

- 4.1 The designated CBSL e-mail for Buy-Sell USD/LKR FX SWAPs auctions will be fxswaps.iod@cbsl.lk.
 - 4.2 An auction announcement will be e-mailed to Heads of Treasuries and to another one designated e-mail of each eligible bank through a dedicated e-mail address of CBSL (fxswaps.iod@cbsl.lk) with necessary information of the auction. A message will appear on "CIMM Home Screen" with the details of the auction simultaneously.
 - 4.3 Eligible banks, at their discretion are requested to submit their bids well in advance to the cut-off time in order to avoid any technical limitations.
- (i.e.: If cut-off time is 12:00 Noon, all bids received by CBSL to the designated e-mail fxswaps.iod@cbsl.lk until 12:00 Noon (including 12:00 Noon) will be considered and any bid receive from 12:01 PM onwards will not be considered).

- 4.4 Banks should send their respective bid quantities and SWAP points (One- way) in a designated excel format (which will be attached with each auction announcement notice) to fxswaps.iod@cbsl.lk.
- 4.5 CBSL Tender Board has the discretion to accept all/part of the bids or to reject all/part of the bids submitted by eligible banks, irrespective of the offered volume.

5. Communication of Result

- 5.1 Auction result will be communicated to all eligible banks though the dedicated e-mail address (fxswaps.iod@cbsl.lk).
- 5.2 The banks whose bids have been accepted at the auction will be informed via the designated e-mail, for which bank should confirm receipt of such e-mail.
- 5.3 These e-mails will be considered as deal confirmations by both counterparties for proceeding for settlement.
- 5.4 The International Operations Department of the CBSL has the discretion to request any other information from eligible banks, as and when necessary,

6. Settlement Instructions

The banks are requested to follow standard settlement procedure.

7. Contact Numbers in CBSL

If require further information or clarifications in this respect, you may contact the officers of IOD on 0112398715, 0112477595 and 0112477084.

D. K. Mayadunna
Additional Director
International Operations Department

Our Ref: 33/04/012/0011/10

28 May 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "INCENTIVE SCHEME ON INWARD REMITTANCES"

This is further to the Operating Instructions issued to Licensed Banks (LBs) on "Incentive Scheme on Inward Worker Remittances" dated 22.12.2020, 01.01.2021, 27.01.2021 and 17.03.2021 (under references 33/04/012/0011/004, 33/04/012/0011/005 and 33/04/012/0011/006, 33/04/012/0011/008, respectively).

All LBs are hereby required to sell to the Central Bank of Sri Lanka, ten per centum (10%) of the inward worker remittances in various currencies, which are converted to LKR, in USD, under the captioned scheme, on a weekly basis, with effect from 28.05.2021, until further notice. The other requirements under paragraphs 2, 3 and 4 as specified in the previously issued Operating Instructions (under reference 33/04/012/0011/006 dated 27.01.2021 at Annexure I), shall remain unchanged.

Further, all LBs are required to diligently submit a weekly certification on the sale of inward worker remittances as given in Annexure II hereto, along with the excel worksheets to support the calculation of the same and forward the same to the e-mail fxsales.mandatory@cbsl.lk, together with the sale of USD to the CBSL, for a particular working week.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398715, 0112477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Annexure II**Date:****Ref:**

Director
 International Operations Department
 Central Bank of Sri Lanka

Sale of 10% of Converted Workers' Remittances to the Central Bank of Sri Lanka

We hereby certify that the information contained in the attached excel worksheet at Annexure is accurate and has been extracted and is in accordance with the books of accounts of the (name of the bank). It contains the inward worker remittances for the week commencing from to for the value of USD mn and accordingly, sale of USD..... mn to the Central Bank of Sri Lanka on with the settlement date of

Signature:

Signature:

Name:

Name:

Designation: Chief Compliance Officer

Designation: Chief Financial Officer

Signature:

Signature:

Name:

Designation: Chief Executive Officer

Our Ref: 33/04/012/0011/11

28 May 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

This has reference to the Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL) and published in the Gazette Extraordinary No. 2215/39 dated 18.02.2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the Gazette Extraordinary No. 2218/38 dated 09.03.2021, the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021 published in the Gazette Extraordinary No. 2222/60 dated 09.04.2021, and the Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021 published in the Gazette Extraordinary No. 2229/09 dated 28.05.2021, in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lankan Rupees.

A copy of the Gazette Extraordinary No. 2229/09 dated 28.05.2021 is at Annexure I.

Under and in terms of the afore mentioned "Repatriation of Export Proceeds into Sri Lanka Rules", every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka, mandatorily convert not less than Twenty Five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka, into Sri Lanka Rupees (hereinafter referred to as "LKR"), through a licensed commercial bank or a licensed specialized bank (hereinafter referred to as "Licensed Bank"), until further notice, or mandatorily convert such other per centum as may be determined from time to time by the Monetary Board.

Accordingly, all Licensed Banks (hereinafter referred to as "LBs") are required to sell ten per centum (10%) from and out of the Twenty Five per centum (25%) of such export proceeds (equivalent to USD,) so converted into LKR, as required under the above Rules, to the CBSL, in USD, on a weekly basis, with effect from 28.05.2021, until further notice.

The other requirements under paragraphs 2, 3, 4 and 5 as specified in the previously issued Operating Instructions (under reference 33/04/012/0011/007 dated 18.02.2021 at Annexure II) shall remain unchanged.

Furthermore, all LBs are also required hereby to diligently submit a weekly certification on the sale of export proceeds, as given in Annexure III hereto, along with the excel worksheets, in order to support the calculation of the same and the same shall be forwarded to the e-mail fxsales.mandatory@cbsl.lk, together with the sale of USD to the CBSL, for a particular working week.

Please be advised that the failure to comply with the Rules read together with any of the requirements of these consequential Operating Instructions, will amount to an offence in terms of the Monetary Law Act.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398715, 0112477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Annexure I

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2229/9 - FRIDAY, MAY 28, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

MONETARY LAW ACT, NO. 58 OF 1949

RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN
Chairman of the Monetary Board and Governor of the
Central Bank of Sri Lanka.

Central Bank of Sri Lanka, Colombo,
28th May, 2021.

Repatriation of Export Proceeds into Sri Lanka

1. These Rules shall be cited as the "Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021".
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2215/39 dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the *Gazette (Extraordinary)* Notification No. 2218/38 dated 9 March 2021 and the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the *Gazette (Extraordinary)* Notification No. 2222/60, dated 9 April 2021, is hereby further amended.

(a) by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rules

"4. Every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert not less than Twenty-five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka, into Sri Lanka Rupees, through a licensed bank".

"4A. The Monetary Board may however determine the specific export sectors or industries or individual exporters, who or which may be permitted to convert less than twenty five per centum of the total of the export proceeds received in Sri Lanka, if the Monetary Board is satisfied, in its discretion, that the export goods and processes of such export sector, industry or exporter, utilize a very high percentage of imported goods that cannot be sourced domestically.

Provided however, that in no instance, shall any such partial exemption that the Monetary Board may grant in its discretion, as referred to immediately above, be below ten per centum (10%) of the total export proceeds".

"4B. Such date of conversion mentioned in Rule 4 and 4A above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than One Hundred and Eighty (180) days from the date of shipment)".

(b) by the repeal of Rule 5 thereof and the substitution therefor, of the following new Rule

"5. The Monetary Board may in general, having regard to the liquidity situation in the foreign exchange market and the Gross Official Reserve levels in Sri Lanka, determine from time to time, such other percentage as the case may be, of the export proceeds received in Sri Lanka, that shall be converted into Sri Lanka Rupees through a Licensed Bank as the Monetary Board may deem fit and appropriate in the prevailing circumstances".

Date:

Ref:

Director
International Operations Department
Central Bank of Sri Lanka

Sale of 10% out of the 25% of Converted Export Proceeds to the Central Bank of Sri Lanka

We hereby certify that the information contained in the attached excel worksheet at Annexure is accurate and has been extracted and is in accordance with the books of accounts of the name of the bank). It contains the conversion of export proceeds for the week commencing mn and accordingly, sale o ... mn to the Central B .. settlement

Signature:

Name:

Designation: Chief Compliance Officer

Signature:

Name:

Designation: Chief Financial Officer

Signature:

Name:

Designation: Chief Executive Officer

(Scanned copy of the signed letter to be supported with the excel worksheet)

Our Ref: 33/ 04/012/0011/ 12

06 August 2021

To : Chief Executive Officers of All Licensed Commercial Banks and National Savings Bank

**OPERATING INSTRUCTIONS FOR LICENSED BANKS ON CREDITING EXPORT PROCEEDS TO THE RELEVANT
(FOREIGN CURRENCY) ACCOUNTS OF EXPORTERS**

It has been observed that licensed commercial banks and the National Savings Bank (NSB) (hereinafter referred to as "Licensed Banks") defer crediting of export proceeds to the exporters' foreign currency accounts until such exporters furnish relevant documents to the respective bank and this practice of Licensed Banks has been causing material losses to exporters.

Therefore, all Licensed Banks are hereby required to credit the export proceeds to the respective exporter's foreign currency account(s) maintained at the bank, immediately after receiving such proceeds to the respective bank. Upon crediting such export proceeds to the respective foreign currency accounts, Licensed Banks are also required to take measures to stop the withdrawal and / or conversion of such export proceeds from the respective foreign currency accounts until the necessary documents and / or information are furnished by the exporter(s) to the bank.

If any further clarifications are needed in this regard, you may contact International Operations Department of the Central Bank of Sri Lanka via 011 2398715, 011 2398711 or 011 2477084.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/13

01 November 2021

To : Chief Executive Officers of All Licensed Banks

**AMENDMENTS TO THE OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "REPATRIATION OF EXPORT
PROCEEDS INTO SRI LANKA"**

This has reference to the Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL) and published in the Gazette Extraordinary No. 2251/42 dated 28.10.2021, in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka rupees.

A copy of the Gazette Extraordinary No. 2251/42 dated 28.10.2021 is at Annexure I.

Under and in terms of the aforementioned "Repatriation of Export Proceeds into Sri Lanka Rules", every exporter of goods and services shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka rupees (hereinafter referred to as "LKR"), upon utilizing such proceeds only in respect of the authorised payments as specified in the aforementioned Rules, on or before the seventh (7th) day of the following month, through a licensed commercial bank or a licensed specialized bank (hereinafter referred to as "Licensed Banks"), until further notice.

Accordingly, all Licensed Banks (hereinafter referred to as "LBS") are required to sell ten per centum (10%) of such residual of the export proceeds, which are mandatory to convert into LKR, as required under the aforementioned Rules, to the CBSL, in USD, on a weekly basis, with effect from 01.11.2021, until further notice.

The other requirements in the previously issued Operating Instructions (under reference 33/04/012/0011/ 11 dated 28.05.2021 and as specified in paragraphs 2,3,4 and 5 under reference 33/04/012/0011/0007 dated 18.02.2021) shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398715, 0112477084, 0112398711 or on 0112398708.

Yours sincerely,

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Annexure I

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO. 2251/42 - THURSDAY, OCTOBER 28, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

MONETARY LAW ACT, NO. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka.

Central Bank of Sri Lanka,
Colombo,
28th October, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as the "Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021".
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the section 10 (c) of the Monetary Law act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka Rupees.
3. Every exporter of goods and services shall;
 - (i) mandatorily receive the export proceeds in Sri Lanka, in respect of all goods exported or services provided outside Sri Lanka, within one hundred and eighty (180) days from the date of shipment or provisioning of services, as the case may be; and,
 - (ii) immediately upon all and every receipt/s of export proceeds being received, forthwith submit all related documentary evidence on each and every receipt of export proceeds, in respect of every export of goods and services to the respective Licensed Commercial Bank or a permitted Licensed Specialized Bank (hereinafter referred to as a "licensed bank"), that receives such proceeds, in Sri Lanka.
4. Every exporter of goods and services, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned **authorised payments**, on or before the seventh (7th) day of the following month,
 - i. outward remittances in respect of current transactions of the exporter of goods and services;

- ii. withdrawal in foreign currency notes or transfer of funds for travel purpose of the exporter of goods and services;
 - iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods and services, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended;
 - iv. payments for purchases of goods and obtaining services by the exporter of goods and services, related to such export of goods and services including one-month commitments in foreign currency, thereof; and
 - v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received.
5. Such date of conversion mentioned in Rule 4 above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than one hundred and eighty (180) days from the date of shipment or provisioning of services).
6. All licensed banks shall be required to strictly and mandatorily monitor the receipts of exports proceeds in Sri Lanka, within the period stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above and shall at all times, maintain all necessary documentary evidence relating to, or in connection therewith.
7. All licensed banks shall submit reports and/or statements to the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka, as may be required from time to time and shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and review all actions taken by such licensed banks in ensuring full and strict compliance with these Rules.
8. The Director of the Department Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any exporter of goods or services or licensed bank, in respect of the export of goods and services, in terms of these Rules.
9. These Rules shall apply in respect of all and every export of goods and services, made on or after the effective date of these Rules, and shall also apply to the export of goods and services, made prior to the effective date of these Rules, where the hundred and eightieth (180th) date from the date of the shipment of such goods or provisioning of services falls on any date after these Rules come into force.
10. For the avoidance of any doubt, and for the purposes of these Rules, "Export Proceeds" shall include such proceeds required to be repatriated into Sri Lanka, under and in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2213/37, dated 03 February 2021 (as amended) and payments received in foreign exchange by a person resident in Sri Lanka for the services provided including professional, vocational, occupational or business services provided to a person resident outside Sri Lanka.
11. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialized Bank", shall have the meaning assigned to them in terms of the provisions of the Banking Act, No. 30 of 1988, as amended.
12. For the purposes of these Rules, the term "current transactions" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
13. For the purposes of these Rules, the term "withdrawal of foreign currency notes or transfer of funds for travel purposes" shall be in terms of the Directions issued to the licensed banks by the Central Bank of Sri Lanka, under the Section 9 of the Foreign Exchange Act, No. 12 of 2017, in that behalf.
14. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2215/39, dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021, published in the Gazette (Extraordinary) Notification No. 2218/38, dated 9 March 2021, the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the Gazette (Extraordinary) Notification No. 2222/60, dated 9 April 2021, and the Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2229/9, dated 28 May 2021, are hereby repealed.

Our Ref: 33/04/012/0011/014

01 December 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON "ADDITIONAL INCENTIVE SCHEME ON INWARD WORKERS' REMITTANCES"

This is with reference to the Operating Instructions issued to the Licensed Banks (LBS) on 22.12.2020 on "Incentive Scheme on Inward Workers- Remittances" and as amended on 01.01.2021 and 27.01.2021 (under reference numbers 33/04/012/0011/004, 33/04/012/0011/005 and 33/04/012/0011/006).

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to pay an additional incentive of Rs. 8.00 per US dollar for workers' remittances that are eligible under the "Incentive Scheme on Inward Workers' Remittances", as per the Operating Instructions mentioned above, with effect from 01.12.2021 to 31.12.2021 (inclusive of both days), in addition to the incentive of Rs. 2.00 per US dollar paying under the previously issued Operating Instructions dated 22.12.2020 (Ref: 33/09/012/0011/004) Accordingly, the total incentive for inward workers' remittances converting into Sri Lankan rupees during the month of December 2021 shall be Rs. 10.00 per US dollar.

LBS are hereby instructed to submit the claim application to the CBSL with respect to the additional incentive of Rs. 8.00 per US dollar they pay to eligible customers on or before 15.01.2022, as per the template used previously.

All the instructions and requirements of the previously issued Operating Instructions (Ref: 33/04/012/0011/004, 33/04/012/0011/005 and 33/04/012/0011/006) shall remain unchanged.

For further information, you may contact the International Operations Department of the CBSL on 0112398707, 0112398718 or 0112398711.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/015

13 December 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON "INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND"

1. With an objective of promoting all the foreign currency (FCY) in the country to be channeled through the formal banking system, the general public is encouraged to deposit, convert or invest FCY held in hand through a licensed bank (LB), immediately.
2. These includes FCY held in hand by the general public by:
 - i. purchasing from a LB or from an Authorised Money Changer for the purpose of travel abroad and brought back unutilized into Sri Lanka (up to US dollars 15,000 or in equivalent of other FCY),
 - ii. withdrawing from a Personal Foreign Currency Account (PFCA) for the purpose of travel abroad and brought back unutilized to Sri Lanka (up to US dollars 15,000 or in equivalent of other FCY),
 - iii. earnings from employment, profession or business while abroad and brought into Sri Lanka,
 - iv. acquiring and bringing into Sri Lanka to deposit in Special Deposit Accounts (SDAs) on or after 01 January 2020.
3. LBS are hereby requested to provide following incentives to the general public who deposit, convert or invest such FCY in paragraph 2 above, during the period from 13 - 31 December 2021.
 - i. Pay Sri Lankan Rupee (LKR) 210.00 per US dollar or in equivalent for other FCY, when converting such FCY into LKR (during the month of December 2021),
 - ii. Pay LKR 210.00 per US dollar or in equivalent for other FCY, when converting and depositing such FCY into an LKR deposit account (during the month of December 2021),
 - iii. Permit to deposit such FCY into the customers' PFCA or SDA,
 - iv. Allow to invest in Sri Lanka Development Bonds.
4. Further, all the LBS are hereby requested to sell twenty per centum (20%) of such FCY converted into LKR during the period from 13 December 2021 to 31 December 2021 (including both days) as in paragraphs 3(i) and 3(ii) above, on a weekly basis, to the Central Bank of Sri Lanka (CBSL), in US dollars. Accordingly, LBS are required to sell such US dollars for a particular working week (Monday to Friday), on Friday (or the last working day) of the same week, starting from 17 December 2021, subject to the usual foreign exchange market holiday conventions.
5. **Applicable USD/LKR Exchange Rate for the Sale of US dollars to the CBSL**
Transactions between the CBSL and LBS shall be at the exchange rate of' Rs 200.00 per US dollar.
6. **Tenor of Settlement**
Transactions between the CBSL and LBS shall be on "TOM (ie., T+1)" basis.

7. Settlement Instructions

- In settling, LBS are required to follow the standard USD/LKR settlement instructions. In executing, LBS are required to execute deals through "Thomson Reuters" or "Bloomberg" trading platforms. However, if an LB does not have access to such trading platforms, the said LB is required to use official e-mail as a source for deal execution.
8. Further, LBS are required to diligently submit a weekly certification on the sale of such FCY to the CBSL, which are accepted from the general public in summary form, as per Annexure I hereto, along with the excel worksheets to support the calculation of the same and forward the same to the e-mail fxsales.mandatory@cbsl.lk, together with the sale of USD to the CBSL, for the particular working week.
 9. LBS are instructed to submit the claim application to the CBSL with respect to the incentive of LKR 10.00 per US dollar (LKR 210.00 - LKR 200.00 (usual buying exchange rate as per the request of the CBSL to LBs dated 06 September 2021)), that LBs pay to the general public as in paragraphs 3(i) and 3(ii) above, on or before 15.01.2022. Relevant template for is at Annexure II.

10. Accounting and Record Keeping

LBS are required to maintain separate accounts and records in respect of the incentives paid with all necessary supporting documents.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398718 or 0112398711.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Annexure I

Date

Ref:

Director
International Operations Department
Central Bank of Sri Lanka

Sale of 20 per cent of Foreign Currency Converted by the General Public to the Central Bank of Sri Lanka

We hereby certify that the information contained in the attached excel worksheet at the Annexure is accurate and has been extracted, and is in accordance with, the books of accounts of the (name of the bank). It contains the conversion of foreign currency purchased from the general public during the week from to for the value of USD and, accordingly, we hereby sell USD to the Central Bank of Sri Lanka on with the settlement date of

Signature:

Signature:

Name:

Name:

Designation: Chief Compliance Officer

Designation: Chief Financial Officer

Signature:

Name:

Designation: Chief Executive Officer

(Scanned copy of the signed letter to be supported with the excel worksheet)

Annexure II

Date

Ref:

Director

International Operations Department
Central Bank of Sri Lanka**Incentive on Conversions of Foreign Currency accepted from the General Public Reimbursement Request for the period from 13.12.2021 to 31.12.2021**

Name of Bank :

(A) Date Converted into LKR (dd/mm/yyyy)	(B) Currency	(C) Amount Converted in USD	(D) Incentive Paid in LKR (D = LKR 10 * C)
Total			

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer lists/records maintained at the bank.

Signature :
 Name : Chief Executive Officer Chief Compliance Officer Chief Financial Officer
 Designation:
 Date :

Our Ref: 33/04/012/0011/016

15th December 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND"

This is with reference to the Operating Instructions (Ref: 33/04/012/0011/015) for Licensed Banks on "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency held in Hand" issued on 13 December 2021.

This is to inform you that, a new item under paragraph 2 has been inserted as below:

"2 (v) acquiring through other sources, as declared by respective customers (Annexure A)".

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398718 or 0112398711.

Annexure A

The Manager
..... (bank branch)
..... (bank)

Source of Funds Declaration

I hereby declare that (currency type) (amount) converted in to Sri Lanka Rupees today at the (bank and branch name) are derived from legitimate sources.

Full Name:

Signature:

Address:

NIC No:

Date :

Our Ref: 33/04/012/0011/017

27th December 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "INCENTIVE SCHEME ON INWARD WORKER REMITTANCES", "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA", "ADDITIONAL INCENTIVE SCHEME ON INWARD WORKERS' REMITTANCES" AND "INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND"

All Licensed Banks (LBS) are hereby informed that the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on the above schemes are amended, effective from 27.12.2021, to effect the following changes to mandatory foreign exchange sales to the CBSL and to incentives offered under the above schemes.

Accordingly, all LBS are hereby required to sell to the CBSL, on a weekly basis, in US dollars, twenty-five per centum (25%) of:

- a) inward workers' remittances (received in various currencies) which are converted into Sri Lankan rupees (LKR), until further notice,
- b) the residual of export proceeds which is mandatory to convert into LKR, until further notice, and
- c) foreign currency held in hand by the general public which are converted into LKR, until 31.01.2022.

Further, LBS are hereby informed that the incentives offered under the OIs issued on "Additional Incentive Scheme on Inward Workers' Remittance" dated 01.12.2021 and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency held in Hand" dated 13.12.2021 and as amended on 15.12.2021, are extended until 31.01.2022. Accordingly, LBS are required to submit relevant claim applications to the CBSL for the period from 01.01.2022 to 31.01.2022, on or before 15.02.2022.

Other requirements specified in previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Nivard Ajith Leslie Cabraal
Governor
Central Bank of Sri Lanka

Ref. No.: 08/25/001/0005/001

Guidelines No.: SSSS/01/2021

05 January 2021

To: All Participants of the LankaSettle System

**GUIDELINES ON RECORDING OF SECONDARY MARKET TRANSACTION DATA
AND SENDING SECURITIES SETTLEMENT INSTRUCTIONS TO THE
SCRIPTLESS SECURITIES SETTLEMENT SYSTEM (SSSS)**

Guidelines on Recording of Secondary Market Transaction data and sending Securities Settlement Instructions to the Scriptless Securities Settlement System (No. SSSS/02/2020) issued on 09.12.2020 are hereby amended as follows.

1. By the repeal of **guideline 08** and substitution thereof the following new guideline

- “ 8. Participants are required to adhere to input Securities Instructions to the LankaSecure System as per the Rule 5.7 of Volume 3 of the LankaSettle System Rules version 2.1 issued in 2013 ”

M Z M Aazim
Superintendent Public Debt

D Kumaratunge
Director Payments and Settlements

Ref. No.: 08/25/001/0005/001

Circular No.: PDD/01/2021

26 March 2021

To: All Participants of the LankaSettle System

**CIRCULAR ON GOVERNMENT SECURITIES TRADE REPORTING
(SECONDARY MARKET)**

1. In view of enhancing and strengthening the Government Securities (G-Sec) secondary market trading practices, improving the reliability of such trades and increasing investor safety and confidence, a reporting system for secondary market G-Sec trades is introduced to be **effective from 01.04.2021**.

2. The Trade Reporting System mainly focuses identifying markets dynamics in the process of implementation of the envisaged Capital Market Development Project.
3. Accordingly, participants are required to report all 'G-Sec Trades' (proprietary trades, client trades, repurchase trades, outright trades) with the '**Settlement Confirmation**' of the same (settled trades, on settlement date) on daily basis (by 2100 hrs) through FInNet system.
4. Refer **Annexure** for the reporting instructions and the '*Instruction Guide*' in FInNet for operational instructions in detail.
5. Subject to (1) above, any requirement for improvement or development in FInNet reporting by a participant, if any, will be accommodated **until 15.04.2021** and suitable technical assistance will be provided during the period 01.04.2021 to 15.04.2021 on need basis.

M Z M Aazim
Superintendent Public Debt

Annexure

LSD-DF-01-TRD: Trades (Outright/ Repurchase /Reverse Repurchase)

- Report to be submitted on the trade agreement date
- ISIN allocation or trade confirmation are not expected for this return
- Report all trades

Deal/ Trade Ref. No.	Trade Type	Trade Date	Settlement Date	Security Credit Party			Security Debit Party		
				Destination BIC Code	Destination Account	Destination Beneficial Owner Code	Source BIC Code	Source Account	Source Beneficial Owner Code
Ex; AR									

* Proprietary/
Client (A/ B) &
Repurchase/
Outright (R/C)

- * Proprietary transactions – Security movements effected on participant's own account for the purposes of investment, trading or funding arrangements of the participant.
- * Client transactions – Security movements effected on behalf of the customers, which are not carried out for the purposes of investment, trading or funding arrangements of the participant (services provided by the Participants to the customers as an Agency function or in the capacity of Custodial role shall be covered under this category).

LSD-DF-02-STR: Settled Transactions (Outright/Repurchase /Reverse Repurchase)

- Report on the Settlement date (actual/ settlement date).
- ISIN allocation and correct reporting of settlement values against each ISIN is required in this return.
- Report all settled transactions (in case the Repurchase transactions both Leg 1 and Leg 2 to be reported as the settlement of each Leg occurs).

Deal/ Trade Ref. No.	Corresponding TRN in LankaSecure	Destination BIC Code	Source BIC Code	ISIN	Quantity	Settlement Amount against each ISIN (Rs.)

Following field formats to be followed in both the returns **LSD-DF-01-TRD** and **LSD-DF-02-STR**:

- a. Date Format : DD-MMM-YYYY (26-Mar-2021) or “ ” if not applicable
- b. Amounts : Number/ Value or '0' if not applicable
- c. BIC codes : 11 character code
- d. If Trade Type = 'AO' or 'BO', Return Date and Return amount should be empty
- e. Settlement Date should be greater than or equal to Trade Date
- f. Return Date should be greater than Settlement Date
- g. Any row containing data should be completed with all relevant information according to these instruction (specifically, the trade information to be reported as one trade record, not ISIN allocations details if multiple ISINs are used).

FinNet System validates the returns for acceptance or rejection of a return based on the field formats. For detailed instructions refer the '[Instruction Guide](#)' provided in FinNet.

Ref. No.: 08/21/005/012/007

DIRECTIONS ON PRIMARY ISSUANCE OF TREASURY BONDS

The following amendments to the Directions on Primary Issuance of Treasury Bonds dated 24.07.2017 and as amended dated 09.07.2019, issued in terms of Regulation 11(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 dated 24 June 2009 made by the Minister of Finance under the Registered Stock and Securities Ordinance No. 7 of 1937, shall be in force from 23.09.2021.

- 8.6 Phase III Issuance of the remaining volume (the difference between announced amount and aggregate allocated amount under Phase I and Phase II for applicable series), if any, on a mandatory basis at WAYR among PDs based on each such PD's successful participation at Phases I and II. However, this phase will not be executed unless CBSL accepts 80% of the offered amount in minimum at Phase I. Issuance under this phase will be limited to PDs. This phase will be executed only for T-bonds offered with a remaining maturity of 5 years or below.
- 11.1 If the entire amount tendered at the issuance is not fully issued under Phase I and Phase II of the issuance process, for T-bond series offered with a remaining maturity of 5 years or below, Phase III is expected to execute electronically soon after the end of Phase II around 1430 hrs of the auction day, provided 80% of the offered amount in minimum is accepted at Phase I. Phase III will not be executed for T-bonds offered with a remaining maturity of more than 5 years.

Colombo

Date 23.09.2021

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

20 January 2021

Payment and Settlement Systems Circular No. 01 of 2021

To : All Participants of LankaSettle System

AMENDMENT TO THE DAILY OPERATING SCHEDULE OF THE LANKASETTE SYSTEM

A new settlement cycle (cycle 5) will be implemented for CEFTS, CAS and CPS systems (at 1545 hrs.) starting from 01.02.2021. LankaClear (Pvt) Ltd will make the net positions of cycle 5 of the above three systems available to all Participants by 1515 hrs. Accordingly, the following Daily Operating Schedule will be followed from 01.02.2021.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1

1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1530 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1530 hrs.
1545 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CAS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CPS Cycle 5
1545 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1600 hrs.	SDF	Settlement of first leg of SDF
1615 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

27 April 2021

Payment and Settlement Systems Circular No. 02 of 2021

To : All Participants of LankaSettle System

**SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTE SYSTEM TO
BE FOLLOWED ON 30.04.2021**

Since 30.04.2021 has been declared as a special half-a-day bank holiday in lieu of the May Day which falls on a Saturday, The Central Bank of Sri Lanka has decided to restrict the business hours of the LankaSettle system on 30.04.2021 as per the following operating schedule.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1400 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1415 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1430 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1430 hrs.
1435 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1435 hrs.
1445 hrs.	ILF Repayment	Repayment of ILF.
1500 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1500 hrs. to 1515 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.

1515 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.
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Settlement of Cycles 4 and 5 of CAS, CEFTS and CPS (on 30.04.2021) will take place at 0830 hrs. on the next business day (03.05.2021).

SLIPS Cycle 3 of 30.04.2021 will be cancelled.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

10 May 2021

Payment and Settlement Systems Circular No. 03 of 2021

To : All participants of LankaSettle System

**SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTE SYSTEM
FOR 11.05.2021, 12.05.2021 AND 13.05.2021**

The following daily operating schedule will be followed during 11.05.2021 to 13.05.2021.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 & 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 & 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 & 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO

1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1335 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1335 hrs.
1345 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1345 hrs.
1350 hrs.	SDF	Settlement of first leg of SDF
1355 hrs.	SLF	Settlement of first leg of SLF.
1400 hrs.	ILF Repayment	Repayment of ILF.
1410 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1410 hrs. to 1420 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1420 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

SLIPS cycle 3 of 11.05.2021, 12.05.2021 and 13.05.2021 will be cancelled.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

15 May 2021

Payment and Settlement Systems Circular No. 04 of 2021

To: All participants of LankaSettle System

RESTRICTION OF OPERATIONAL HOURS OF THE LANKASETTE SYSTEM FROM 17.05.2021

Due to the prevailing Covid-19 related situation in the country, the Central Bank of Sri Lanka has decided to restrict the operational hours of the LankaSettle system.

Accordingly, the following daily operating schedule will be followed from 17.05.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.

0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 & 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 & 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 & 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1340 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1340 hrs.
1345 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1345 hrs.
1350 hrs.	SDF	Settlement of first leg of SDF
1355 hrs.	SLF	Settlement of first leg of SLF.

1400 hrs.	ILF Repayment	Repayment of ILF.
1410 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1410 hrs. to 1420 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1420 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

SLIPS cycle 3 will be cancelled during the period where the above restricted operating schedule is in effect.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref. 34/07/029/0001/002

19 May 2021

Payment and Settlement Systems Circular No. 05 of 2021

To : All Participants of LankaSettle System

AMENDMENT TO THE DAILY OPERATING SCHEDULE OF THE LANKASETTE SYSTEM

The following Daily Operating Schedule will be followed from 20.05.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.

1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1510 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1510 hrs.
1515 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1515 hrs.
1525 hrs.	SDF	Settlement of first leg of SDF
1535 hrs.	SLF	Settlement of first leg of SLF.
1545 hrs.	ILF Repayment	Repayment of ILF.
1600 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1600 hrs. to 1615 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1615 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

25 May 2021

Payment and Settlement Systems Circular No. 06 of 2021

To : All participants of LankaSettle System

RESTRICTION OF OPERATIONAL HOURS OF THE LANKASETTE SYSTEM FROM 28.05.2021

Due to the prevailing Covid-19 related situation in the country, the Central Bank of Sri Lanka has decided to restrict the operational hours of the LankaSettle system.

Accordingly, the following daily operating schedule will be followed from 28.05.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 & 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 & 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 & 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO

1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1340 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1340 hrs.
1345 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1345 hrs.
1350 hrs.	SDF	Settlement of first leg of SDF
1355 hrs.	SLF	Settlement of first leg of SLF.
1400 hrs.	ILF Repayment	Repayment of ILF.
1410 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1410 hrs. to 1420 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1420 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

SLIPS cycle 3 will be cancelled during the period where the above restricted operating schedule is in effect.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref: 34/01/025/0038/003

10 June 2021

To : Chief Executive Officers of All Licensed Banks, Licensed Financial Companies and Licensed Operators of Mobile Phone Based e-Money Systems

ADDENDUM 3 – CIRCULAR NO. 02 OF 2019 ESTABLISHMENT OF A NATIONAL QUICK RESPONSE CODE STANDARD FOR LOCAL PAYMENTS

Reference is made to Circular No. 02 of 2019 - Establishment of a National Quick Response Code Standard for Local Payments issued on 11.03.2019, its Addendum 1 issued on 30.10.2019 and Addendum 2 issued on 27.11.2020. This document shall be read together with the above Circular and Addendums.

The reduction of MDR charges from 1% to 0.5% of the transaction amount, for the period beginning 01.01.2020 and ending 30.06.2021, shall be extended further for a period of six months for LANKAQR initiated transactions. Accordingly, the maximum MDR charges shall remain at 0.5% for the period beginning 01.07.2021 and ending in 31.12.2021.

D Kumaratunge

Director/Payments and Settlements

Ref. 34/07/029/0001/002

22 June 2021

Payment and Settlement Systems Circular No. 07 of 2021

To : All Participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM TO BE FOLLOWED ON 23.06.2021 AND 25.06.2021

The following Daily Operating Schedule will be followed on 23.06.2021 and 25.06.2021 to facilitate salary payments through SLIPS. Thereafter, the Daily Operating Schedule given in the Payments and Settlement Systems Circular No. 06 of 2021 will be continued from 28.06.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CPS Cycle 4

1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1515 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1515 hrs.
1525 hrs.	SDF	Settlement of first leg of SDF
1535 hrs.	SLF	Settlement of first leg of SLF.
1545 hrs.	ILF Repayment	Repayment of ILF.
1600 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1600 hrs. to 1615 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1615 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref. 34/07/029/0001/002

8 July 2021

Payment and Settlement Systems Circular No. 08 of 2021

To : All Participants of LankaSettle System

DAILY OPERATING SCHEDULE OF THE LANKASETTE SYSTEM FROM 12.07.2021

The following Daily Operating Schedule will be followed from 12.07.2021.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable),	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1

1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1530 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1530 hrs.
1545 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CAS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CPS Cycle 5
1545 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1600 hrs.	SDF	Settlement of first leg of SDF
1615 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System for business	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

Requests for extension of business hours will have to be communicated before 4.00 p.m. of each business day. Requests made after 4.00 p.m. will not be accepted.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. No.: 34/07/029/0001/002

13 September 2021

Payment and Settlement Systems Circular No. 09/2021

To: All participants of LankaSettle System

SUBJECT: NEW VERSION OF THE LANKASETTE SYSTEM RULES - VERSION 2.2

A new version of the LankaSettle System Rules has been published by the Gazette Notification No. 2213/2 dated 01st February 2021, incorporating amendments up to 31st December 2020. It is published in the Central Bank Official Website and can be accessed through the following links.

- Sinhala
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/acts/si/psd_gazette_20210805_lankasettle_system_rules_v2.2_s.pdf
- English
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/acts/en/psd_gazette_20210805_lankasettle_system_rules_v2.2_e.pdf
- Tamil
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/acts/ta/psd_gazette_20210805_lankasettle_system_rules_v2.2_t.pdf

Accordingly, all the Participants are hereby required to comply with the LankaSettle System Rules - Version 2.2.

D Kumaratunge
Director
Payments and Settlements Department

Ref. No.: 34/01/024/0106/06

2 December 2021

Payment and Settlement Systems Circular No. 10/2021

To: All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTE SYSTEM FROM THE DISASTER RECOVERY SITE (DRS)
ON 09 & 10 DECEMBER 2021**

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and the LankaSecure System) and other related systems from its DRS on **09 and 10 December 2021 (Thursday & Friday)** for the purpose of testing the business continuity arrangements.

The computers of your institution which have been connected to the CBSLNet have already been configured to access the CBSL DRS. However, you are requested to contact the Information Technology (IT) Department of CBSL and test the connectivity **before 8 December 2021** to ensure the readiness. The following officer of CBSL IT Department will act as the single point of contact for IT matters during this BCP exercise.

- Mr. V Kamalnath – 011 2477 126 (kamalnath@cbsl.lk)
- Mr. G I Hettiarachchi- 011 2477 621 (gihan@cbsl.lk)

Please instruct all operational officers of your institution to contact above officers through the nominated BCP officer of your institution.

M R Wijewardene
Director/ Payments and Settlements

CC: Director/ Information Technology- Central Bank of Sri Lanka
CEO- LankaClear Pvt. Ltd.
Secretary General – Sri Lanka Banks' Association
President- Association of Primary Dealers
CEO- Lanka Financial Services Bureau Ltd.

Ref. 34/07/029/0001/002

20 December 2021

Payment and Settlement Systems Circular No. 11 of 2021

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTE SYSTEM FOR 24.12.2021

The following special Daily Operating Schedule will be followed on 24.12.2021 due to the special half-a-day bank holiday for Christmas day.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Primary Auction Issuance/ Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction/ Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
0930 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
0930 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1015 hrs.	Overnight/ Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Overnight/ Short Term Repos/Reverse Repos under OMO
1030 hrs.	Closure of Primary Auction Settlement/ Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1200 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1215 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1215 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1220 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1220 hrs.
1220 hrs.	Cut-off time for standing facilities	SDF and SLF windows are closed for Participants at 1220 hrs.
1235 hrs.	SDF	Settlement of first leg of SDF
1240 hrs.	SLF	Settlement of first leg of SLF.
1245 hrs.	ILF Repayment	Repayment of ILF.
1255 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.

1255 hrs. to 1310 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1310 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

Cycles 3 and 4 of CEFTS, CAS and CPS (of 24.12.2021), will be settled at 0830 hrs. on the next business day (27.12.2021)
SLIPS Cycle 3 of 24.12.2021 will be cancelled.

M R Wijewardene
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. No.: 34/01/025/0038/003

27 December 2021

To: Chief Executive Officers of All Licensed Banks, Licensed Financial Companies and Licensed Operators of Mobile Phone Based e-Money Systems

ADDENDUM 4 – CIRCULAR NO. 02 OF 2019 ESTABLISHMENT OF A NATIONAL QUICK RESPONSE CODE STANDARD FOR LOCAL PAYMENTS

Reference is made to Circular No. 02 - Establishment of a National Quick Response Code Standard for Local Payments issued on 11.03.2019, its Addendum 1 issued on 30.10.2019, Addendum 2 issued on 27.11.2020 and Addendum 3 issued on 10.06.2021. This document shall be read together with the above Circular and Addendums.

The reduction of MDR from 1% to 0.5% of the transaction amount, to be expired on 31.12.2021, shall be extended until further notice for LANKAQR initiated transactions. Accordingly, the maximum MDR shall remain at 0.5% of the transaction amount.

M R Wijewardene
Director/ Payments and Settlements

Ref. No.: 32/04/034/0001/001

24 March 2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.

Having identified the challenges faced by the businesses and individuals engaged in the tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka decided to extend the grace period up to 30 September 2021 and the repayment period up to 36 months only for the working capital loans granted to the businesses and individuals in the tourism industry, under the Saubagya Covid 19 Renaissance Facility Phase I, II and III.

Businesses and individuals registered with following institutions are eligible to obtain this extension of concessions.

- i. Ministry of Tourism
- ii. Sri Lanka Tourism Development Authority
- iii. Agencies under Sri Lanka Tourism Development Authority
- iv. Department of Cultural Affairs
- v. The Hotels Association of Sri Lanka

Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs on or before 23 April 2021.

Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format to the Director of Regional Development Department by 7 May 2021.

Your cooperation in this regard is highly appreciated.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

“SAUBAGYA COVID-19 RENAISSANCE FACILITY”

PHASE *:

DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.

Name of the PFI:

(Name, Signature and Stamp of the Authorised Officer)

*provide separate sheets for each Phases of the Scheme
**Specify the institute

Date

Operating Instructions No: RDD/NCRCS/2011/2021/01

Regional Development Department
 Central Bank of Sri Lanka
 P.O. Box 590
 No. 30, Janadhipathi Mawatha
 Colombo 01
 05 April 2021

To: All Participating Financial Institutions

AMENDMENT TO THE OPERATING INSTRUCTIONS OF NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS) – 'SARUSARA' CREDIT GUARANTEE AND INTEREST SUBSIDY SCHEME

This amendment is issued further to the Operating Instructions (OIs) No: RDD/NCRCS/2011 dated 23.09.2011 and subsequent amendments on 10.01.2013, 06.06.2014, 06.07.2015, 22.08.2016 and 08.04.2020 issued by the Director, Regional Development Department (DRD) of the Central Bank of Sri Lanka (CBSL) to all Participatory Financial Institutions (PFIs) for smooth implementation of New Comprehensive Rural Credit Scheme (NCRCS) "Sarusara" (herein after referred to as " the Scheme"), to accommodate working capital requirements of micro and small scale farmers who engage in cultivating short term crops including home gardening and warehouse receipt financing.

1. Introduction

- 1.1 With a view to maintain smooth functioning of the Scheme throughout the year the DRD intends to issue this OIs with the collaboration of Ministry of Finance of the Government of Sri Lanka (GOSL).
- 1.2 The Scheme has been introduced with the primary objective of uplifting the socio economic conditions of micro and small scale farmers who engage in cultivating short term crops including home gardening by providing low cost of funding to fulfill the working capital requirements and warehouse receipt financing. The Scheme is expected to reduce the cost of borrowing of small scale farmers, provide roll over facility in the event of occurring a natural calamity or other disasters and guarantee a portion of loans and thus share a portion of default risk.
- 1.3 The scheme will be operated by the Regional Development Department (RDD) of the CBSL on behalf of the GOSL as an interest subsidy and credit guarantee scheme. The funds for the scheme will be made available by the GOSL out of the budgetary allocations yearly.
- 1.4 PFIs are expected to utilize their own funds to grant loans under the scheme and GOSL will provide an interest subsidy for each sub loan to cover the cost of funds of the PFI and provide credit guarantee as a risk sharing tool, against loans granted under the Scheme.
- 1.5 The PFIs are eligible to claim interest subsidy and credit guarantee from CBSL for the loans granted to the small scale farmers under the Scheme.
- 1.6 The DRD is empowered with the authority to operate the Scheme.

2. Objectives of the Scheme

- 2.1 Provide working capital requirements of micro and small-scale farmers for cultivating short term crops and their nurseries including home gardening and warehouse receipt financing.
- 2.2 Promote financial inclusiveness among farmer communities
- 2.3 Promote/develop domestic agriculture sector in the country
- 2.4 Enhance income generating activities and living standards of micro and small scale farmers
- 2.5 Reduce regional disparity and rural poverty

3. Source of Fund

The Scheme will be funded by the GOSL

4. Participatory Financial Institutions (PFIs)

Following PFIs operating in Sri Lanka eligible to receive the facilities of NCRCS, provided that they participate in the scheme;

Bank of Ceylon, Commercial Bank of Ceylon PLC, Cargills Bank Limited, DFCC Bank PLC, Hatton National Bank PLC, Housing Development Finance Corporation Bank, National Development Bank PLC, People's Bank, Pradeshiya Sanwardhana Bank, Sampath Bank PLC, Sanasa Development Bank Limited, Seylan Bank PLC and Union Bank of Colombo PLC.

5. General features of the Scheme

5.1 Eligibility Criteria for Borrower	<p>The borrower shall be eligible for the Scheme subject to the following conditions;</p> <ul style="list-style-type: none"> (i) Borrower should be a farmer (ii) Loans under this scheme may grant to a farmer <ul style="list-style-type: none"> (I) with land ownership (II) with lease ownership (III) a tenant farmers (IV) a farmer without land ownership but with government license, permit etc. (V) a farmer not having a land, but have obtained the rights and authority from the land owner to cultivate for a particular time period <ul style="list-style-type: none"> (ii) The borrower must not be a defaulter in respect of a loan, borrowed from any financial institutions (iv) To obtain a loan by a borrower who is 65 years or above, a family member (spouse, daughter or son over 18 years) should be enrolled with the borrowers as a co-borrower
5.2 Eligible Activities	<ul style="list-style-type: none"> (i) Cultivation of Short Term Crops and their nurseries (Annexure I) (ii) Home Gardening (iii) Warehouse Receipt Financing
5.3 Scale of Finance	<ul style="list-style-type: none"> (i) Maximum of Rs. 504,000 per borrower. The applicable scales of finance are attached at Annexure II (ii) Maximum of Rs. 40,000 for home gardening (iii) Eligible borrowers may obtain the credit facility from the PFI throughout the year based on the crop cultivation pattern
5.4 Interest Rate applicable to borrower	<ul style="list-style-type: none"> (i) Four per centum per annum (4% p.a) (ii) PFIs shall not, in any circumstance, grant any loan under the scheme to a borrower at a rate higher than four per cent per annum (4% p.a)
5.5 Interest Subsidy	<ul style="list-style-type: none"> (i) GOSL provides Interest Subsidy of five per cent per annum (5% p.a) for each loan granted by the PFI, through CBSL
5.6 Repayment Period	<ul style="list-style-type: none"> (i) Maximum duration of loan repayment is 270 days except the Sugarcane. 365 days for sugarcane. No grace period and one off payment
5.7 Extent of Guarantee Cover	<ul style="list-style-type: none"> (i) The scheme provides a guarantee cover of 60 per cent of the principle amount in loss or the amount guaranteed whichever is lower
5.8 Guarantee Premium	<ul style="list-style-type: none"> (i) The premium is payable to the CBSL at the rate of half (1/2) per cent on each cultivation loan released under the Scheme subject to 5.3 above
5.9 Post Claims	<ul style="list-style-type: none"> (i) Any amount recovered by the PFI from a borrower, after settlement of a claim by CBSL shall share with the CBSL at the proportion of 60:40
5.10 Collateral	<ul style="list-style-type: none"> (i) The PFIs are advised to grant loans considering viability of farmer activities rather than collateral. (ii) The PFIs are advised to obtain only inter-se or personal guarantee

6. Scale of Finance

- 6.1 The scales have been prepared on the basis of prevailing cost of cultivation. CBSL will communicate the scales of finance for each crop determined by the Department of Agriculture, to the Head Offices of PFIs at the beginning of each cultivation season.
- 6.2 The facilities under the scheme are provided in accordance with the land extent mentioned in the scales of finance. A PFI can grant a loan facility exceeding the extent mentioned, at commercial rates for which (the excess amount) interest subsidy will not be granted.
- 6.3 The amount of the loan shall not exceed 75 per cent of the total cost of the cultivation. The farmer should contribute minimum amount of 25 per cent of the total estimated cost of cultivation in cash or kind.
- 6.4 CBSL, in consultation with Department of Agriculture and other relevant institutions, reserve the rights to make changes in scales of finance from time to time.

7. Payment of Interest Subsidy

The GOSL will provide an interest subsidy at a rate determined by GOSL to PFIs for loans advanced by them out of their own resources as mentioned in the scales of finance. The PFIs, in order to qualify for this subsidy are required to grant loans to farmers at the interest rate determined by CBSL.

- 7.1 The interest subsidy payments will be made in two stages i.e. an advance payment and a final payment.
 - 7.1.1 The advance payment will be calculated for a period of 90 days as per section 5.5 above on the amount sanctioned. For this purpose, PFIs should submit duly completed Annexure IV RDD/NCRCS/IS/1 within the stipulated time period given in Annexure III.
 - 7.1.2 The final payment will be made after reporting of recovery dates by the PFI for the balance period subject to maximum of 180 days, as the case may be, if the loan in question has not been recovered even after the period of 270 days. For this purpose, the format RDD/NCRCS/IS/2 (given in Annexure V), will be forwarded to the PFIs to enable them to report the amount granted, date and amount of recoveries of cultivation loans.
- 7.2 In a case where granted loan amount to a borrower is higher than sanctioned amount, interest subsidy will be provided for the sanctioned amount and if granted amount is less than the sanctioned amount then interest subsidy will be provided for the amount granted only.
- 7.3 PFIs are required to use the formats RDD/NCRCS/IS/1 (Annexure IV) and RDD/NCRCS/IS/2 (Annexure V) to claim interest subsidy advance payment and interest subsidy final payment, respectively, from CBSL. The RDD will send prescribed forms for these purposes to Head Offices of all PFIs.
- 7.4 The Head Office of the PFI should summaries the branch-wise information and submit to RDD along with the interest subsidy applications (RDD/NCRCS/IS/1 and RDD/NCRCS/IS/2 Annexure IV & V).
- 7.5 The Head Offices of the PFIs are requested to submit interest subsidy claims (both soft copies and hard copies) along with the eligible premium to CBSL on or before the due date/ within stipulated period given in Annexure IV
- 7.6 the hard copy of the interest subsidy claim application should reach Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01 through the respective Head Office of PFI.
- 7.7 Once all application of PFIs are received to CBSL within the given time period, claim verification will be processed by RDD and forwards to GOSL requesting applicable interest subsidy claims for each PFIs under the Scheme half yearly and will be settled the claims after receiving due amounts from the GOSL.

8. Defaulted Loans

At the end of the cultivation period branch manager should classify the defaulted farmer into two categories; i.e., a Willful Defaulter and a Non-willful Defaulter. The classification should be made on the basis of information available to the branch manager through the field officers.

8.1 Willful Defaulter

in terms of available information, the officer of the branch/field officer observe that the borrower had a good harvest but has failed settling his obligations to the PFI, such borrowers should be classified as a willful defaulter.

8.2 Non-willful Defaulter

If a borrower has experienced difficulty in meeting his obligations to the PFI due to crop damaged by natural calamity such as floods, drought or pests or other specific reason that is beyond the control of a borrower and accepted by CBSL, such borrowers should be classified as a non-willful defaulter.

9. Recoveries

- 9.1 The procedure for the recovery actions in the case of these two categories are as stated in section 9.2, 9.3 and 9.4.
 - 9.1.1 Immediate action should be taken to recover the dues from defaulters through legal actions. A set of legal actions that can be taken is given in Section 10.
- 9.2 In the case of non-willful defaulters, the PFI should establish the personal contacts with the borrower and offer the rescheduling facility, as mentioned in Section 14 of this OIs, to the borrower and follow up regularly until recoveries are fully settled by the borrower.
- 9.3 It is expected that PFIs take prompt and effective actions for the recovery of any overdue amount in all possible ways. The CBSL expects the PFI to be active in the recovery of loans even after submission of a claim, and even after the receipt of credit guarantee from CBSL. Thus, the PFI is obliged to carry out any action that may be suggested by CBSL.

9.4 When a loan is in arrears, the Branch Manager of PFI should take immediate recovery actions with a view to persuade the borrower to repay the loan promptly. The actions that can be followed under the scheme are as follows:

- (i) Visit the borrower (minimum of 2 visits) to ascertain the reasons for the non-payments and persuade him to repay the dues.
- (ii) Ascertain and examine the difficulties faced by the borrower and recommend to the borrower a course of actions to be followed by him to overcome such difficulties.
- (iii) Where the difficulties are bona fide and beyond the control of the farmer, reschedule the loan and give the borrower a new repayment plan considering the income pattern of the borrower;
- (iv) In the case of a willful borrower, issue a notice of demand on the borrower and the guarantors.
- (v) Where it is found that the loan proceeds have been misused, the notice of demand should be issued forthwith and steps should be taken immediately to institute legal action against such borrowers.

10. Legal Action

10.1 If the PFI fails to collect the dues from defaulters even after taking the recovery steps mentioned in Section 9.3, such cases should be referred to a Mediation Board initially and within 6 – 9 months from the due date of first installment in arrears.

10.2 When defaulters do not come into a settlement, PFI should file cases against such defaulters in an appropriate Court within 9 - 12 months from the due date of first installment in arrears.

11. Credit Guarantee Settlement

In terms of Section 108A of the Monetary Law Act (Chapter 422), the CBSL will provide guarantees to PFIs under the Scheme in respect of loans granted for the purposes given in Annexure I. CBSL provides credit guarantee as a facilitation for the liquidity shortages that arise due to the non-payment of expected loan repayment installments and hence the PFIs should remit such credit guarantee settlement received to the CBSL, once they recovered dues from defaulters.

11.1 DRD has been empowered with the authority to collect premium, receive government contributions, invest surplus funds, pay out guarantee claims and recall for the recoveries after the settlement of claims etc.

11.2 Eligible Loans

For the purpose of this scheme, all loans granted under the Scheme are eligible for the guarantee cover. A guarantee cover under this scheme is sought for a loan where,

- 11.2.1 Granted for the purposes given in Annexure I.
- 11.2.2 The amount of the loan should be within the scales of finance given in Annexure II.
- 11.2.3 Premium has been paid to CBSL within the given time period.

11.3 Disqualifications for Guarantee Cover

- 11.3.1 Any loan for which the PFI has obtained a guarantee of the government or any government institution including insurance covers
- 11.3.2 The loans for which credit guarantee premium has not been paid to CBSL within the given time period

11.4 Extent of Guarantee

- 11.4.1 The scheme provides a guarantee cover of 60 per cent of the capital outstanding in loss or of the amount guaranteed whichever is lower. The credit guarantee claims will be paid in two installments.
- 11.4.2 The first installment of 75% of the claim will be paid on the receipt of application and the balance 25% will be paid once the PFI taking legal action against the defaulted borrower and notified the Court Case number to RDD.

11.5 Premium

- 11.5.1 The Premium is payable to the CBSL at the rate of half ($\frac{1}{2}$) per cent on each cultivation loan released by the PFI under the Scheme. There is no separate application for the guarantee, and therefore the premium should be paid with application for interest subsidy, and it should be calculated on the total loan amount eligible under the scheme, as per the scales of finance given at Annexure II.
- 11.5.2 PFIs are required to pay premium for the relevant season through the respective Head Office. Remittance of the premium shall be by way of a cheque, drawn in favour of "Director, Regional Development Department,

Central Bank of Sri Lanka" and or to RTGS to RDD Bank Account No. 2-54518, with relevant soft copies and hard copies of interest subsidy applications within the stipulated time period. However, the interest subsidy applications received without the premia are not eligible to claim interest subsidy or obtain guarantee cover under the Scheme.

11.5.3 The premium for the credit guarantee should be borne by the PFI and should not be passed on to the borrower.

11.5.4 The guarantee will become effective upon realization of the cheque or on the date of receipt of RTGS payment. The CBSL will not issue a separate guarantee cover note for each set of applications submitted.

11.6 Claims

11.6.1 Where any amount, as defined for the purpose of this guarantee, is in loss, the PFI should submit a claim to the DRD, through its Head Office on the form given in Annexure VI (RDD/NCRCS/CG/1). The RDD will send these forms to Head Offices of all PFIs as mentioned in Time Schedule.

11.6.2 A loan under the scheme is deemed to be in loss after completion of the following steps;

(a) Where the PFI has exhausted all the means available to recover the loan such as visiting the borrower to persuade borrower to repay the loan, invoking the assistance of guarantors where such guarantees have been taken and upon the issue of a demand notice to the borrower, the loan will be deemed to be in loss. A minimum of two visits to the borrower must be undertaken before submitting a claim to the CBSL. The records of such visits must be made available to officers of the CBSL during inspection of PFIs on the Scheme. The PFI should serve the notice of demand on the borrower and guarantors, where applicable.

(b) If PFI does observe considerable progress from actions mentioned in above 11.6.2 (a), the PFI is required to refer such cases to the Mediation Board as stipulated in the Section 10.1.

11.6.3 Accordingly, PFI should follow above steps and initiate appropriate legal action at the stipulated time period, so that at the date of sending the credit guarantee claim applications for the 1st installment as per Annexure VI; (RDD/NCRCS/CG/1) the cases against the defaulters should have already been referred to a Mediation Board.

11.6.4 PFIs do not have authority to write off the loans for which credit guarantee has been paid under any circumstances, without prior approval of the CBSL. The PFI should take all reasonable efforts to recover the loans even after receiving the credit guarantee claims by CBSL.

11.6.5 In the case of a loan that is rescheduled and where the borrower fails to fulfill his obligations on the rescheduled loan, steps given at section 11.6.2 will have to be followed before a loan is considered to be in loss and a claim could be submitted.

11.6.6 On receipt of the claim form RDD/NCRCS/CG/1, the CBSL will pay 75 per cent of the CBSL liability subject to the right of recalling same, if it is found later that the branch had failed to exercise necessary supervision as required or PFI has recovered the dues later and not informed CBSL.

11.6.7 The balance 25 per cent of the claim will be paid once the PFI furnishes the RDD/NCRCS/CG/2 (Annexure VII) forms to the CBSL together with the Court Case numbers, arising from the legal action. The RDD will send the prescribed form (RDD/NCRCS/CG/2) for this purpose to Head Offices of all PFIs within six months from the first payment at 11.6.6 above, and the PFIs are requested to submit the remaining claims with the Court Case numbers arising from legal action.

11.6.8 CBSL reserves the rights to recall any amount paid as credit guarantee 1st installment if the PFI does not furnishes the Court Case Numbers with the claim form RDD/ NCRCs/CG/2 for the 2nd installment.

11.7 Computation of Loss and Claims

For the purpose of computing the amount in loss, the capital outstanding as described in Section 11.4.1, is taken into consideration.

12. Roles and Responsibilities of PFIs

The PFI may carry out the following roles and responsibilities in order to qualify for the Scheme;

12.1 Grant loan facilities using PFIs' own funds while, complying the terms and conditions of the scheme.

12.2 Grant loans only for the purposes given in Annexure I.

- 12.3 Charge an interest rate determined in this OIs from the borrower (currently 4 per cent per annum) from the borrowers.
- 12.4 The PFI responsible in identifying the genuine farmers as the eligible borrowers under the Scheme to consider granting loans. Branch Managers of PFIs , through the field officers, should get a confirmation on whether the borrower is a genuine farmer or not.
- 12.5 PFI is further responsible in confirming the availability of required resources for the cultivation such as suitability of land, availability of water, agricultural potential etc., actual requirements of the borrower and the repayment capacity of the borrower when granting a loan.
- 12.6 PFI may draw a Demand Promissory note from the borrower, assign crop insurance policy where applicable and interest guarantee of two others non-defaulting farmers.
- 12.7 Release of a loan should be in stages, to coincide with the requirements during various stages in the agricultural operations of the borrower. Loan may be disbursed in three or more installments in the manner where each installment shall be released after verifying the utilization of the previous installments for the purpose thereon.
- 12.8 PFIs are responsible in
 - 12.8.1 paying premium at the given time period to the CBSL
 - 12.8.2 Furnishing required data and information related to interest subsidy, credit guarantee and post claims. Remitting post claim recoveries to CBSL in the relevant formats, through the respective head offices on or before the closing dates. The time period for submission of such information are mentioned in the Time Schedule attached at Annexure III.
- 12.9 The interest subsidy applications, credit guarantee applications and the premium payments made after the closing dates will be automatically rejected.
- 12.10 PFIs should perform pre and post-supervision activities for the loans granted for the borrowers. It is an obligation of the PFI to
 - 12.10.1 Observe normal care and prudence in disbursing the loans to the borrowers and to take all reasonable steps to ensure that the loans are utilized for the purposes for which they have been granted.
 - 12.10.2 Take all possible means and ways to recover the dues. PFIs are advised to carry out recovery actions during the harvesting period.
- 12.11 Where there is evidence that the PFI has willfully neglected to take adequate steps to ensure proper supervision, care and prudence in lending resulting in fictitious loans, mis-utilization of loans by the borrowers or where there is evidence of any misdemeanor committed by the PFI in the loan released by the PFI, the CBSL will deny liability and where a claim has been admitted, reserves the right to recall any sums paid on a claim to a PFI.

13. Responsibilities of CBSL

CBSL will perform the following functions in its capacity as the implementing agency to ensure the successful implementation of the scheme;

- 13.1 CBSL, on behalf of the GOSL will carry out the monitoring and evaluating process of the scheme and implement the necessary policy actions as and when required.
- 13.2 CBSL reserves rights to carry out field inspection, visit PFIs and inspect the ledgers and books etc. and any other supervisory action where deemed to be necessary.
- 13.3 CBSL will forecast the budgetary allocations for the interest subsidy and credit guarantee payments for the current year and forward them to GOSL for the approval.
- 13.4 CBSL will calculate and recommend the interest subsidy payable to PFIs and forward such information to the GOSL.
- 13.5 CBSL will provide a credit guarantee to PFIs in respect of defaults by willful defaulters, subject to the availability of funds from GOSL.
- 13.6 When loans are granted to one farmer borrower for more than one crop, the CBSL reserves the rights to decide the maximum eligible loan amount.
- 13.7 Where there is a change in the OIs, scale of finance or any other information, CBSL will communicate such changes to the Head Offices of PFIs.

14 Rescheduling the Loans of Non-willful Defaulters

14.1 As per the rescheduling programme introduced by the CBSL, the facility of rescheduling the loans in arrears, is available to PFIs in respect of loans granted to borrowers whose crops have failed owing to the factors beyond their control such as floods, drought, pests, natural calamities and other reasons accepted by CBSL. The area affected and the extent of damage caused to the crops or to the expected yield are determined and assessed by a committee set up in the respective area.

14.2 The committee responsible for determining the rescheduling in each district will consist of the following officers;

- (a) Area Manager – Bank of Ceylon
- (b) Regional Manager – People’s Bank
- (c) Deputy General Manager – Pradeshiya Sanwardena Bank
- (d) Senior Officer representing other PFIs - from the PFI which had granted a larger volume of loans in the affected area (other than above three)
- (e) Provincial Manager of the respective province – Central Bank of Sri Lanka
- (f) Authorised officer of Insurance Board

Further, the Committee is empowered to obtain recommendations from the relevant Agricultural Officers or any other officers. The committee will determine the extent of damage caused to the crop or to the expected yield and will report to CBSL. The CBSL will accept the findings of the Committee as final.

14.3 The respective Committee referred to in Section 14.2 above is expected to complete the work of determining areas affected by such factors within a maximum period of one month to permit the affected borrowers to make use of the rescheduling facility as well as obtaining fresh loans to farmer.

14.4 The Committee should also decide whether the extent of crop loss is total or of a sufficient magnitude to relax the requirement of 10 per cent down payment required to be paid by the borrower at the time of rescheduling.

14.5 A borrower who is accepted by the CBSL as a non-willful defaulter as per Section 14.1 referred to above, is eligible for the following concessions;

- (a) A minimum of 10% or more of the loan amount should be deposited with the PFI by the borrower concerned subject to above 14.4.
- (b) The facility of rescheduling the loan in arrears over a period of 4 successive cropping seasons or over a period of 36 months in the manner described in Section 14.6 below.
- (c) Get of a fresh cultivation loan for the forthcoming season considering the borrower’s repayment capacity.
- (d) No penal rate of interest would be charged on the loan in arrears.
- (e) An interest rate determined in this OIs to be charged from borrowers on the rescheduled loans.

14.6 Applications for interest subsidy in respect of the loans rescheduled as per the terms and conditions referred to above, should be made on format RDD/NCRCS/RES/1(Annexure VIII). The PFI is required to take Demand Promissory Note from the borrower concerned for the rescheduled loan covering a period of 36 months.

14.7 The loans in arrears will be rescheduled as a medium term loan for a period of 4 successive cropping seasons or over a period of 36 months. The rate of interest subsidy payable for such rescheduled facility will be the prevailing interest rate determined by GOSL.

14.8 Recoveries made during the successive cultivation period in respect of the rescheduled loans should be reported to the CBSL. Where a borrower repays the rescheduled loan in full before the expiry of the period of 36 months, such recoveries should be reported to the CBSL.

14.9 If the loan installments are being regularly repaid after the loan has been rescheduled, the loan balance outstanding as at the end of the relevant cultivation season should be shown in column 5 of the Form No. RDD/NCRCS/RES/1.

Example: If the rescheduled loan amount is Rs.10,000/-, the loan balance outstanding as at the end of the first cultivation season will be Rs.7,500/-,

second cultivation season will be Rs. 5,000/-

third cultivation season will be Rs. 2,500/- respectively.

14.10 PFIs are strictly advised not to submit the applications for the benefits available under the rescheduling facility without extending the benefits of rescheduled loans to the borrowers.

14.11 The interest subsidy payments in respect of the rescheduled loans will be made as follows;

- (a) The payment of interest subsidy will be made in accordance with the balance payable after deducting the due amount to be paid at the end of every cultivation season or the balance remaining after deducting the loan installment whichever is lower.
- (b) The payment of interest subsidy in respect of the rescheduled loans will be limited to a maximum period of 36 months. The length of a cropping period is considered as 270 days.

14.12 The duly completed applications in respect of the rescheduled loans should be submitted through the Head Office of the PFI concerned, to the Director, Regional Development Department, Central Bank of Sri Lanka, Colombo 1.

14.13 The CBSL will accept the applications for rescheduling of the loans during following periods;

1st period	-	1st May to 30th June
2nd Period	-	1st November to 31st December

15 Post Claims Settlement

15.1 All amounts recovered by the PFI from the borrowers, after settlement of claims by CBSL should be shared between the CBSL and the PFI in the proportion of 60:40. The PFI should pass on to the CBSL 60 per cent of any recoveries made after the settlement of a claim. For this purpose, the PFI advised to use AnnexureX RDD/NCRCS/PC/1.

- a. The guarantee claims as per Annexure VI & VII should be submitted twice in a year covering the period of January to June and July to December in each year. Recovery proceeds should be made available to CBSL within 30 calendar days from 30th June and 31st December, respectively, through Head Office of the PFI.

15.2 Where a PFI delays remitting funds collected from the borrowers to the CBSL beyond 30 calendar days from 30th June or 31st December during which recovery was effected, a penal rate of 0.1 will be applied for the duration of the delay. Where a delay has occurred, the PFI is expected to add such penal interest amount when making remittance.

15.3 The PFIs are expected to maintain proper records indicating the total guarantee received from the CBSL, interest charged and the recoveries made etc. and such records must be made available to officers of the CBSL during the inspections.

15.4 Head Office of the PFI should sum the amounts payable by each branch and submit one cheque made payable to RDD together with the recovery forms within 30 days period from 30th June and 31st December each year. When there has been any delay, the Head Office must add the penal interest at the rate determined by CBSL for the duration of delay beginning from the last date for submission of cheque and the forms.

16. Inspection

The CBSL shall have the right to inspect books of accounts and other records of the PFI and carry out field visits pertaining to any loan guaranteed under the scheme.

17 Modifications and Supplementary Provisions

The GOSL and CBSL reserve the right to modify or withdraw the scheme without affecting the rights or obligations arising out of any guarantees issued under the scheme prior to the date of such notification. In respect of any matter not specifically provided for in the scheme, the CBSL shall make such supplementary or additional provisions as may be necessary for the purpose of this scheme.

This Operating Instructions comes in to effect from 05.04.2021.

B L J S Balasooriya
Director/Regional Development

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCs
ELIGIBILITY CRITERIA FOR GRANTING LOANS

1. Cultivation of following crops are eligible for obtaining facilities under NCRCs

Category of Crop	Crop
Paddy	Paddy
Chillies	Chillies
Onion	Onion
Pulses	Cowpea, Green Gram, Black Gram, Soya Beans, Maize, Kurakkan
Oil Seeds	Ground Nut, Gingelly, Sunflower
Root & Tuber	Potato, Sweet Potato, Manioc, Kiri Ala
Vegetables	Brinjal, Ladies Fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knol khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin
Other	Ginger
	Sugarcane

2. Nurseries of above crops (where applicable)

3. Home Gardening

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCs
SCALES OF FINANCE FOR THE ELIGIBLE CROPS

	Crop & Code	Land Preparation Rs.	Seed Nursery and Planting Rs.	Fertilizer Rs.	Chemical (Pest/Weed/fungus) Rs.	Others Rs.	Total Cost Rs.	Maximum Loan Limit per Acre Rs.	Extend of Land Units (Acres)	
									Min	Max
1	Paddy									
	Irrigated (PI)	12,274	4,796	1,870	3,677	17,348	39,965	30,000	0.25	10
	Rainfed (PR)	13,241	6,844	2,336	5,290	15,066	42,777	32,000	0.25	
2	Chillies (C)	24,002	17,959	17,468	31,832	25,680	116,941	88,000	0.125	2
3	Onion (O)	14,089	74,589	34,727	15,895	48,010	187,310	140,000	0.125	2
4	Pulses									
	Cowpea (M1)	4,147	4,838	-	8,262	11,215	28,462	21,000	0.125	5
	Green Gram (M2)	10,108	4,269	-	6,715	14,726	35,818	27,000	0.125	
	Black Gram (M3)	12,509	2,830	-	1,645	11,317	28,301	21,000	0.125	
	Soya beans (M4)	5,612	3,904	4,963	6,710	8,113	29,302	22,000	0.125	
	Kurakkan (M5)	11,367	5,969	-	-	7,537	24,873	19,000	0.125	
	Maize (M)	13,617	9,572	7,268	7,704	7,421	45,582	34,000	0.125	10
5	Oil Seeds									
	Ground Nut (L1)	5,085	16,077	-	8,897	11,799	41,858	31,000	0.125	5
	Gingelly (L2)	9,329	4,979			10,694	25,002	19,000	0.125	
6	Sun Flower (L3)	5,160	3,870	3,225	1,290	5,160	18,705	14,000	0.125	
	Potato (T)	31,291	176,812	70,804	29,640	27,069	335,616	252,000	0.125	2

		Sweet Potato(T1)	10,449	5,515	7,013	6,192	16,254	45,423	34,000	0.125	5
		Manioc (T2)	3,225	7,869	8,483	8,514	14,964	43,055	32,000	0.125	
		Kiri Ala (T3)	25,800	15,480	6,450	-	10,320	58,050	44000	0.125	
7	Vegetable										2
		Brinjal (V1)	7,920	6,336	14,494	27,324	24,288	80,362	60,000	0.125	
		Ladies fingers (V2)	5,720	7,260	9,479	7,480	11,220	41,159	31,000	0.125	
		Beet Root (V3)	32,844	21,349	11,885	10,532	16,065	92,674	70,000	0.125	
		Beans (V4)	12,180	33,640	17,400	15,776	12,760	91,756	69,000	0.125	
		Cabbage (V5)	37,513	30,246	29,389	30,236	31,492	158,876	119,000	0.125	
		Carrot (V6)	36,740	16,636	34,618	27,052	27,858	142,904	107,000	0.125	
		Capsicum (V7)	27,086	18,503	23,108	43,305	37,888	149,890	112,000	0.125	
		Tomato (V8)	23,457	9,343	22,050	42,430	55,234	152,514	114,000	0.125	
		Leeks (V9)	34,748	19,100	15,148	13,328	28,917	111,240	83,000	0.125	
		Radish (V10)	18,088	9,282	5,614	5,593	10,829	49,406	37,000	0.125	
		Knob Khol (V11)	18,088	14,923	5,614	6,188	9,996	54,809	41,000	0.125	
		Luffa (V12)	6,050	11,220	8,847	12,100	33,220	71,437	54,000	0.125	
		Bitter Gourd (V13)	6,380	14,410	8,472	10,450	35,970	75,682	57,000	0.125	
		Snake Gourd (V14)	6,050	12,760	9,750	11,770	34,210	74,540	56,000	0.125	
		Pumpkin (V15)	19,986	8,313	7,498	8,686	6,256	50,739	38,000	0.125	
8	Other										
		Ginger (W1)	4,640	75,400	6,960	-	5,800	92,800	70,000	0.250	2
		Sugarcane (W2)	6,206	4,137	13,653	5,792	37,650	67,438	50,000	1.00	5
		Turmeric	72,000	295,000	35,500	12,000	224,100	638,600	480,000	0.125	1
9	Maximum amount for Home Gardening is Rs.40,000/-										
10	Maximum amount for nurseries is Rs. 500,000/-										

Note :

The PFIs are authorised to release cultivation loans according to the requirements of the borrower subject to a maximum of 60% limit of the total loan amount for the first instalment for land preparation, seeds, plants, fertilizer, fungicide, insecticide etc. and the balance could be released in one or two instalments for purchasing fertilizer or harvesting as recommended by the field officer.

The Branch Managers are requested to release only the amount required by each farmer considering his capacity to meet above cost components given in the above table by his own means.

The Branch Managers are entitled to decide loan amounts to be granted to each farmer according to the cultivation pattern, irrigated or rainfed the cultivation season - Yala or Maha, the crop mixture and the farmers' repaying capacity etc. within the above maximum loan amounts per acre.

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCs

Time Schedule for Cultivation Activities

15th June of every year should be request to the Treasury for the next year budgetary allocation

Payment Schedule	Season I		Season II	
	01st January - 15th June	15th June - 31st December	01st January	15th June - 31st December
1 Interest Subsidy 1st Instalment				
1.1	Closing date to send interest subsidy applications from PFIs to the CBSL	15th June	Year 1	31st December
1.2	Recommend payment of 1st instalment to the Treasury	31st July	Year 1	31st January
2 Interest Subsidy 2nd Instalment				
2.1	Dispatch printout of Recovery reports to the PFIs	31st December	Year 1	15th July
2.2	Closing date to send printout of recovery reports from PFIs to the CBSL	28th February	Year 2	15th September
2.3	Recommend payment of 2nd instalment to the Treasury	31st April	Year 2	15th November
3 Credit Guarantee 1				
3.1	Dispatch of Credit Guarantee 1 forms to PFIs	01st July	Year 2	01st February
3.2	Closing date to send credit guarantee 1 forms from PFIs to the CBSL	15th August	Year 2	15th March
3.3	Payment of Credit Guarantee Indemnity 1st instalment	30th September	Year 2	31st April
4 Credit Guarantee 2				
4.1	Dispatch of Credit Guarantee 2 forms to PFIs	28th February	Year 3	31st November
4.2	Closing date to send credit guarantee 2 forms from PFIs to the CBSL	31st March	Year 3	31st December
4.3	Payment of Credit Guarantee Indemnity 2nd instalment	30th April	Year 3	31st January

Annexure IV
RDD/NCRCS/IS/1NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
APPLICATION FOR INTEREST SUBSIDY 1ST INSTALMENTBank:
Branch:District:
Season:

Serial No.	Borrower's Name	Borrower's Address	Borrower's NIC No.	Category of Crop Financed	Extent of Land (acres)	Total Loan Amount Approved (Rs)	Date of Amount Released (MM/DD/YY)	Credit Guarantee Premium at 0.5 per cent (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 /
2 /
3 /
4 /
5 /
6 /
7 /
8 /
9 /
10 /

I hereby certify that the loans indicated above were granted out of the Bank's own resources at an interest rate of ..% per annum and that the bank is eligible to receive the interest subsidy in terms of Operating Instruction No: RDD/NCRCS/2011.

Name of Branch Manager :

Signature of Branch Manager :

Date:

Branch Stamp:.....

Annexure V

RDD /NCRCS / IS / 2

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCs
APPLICATION FOR INTEREST SUBSIDY 2ND INSTALMENT
SEASON
PFI

Branch: District :

Serial No.	Borrower's Name	Amount Sanctioned (Rs.)	Date of Amount Released (MM/DD/YY)	Total Amount of Loan Released (Rs.)	Amount Recovered (Rs.)	Date of Recovered (MM/DD/YY)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1			 / .. / ..
2			 / .. / ..
3			 / .. / ..
4			 / .. / ..
5			 / .. / ..
6			 / .. / ..
7			 / .. / ..
8			 / .. / ..
9			 / .. / ..
10			 / .. / ..
Total		-		-	-	

I certify that the amount in columns (5) and (6) indicating the amount released and amount recovered in respect of loans granted under NCRCs are accurate. Columns (4) and (7) indicating the dates released and recovered are also correct.

Name of Branch Manager : Signature :

Date : Branch Stamp :

Annexure VI

RDD / NCRCs /RES/ 1

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCs
STATEMENT FOR RESCHEDULED LOANS – APPLICATION FOR INTEREST SUBSIDY
SEASON
PFI Season :

Branch: District:

Serial No.	Borrower's Name	Loan amount granted (Rs.)	Loan Amount Rescheduled (Rs.)	Date Rescheduled (MM/DD/MM)	Amount on which interest subsidy to be claimed			
					First (1st) Season (Rs)*	Second (2nd) Season (Rs)*	Third (3rd) Season (Rs)*	Fourth (4th) Season (Rs)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Total									

*Please state the relevant cultivation season, and rescheduled loan balances for each season.

eg: 1st season - Rs.10,000/= 2nd season - Rs.7,500/=

3rd season - Rs.5,000/= 4th season - Rs.2,500/=

Name of Branch Manager :

Signature :

Date :

Branch Stamp :

Annexure VII
RDD / NCRCs /RES/ 2

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCs
STATEMENT OF RECOVERIES FOR RESCHEDULED LOANS

SEASON

PFI

Branch:

District:

Serial No.	Borrower's Name	Loan Amount Granted (Rs.)	Loan Amount Rescheduled (Rs.)	Date Rescheduled (MM/DD/YY)	If Repaid Regularly, Capital Outstanding Balance (Rs.)	Recoveries Made (Rs.) during 1st /2nd/ 3rd Season *	Outstanding Balance as at End of Season (Rs.)	Date of Recovery MM/DD/YY	Eligible Amount for Interest Subsidy (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Total								

* Delete whichever not applicable

Column 06 : If the loan instalments are being regularly repaid after rescheduling the loan, the balance outstanding as at the end of the relevant cultivation season should be shown in the column 06.

Column 07 : After the loan has been rescheduled, the loan instalment paid during the immediate cultivation season ie. The First, Second, or Third season should be shown in the column 07.

Column 08 : After deducting the respective instalments referred to in column 07 above from the loan amount rescheduled, the remaining balance outstanding in the loan ledger should be shown in the column 08.

Column 10 : Eligible amount for interest subsidy payment : The balance remaining outstanding after repaying the loan instalment regularly (Column 06) or the actual balance outstanding as per the loan ledger whichever is lower will qualify for the interest subsidy. This amount should be shown in column 10.

Name of Branch Manager :

Signature :

Date :

Branch Stamp :

Annexure VIII

RDD /NCRCS/CG/1

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
CLAIM APPLICATION FOR CREDIT GUARANTEE 1st INSTALMENT
SEASON
PFI

Branch: District:

Serial No.	Borrower's Name	Amount Granted (Rs)	Amount Recovered (Rs)	Outstanding Amount (Out of Capital Outstanding) as at Reporting Date (Rs.)	Name of the Mediation Board	Legal Action Taken (Mediation Board Case No.)	Date on which Legal Action Taken (DD/MM/YY)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			
			
			
			
			
			
			
			
Total		-	-	-			

Interest and other charges should not be included in the Credit Guarantee claim 1st instalment.

Manager's Name : Signature :

Date : Branch Stamp :

Annexure IX

RDD / NCRCS/CG/2

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
CLAIM APPLICATION FOR CREDIT GUARANTEE 2nd INSTALMENT
SEASON
PFI

Branch : District:

Serial No.	Borrower's Name	Amount Granted (Rs)	Amount in Loss (Rs)	Recoveries after Submission of 1st Claim (Rs)	Legal Action taken against Willful Defaulters			Net Loss
					Date of Case Filed (DD-MM-YY)	Name of the Court	Arbitration Case No.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			
			
			
			
Total		-	-				-

NOTE :

Column (5) :Recoveries after submission of 1st claim

Column (10) :Column (3) or Column (4) whichever is lower minus(-) Column (5)

Manager's Name :

Signature :

Date :

Branch Stamp :

Annexure X

RDD /NCRCS/PC/1

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS

DETAILS OF LOAN RECOVERIES

SEASON

PFI

Branch:

District:

Season	Serial No.	Borrower's Name	Granted Loan Amount (Rs)	Amount Settled as Credit Guarantee (Rs)	Amount Recovered from the Borrower (Rs)	Amount to be Remitted to Central Bank (Rs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total			-	-	-	-

Manager's Name :

Signature :

Date :

Branch Stamp :

Operating Instructions No: RDD/NCRCS/2011/2021/02

Regional Development Department
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha
Colombo 01
Tel : 2477452, 2398748
Fax : 2477724
20 April 2021

To: All Participating Financial Institutions (PFI)

Dear Sir/Madam

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE
NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS)**

All PFI's enrolled under NCRCS are hereby informed that the Operating Instructions No.RDD/NCRCS/2011 dated 23 September 2011, which are subsequently amended on 10 January 2013, 06 June 2014, 06 July 2015, 22 August 2016, 08 April 2020 and 05 April 2021 are amended as follows.

Accordingly, following amendments shall be effective from 16 April 2021.

- (I) Annex I (RDD/NCRCS/2011/2021/01) - Turmeric is included as an eligible crop under the "Other" category in the Annex I (eligibility criteria for granting loans) to finance under NCRCS;
- (II) Annex II (RDD/NCRCS/2011/2021/01) – Details of turmeric are also included under Annex II (Scale of Finance for the Eligible Crops) as follows;

Crop	Land Preparation Rs.	Seed Nursery and Planting Rs.	Fertilizer Rs.	Chemical Rs.	Others Rs.	Total Cost Rs,	Maximum Loan Limit Per Acre Rs.	Extend of Land Unit (Acres)	
								Minimum	Maximum
Turmeric (Tu)	72,000	295,000	35,500	12,000	224,100	638,600	480,000	0.125	1

- (III) Section 5.6 (RDD/NCRCS/2011/2021/01) - Maximum duration of loan repayment (except Sugarcane and Turmeric) is 270 days. Maximum loan repayment period for Sugarcane and Turmeric is 365 days. No grace period or one off payment.
- (IV) Section 7.1 (RDD/NCRCS/2011/2021/01) –

Sugarcane and Turmeric;

- 7.1.3 (a) The advance payment will be calculated for a period of 180 days as per section 5.5 above on the amount sanctioned. For this purpose, PFI should submit duly completed Annexure IV RDD/NCRCS/IS/1 within the stipulated time period given in Annexure III(a).
- (b) The final payment will be made after reporting of recovery dates by the PFI for the balance period subject to maximum of 185 days, as the case may be, if the loan in question has not been recovered even after the period of 365 days. For this purpose, the format RDD/NCRCS/IS/2 (given in Annexure V), will be forwarded to the PFIs to enable them to report the amount granted, date and amount of recoveries of cultivation loans.
- 7.1.4 PFIs should submit duly completed formats for the Sugarcane and Turmeric separately (Interest Subsidy /Credit Guarantee and Rescheduling) within the period as stipulated in the Annex IIIA.

All other terms and conditions stipulated in the Operating Instructions of the NCRCS issued earlier will remain unchanged.

Please bring the contents of this amendment circular to the notice of the relevant officers.

B L J S Balasooriya
Director/Regional Development

Operating Instructions No: RDD/DAD-PP/2021/01

Regional Development Department
Central Bank of Sri Lanka
P O Box 590
No. 30, Janadhipathi Mawatha
Colombo 01.
04.05.2021

To: Participating Financial Institutions

OPERATING INSTRUCTIONS FOR THE IMPLEMENTATION OF THE PILOT PROJECT OF THE DOMESTIC AGRICULTURE DEVELOPMENT (DAD) PROGRAM

These Operating Instructions No: RDD/DAD-PP/2021/01 dated 04.05.2021 are issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) to the selected Participating Financial Institutions (PFIs) with the intention of introducing and implementing a refinance scheme, namely Domestic Agriculture Development Pilot Project (DAD-PP) enabling PFIs to accommodate financial requirements of selected Agriculture Value Chains (AVCs).

1. Introduction

- 1.1 In light of the national importance of inclusive development of the agriculture sector and the conducive environment created by the positive changes in the mind-set of the people towards the agriculture sector, especially due to COVID 19 outbreak, the RDD of the CBSL has developed a comprehensive proposal to assist the smallholder dominated domestic agriculture through establishment of successful AVCs. The proposal was submitted to the Government of Sri Lanka (GOSL) in early 2020.

- 1.2 Considering the importance of introducing this mechanism to the Sri Lankan agriculture sector as early as possible, CBSL in consultation with the Ministry of Finance and the Asian Development Bank (ADB), decided to implement DAD as a pilot program until the feasibility studies are completed to launch the DAD Programme. For the pilot phase of the DAD, only vegetable, dairy and spices sector will be considered.
- 1.3 It is expected to use DAD-PP to develop an appropriate implementation methodology for successful operation at the field level and to identify possible practical issues through selected AVCs identified in the domestic agriculture sector.
- 1.4 Accordingly, as identified by the proposal developed by the RDD, it is expected to introduce DAD Programme which will be comprised with ten (10) strong, well connected and operative AVCs covering the sub sectors including grains, cereals, vegetables, fruits, export agricultural crops and dairy at the national level with the assistance of ADB after completion of the DAD-PP.

2. Objectives of the Scheme

- 2.1 The key objective of the DAD-PP is to enhance the production and product quality while promoting the access to finance and market opportunities for uplifting socio-economic conditions of the smallholder producers in the domestic agricultural sector and to promote agricultural exports while ensuring the availability of major food items in the market.
- 2.2 Apart from above key objective, the DAD-PP is focused on the following sub-objectives;
 - (i) Establishment of three strong and well-connected operative Agriculture Value Chains in the domestic agricultural sector by synergizing capabilities of relevant government and private sector institutions and the farming community.
 - (ii) Provision of finance and linking smallholder farmers with other stakeholders in the selected value chains to ensure availability of sustainable income generating avenues for the farming community who engage in export crops (spices) vegetables and dairy production in the domestic sector.
 - (iii) Increase production and net income at farm level by providing finance and technical knowhow to adopt new technologies and best practices.
 - (iv) Facilitate farmers to improve the product quality to meet the required market standards while ensuring the market facilitation.
 - (v) Promote value added products to ensure higher income for all actors in the value chains and promote export-oriented agriculture products with added value.
 - (vi) Enhance the level of financial inclusiveness of the farming community while promoting financial literacy and access to finance among them.

3. Operation of the Scheme and Source of Funds

DAD-PP will be operated all island by the RDD as a pilot project and will be funded by the CBSL.

4. PFI's of the DAD-PP

For the pilot phase of the DAD, the following PFI's will be participated;

Bank of Ceylon, Cargills Bank Limited, People's Bank, Regional Development Bank, Sanasa Development Bank Limited

5. Effective Date of the Scheme

The effective date of these Operating Instructions No: RDD/DAD -PP/2021/1 will be 04.05.2021.

6. Definitions

- 6.1 **"Agriculture Value Chain (AVC)"** means any Agriculture Value Chain selected by PFI's covering vegetable, dairy and spices, and the CBSL to provide financial and non-financial support under the DAD-PP.
- 6.2 **"Value Chain Player (VCP)"** means any participant who is actively engaged in an AVC comes under DAD-PP.
- 6.3 **"Value Chain Participation Certificate (VCPC)"** means the document of confirmation given to the Value Chain Player by the Lead Player as proof of participation of the respective AVC.
- 6.4 **"Lead Player"** means the organization accepted by the CBSL, which takes the lead in streamlining the identified AVC and confirming the participation of the VCPs. Lead Player could be an organization such as Marketing Organization, Processing Company etc. or any other VCP agreed to play the role of the Lead Player.
- 6.5 **"Participating Financial Institution"** means any Commercial Bank or Specialized Bank registered under Banking Act No. 30 of 1988 (as amended) and participates in the DAD-PP after entering into an Agreement with the CBSL, for implementation of DAD-PP.

- 6.6 **“Agreement”** means the loan agreement entered into by and between the CBSL and each of the PFI for the implementation of DAD-PP.
- 6.7 **“Operating Instructions”** means the Operating Instructions of the DAD-PP, prepared and issued by the RDD of CBSL and the subsequent amendments to those Operating Instructions.
- 6.8 **“Eligible Borrower”** means a person who satisfies the eligibility criteria for obtaining sub-loans from the PFI under the DAD-PP as specified in the Operating Instructions.
- 6.9 **“Sub-Borrower”** means the Eligible Borrower who has obtained sub-loans from the PFI under the DAD-PP as specified in the Operating Instructions.
- 6.10 **“Sub-Loan Agreement”** means the Agreement signed between the PFIs directly with the eligible sub-borrowers.
- 6.11 **“Sub-Loan”** means the loan provided by PFIs directly to the Eligible Borrower.
- 6.12 **“Sub- Project”** means the project for which a sub-borrower obtains a sub-loan under the DAD-PP.
- 6.13 **“Refinance Loan”** means the loans provided by the CBSL to PFIs.
- 6.14 **“Non-Farming Activities”** means all non-agricultural activities including small scale manufacturing, transportation, community services, etc.

7. Operational Process of the DAD-PP

The Operational Process of the DAD-PP is interlinked with selected AVCs. It is expected to cater the financial and non-financial requirements of the VCPs of these AVCs irrespective of their level in the value chain. Proposed AVCs are given in the Annex I.

The Operational Process of the DAD-PP is given below.

Step 01 -	RDD will be selected suitable Lead Players for the pilot phase with the assistance of PFIs.
Step 02 -	Awareness Programmes on DAD-PP will be conducted for the VCPs by the RDD and Regional Offices (ROs) of the CBSL.
Step 03 -	VCPs are provided with the Value Chain Participation Certificate (VCPC) by the Lead Player.
Step 04 -	VCPs who wish to obtain financial facilities under DAD-PP visit the PFI Branch of their choice with VCPC.
Step 05 -	A Compulsory Preliminary Analysis on the Credit Worthiness of the relevant VCPs with the VCPC, to be conducted by the PFI Branch (Checking CRIB etc.) and select Eligible Borrowers out of the VCPs who expressed their interest to obtain financial facilities under the DAD-PP.
Step 06 -	Farm plans and project proposals should be prepared by the relevant PFI with the support of eligible sub-borrower/s to ensure the viability of capital investments of the particular AVC. The format given in Appendix I and Appendix II can be used to prepare project proposal to obtain the finance facility under the scheme (loan amount less than Rs. 1,000,000 may use Appendix I and above Rs. 1,000,000 may use Appendix II).
Step 07 -	PFI Branch shall prepare a Credit Appraisal Report based on the Proposed Project and considering the viability of Project Proposal/Farm Plan.
Step 08 -	PFI Branch shall follow the Registration, Loan Disbursement and Refinance Procedures given in these Operating Instructions, following the regular process of the PFI.
Step 09 -	Post Monitoring of the Sub-Loans will be carried out by the RDD and the relevant Regional Offices with the assistance of respective branches of the PFIs. In addition, PFIs are required to comply with the monitoring requirements given in the Section 16.4 of these Operating Instructions.

8. Main features of the DAD-PP

8.1 Eligibility Criteria for sub-borrowers

- (i) The sub-borrower should be a VCP as defined in this Operating Instructions, with an acceptable market linkage with relevant other participants of the AVC. Both existing and new value chain players will be considered under this scheme.

- (ii) The sub-borrower should not be a willful defaulter in respect of any loan obtained previously from a financial institution. However, the desecration is given to the PFI for granting any loan to a borrower.
- (iii) The sub-borrowers whose age is 65 years or above, should enroll a family member (i.e., spouse or a child over 18 years) as a co-borrower in order to obtain a credit facility under the DAD-PP.
- (iv) The sub-borrower should have an any right to the land or other properties in which the sub-project will be operated by the said borrower, acceptable to the PFI.

8.2 Eligible Activities

- (i) Economically and financially viable income generating activity or business activity in the selected value chains that have adequate cash flows with sound credit service ratios as determined by the Project Appraisal Report prepared by the respective PFI.
- (ii) The requirements of each category in the value chain and suitable facilities are given in the Annex II.

8.3 Maximum Loan Amount

Twenty-five (25) million LKR or Eighty-five (85) percent of the total estimated project cost whichever is the lower.

8.4 Equity Contribution

Minimum of Fifteen (15) percent of the estimated cost of the project shall be provided by the sub-borrower as an equity of the project in cash or in kind.

8.5 Refinance

CBSL will provide 100 per cent refinance for all sub-loans registered at RDD and disbursed by the PFIs, upon the submission of duly completed Refinance Applications subject to the terms and conditions laid down in these Operating Instructions.

8.6 Interest Rate

PFIs shall not, in any circumstance, grant any loan to a sub borrower above the rate given at 8.6 (ii) below;

- (i) From CBSL to PFIs
 - a. Below Rs. 1 million – ONE (1) percent (1%) per annum
 - b. Rs. 1 million to 25 million – TWO (2) percent (2%) per annum
- (ii) From the PFIs to the sub-borrower
 - a. Below Rs. 1 million – FOUR (4) percent per annum
 - b. Rs. 1 million to 25 million – FIVE (5) percent per annum

8.7 Repayment Period

Maximum of 5 years including the maximum of 1 year grace period according to the requirement of the project, considering the earning capacity of the sub-project subject to recommended duration given in Annex II.

8.8 Grace Period

Maximum of one (1) year grace period subject to the request made by the sub borrower from the PFI. Sub-borrowers should pay the interest during the grace period.

8.9 Collateral

PFIs are advised to grant loans considering the viability of the project farmer activities verified at the field inspections and the market linkages established with a reputed buyers/value chain partners in the chain rather than depending on the collateral. In this regard, PFI may consider the VCPC or confirmation given by an Agriculture Value Chain Buyer/VCP ensuring the availability of the market as the collateral for obtaining a loan.

9. Registration of Borrowers

- 9.1 The Head Office of the PFI shall issue relevant guidelines and instructions to the officers of the branches on identification of eligible sub-borrowers in the AVC and collection of loan applications from such sub-borrowers and complying with the Operational Process given in these Operating Instructions.
- 9.2 The PFI branch shall forward the duly completed Loan Registration Form (LRF) given in Annex III and other supporting documents to the PFI Head Office for the approval. The following documents shall be kept with the Head Office of each PFI when approving any loans to be forwarded to the Director/RDD;

- (a) Business Registration Certificate*
- (b) Proof document of EPF and ETF payment*
- (c) Proof document of Tax Payment*
- (d) Fresh quotations/invoices relevant to any purchases
- (e) Project Appraisal Report
- (f) Other certificates confirming the suitability and viability of the project

* Applicable for non-farming activities and loans exceeded Rs. 1 million.

- 9.3 The Head Office of the PFI shall forward the details of the applicants who wish to obtain loans under the DAD-PP, by submitting the hard copy of duly completed LRF given in Annex III to the Director/RDD. One LRA may include several applicants considering requests individual borrower/s.
- 9.4 All supplementary documents specified in the Section 9.2 above, shall be kept in the custody of Head Office of the PFI.
- 9.5 The PFIs have to ensure the accuracy and compatibility of information provided to RDD through each and every LRF.
- 9.6 Based information provided in the LRF, RDD will register the sub-borrowers on first-come-first-served basis subject to availability of funds under DAD-PP.
- 9.7 The RDD reserves the right to refer the registration application to the PFI, in the event that any further information or clarification is required by RDD for the purpose of registering such applications.
- 9.8 Upon registering the sub-borrower, RDD will allocate a designated Registration Number (RN) to each sub-borrower and notify such RN to the Head Office of the respective PFI. This RN should be used for any correspondence with the CBSL regarding the particular sub-borrower on the scheme.
- 9.9 In an instance where any discrepancy is observed in the information provided in the LRF, RDD reserves the right to cancel the registration of the respective sub-borrower whose information found to be inaccurate subject to a 14 days' notice to the PFI provided that the relevant PFI has not taken any action as given in the Section 9.10 in this regard. However, any discrepancy is observed after releasing refinance by the Director/RDD, RDD reserves the right to recall the amount refinanced or outstanding balance as at the date and PFI shall transfer total due amount to the CBSL without charging any additional amount from the borrower.
- 9.10 Upon the receipt of a notice sent by the RDD as per the Section 9.9 above, PFI shall immediately inform the RDD whether they are intending to provide explanation on the concern raised and submit relevant explanations to the said concern and/or shall correct the highlighted matter within 14 days of the receipt of such notification. Final decision on the concern will be taken by the Director/RDD.

10. Disbursement of Sub-loans

- 10.1 PFIs should release sub-loans to the registered sub-borrowers within 3 weeks of such registration with the CBSL.
- 10.2 If a PFI is unable to disburse any sub-loan within the stipulated time period, RDD should be informed immediately with a valid reason/s for the delay in disbursing registered loans. RDD will consider the reasons given for the delay and take appropriate decision/actions in this regard.
- 10.3 Any failure of the PFIs to disburse sub-loans and to provide valid reasons within 30 calendar days of the notification of such registrations may cause cancellation of the registration of sub-borrowers by the RDD, without any prior notification to the PFI.

11. Procedure of Disbursement of Refinance by CBSL

- 11.1 Duly completed applications for claiming refinance should be completed by the PFI after releasing the sub-loans to the registered sub-borrowers as specified below.
 - (i) Application for Refinance - Annex IV
 - (ii) Statement of Loans Disbursed Application for Refinance - Annex V
 - (iii) Demand Promissory Note - Annex VI
 - (iv) Delivery Note - Annex VII
 - (v) Form of Assignment by way of Pledge to CBSL - Annex VIII
 - (vi) Disbursement Letter - Annex IX
- 11.2 The PFI shall submit Annex IV, V and VI to claim the disbursement from the CBSL.
- 11.3 Duly filled Annex VII, VIII and IX shall be kept with the PFIs and shall be submit to the CBSL, as and when required and requested by the CBSL.

11.4 RDD, having satisfied with the completion of required information in the refinance application (Annex IV) together with Statement of Loans Disbursed Application for Refinance (Annex V) and Demand Promissory Note (Annex VI), will approve such refinance application and release refinance within 14 working days after receiving duly completed documents mentioned above, on first-come-first-served basis.

11.5 Refinance claims should be submitted to the RDD only through the Head Offices of the PFI within 30 calendar days of a loan disbursement to a registered sub-borrower.

11.6 Refinance claims directly submitted by PFI branches will not be accommodated by the CBSL.

12. Recovery of Loans

12.1 PFIs should recover the capital and interest from the sub-borrower as per the conditions apply for each sub-loan.

12.2 The capital and interest for the refinance released by the CBSL to the PFI shall be recovered semi – annually i.e., 30th June and 31st December of each year according to the repayment schedule generated for each sub-borrower by the CBSL based on the refinance released under DAD-PP.

13. Custody of documents

13.1 The PFI should make arrangements to keep all evidence and documents on the assessment of loan appraisal for each sub borrowers for inspection. Any such document shall be presented, as and when requested, to the CBSL for perusal or other purposes.

13.2 PFI Head Office or a PFI branch may retain any other document relevant to implementation of the DAD-PP, which does not come under the purview of the Section 9.2 and 11.1 above, at the sole discretion of the PFI.

14. Monitoring of the Scheme

14.1 The viability of loan released under the Scheme will be monitored by the RDD directly and/or may obtain the support of the officers of Divisional Secretariat, if required.

15. Auditing of Accounts

15.1 RDD will prepare annual financial statements under DAD-PP and such financial statements shall be submitted to the Auditor General for the purpose of audit.

15.2 Further, PFIs shall conduct a special internal audit to verify the assessments carried under the DAD-PP are in order and to assess any losses incurred from the sub-borrowers.

16. Role and Responsibilities of the PFI

The PFI is required to play an active role in the implementation of this scheme. In addition to the requirements mentioned in these Operating Instructions, the PFIs are requested to comply with the following;

16.1 Provide necessary assistance to enhance business and technical know-how of the VCPs, particularly the smallholder farmers, and establish market linkages among the VCPs.

16.2 Designate an officer at the PFI Head Office to liaise with the CBSL with regard to the implementation of the DAD-PP and to maintain continuous dialogue of the Scheme regarding the DAD-PP.

16.3 Take total responsibility of the delivery of credits to the sub borrowers and the recovery of refinance on time.

16.4 Ensure regular supervision of the status and operations of the scheme and maintain a separate loan account for the scheme while taking prompt actions, where necessary, to minimize any losses to the PFI.

16.5 Maintain Accounts and Financial Statements.

- (i) PFIs are required to maintain appropriate ledger accounts and records to indicate *inter alia*, sub-loan appraisal, approvals, disbursement and recovery.
- (ii) PFIs are required to maintain a separate account for the utilization of loan proceeds and refinance operations.
- (iii) PFI should submit the accounts and financial statements and any information including account transactions and balance confirmation or any other relevant information requested by the RDD with regard to this Scheme, as and when required.

17. Role of the CBSL

The CBSL, in addition to the functions stipulated in these Operating Instructions, may perform the following functions in its capacity as the implementing agency, to ensure the successful implementation of the scheme.

17.1 Issue Operating Instructions and amend such Operating Instructions as and when required.

- 17.2 Perform monitoring and evaluating process of the scheme and implement necessary policy actions from time to time.
- 17.3 Conduct field inspections, visit PFIs and inspect the ledgers, books and documents etc. and take any other supervisory action were deemed to be necessary.
- 17.4 Coordinate with other relevant agencies and assist PFIs to conduct awareness sessions, technical workshops and market linkage programs as required.
- 17.5 Conduct financial literacy programs for selected VCPs and conduct training programs for the officers of PFIs on value chain financing.

18. Other

The Director, RDD of the CBSL reserves the right;

- 18.1 to revise the terms and conditions stipulated in these Operating Instructions No: RDD/DAD-PP/2021/01 dated 04.05.2021 as and when required.
- 18.2 to issue Guidelines to the PFIs regarding the implementation of the DAD-PP and amend such Guidelines as necessary.
- 18.3 to remove any PFI from the DAD-PP, in accordance with the terms and conditions of the Agreement, in the event of non-compliance to these Operating Instructions is observed.
- 18.4 to direct eligible sub-borrowers under this loan scheme to obtain the required financial facilities through other loan schemes implemented by the RDD of CBSL.

B L J S Balasooriya
Director, Regional Development
Central Bank of Sri Lanka

Annex I

AVCs for the DAD-PP

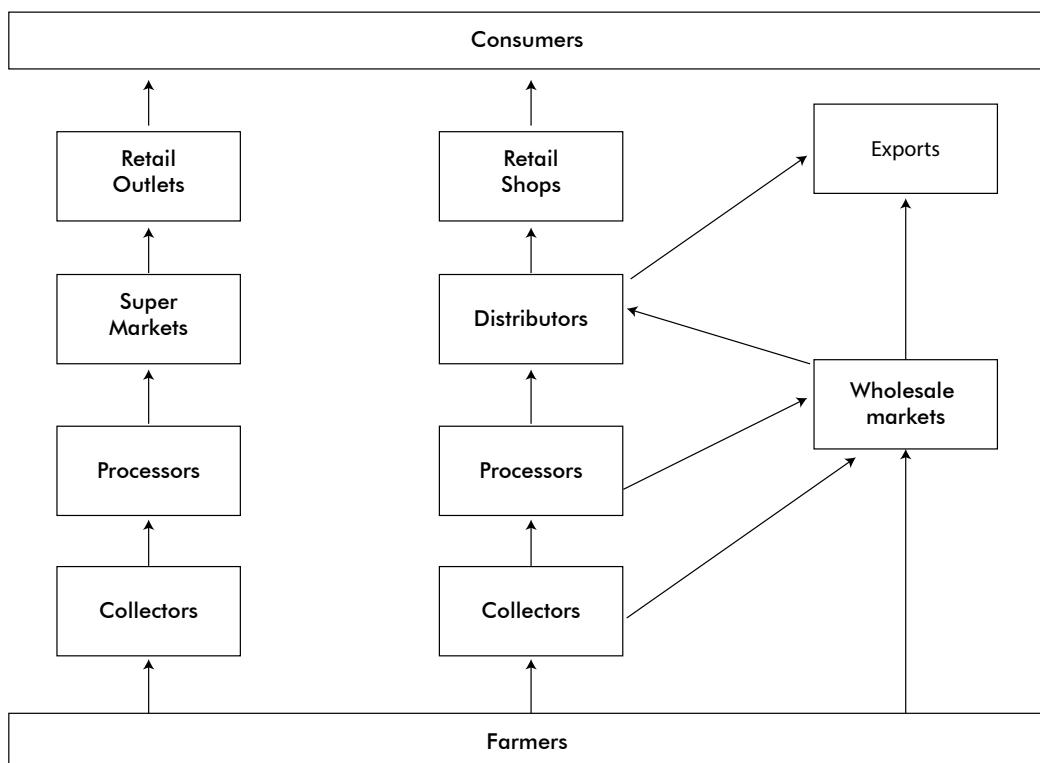


Figure 02 : Vegetable Value Chain

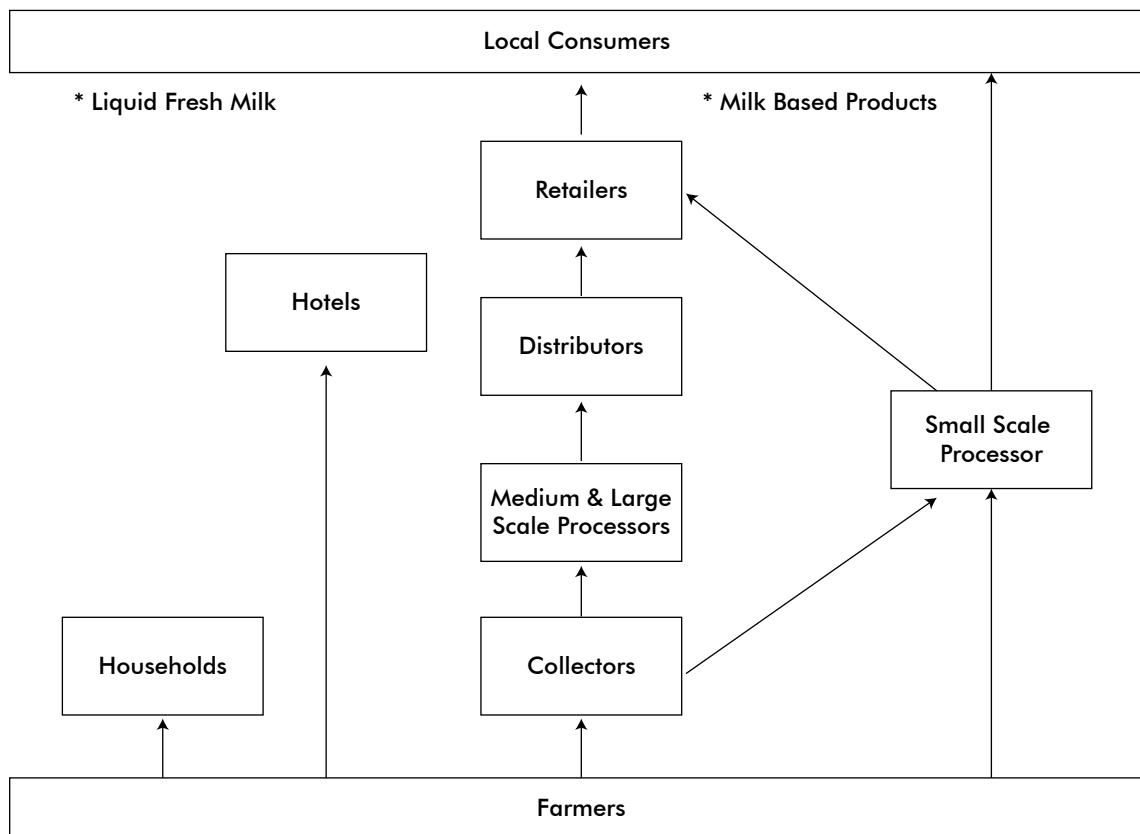


Figure 03 : Dairy Value Chain

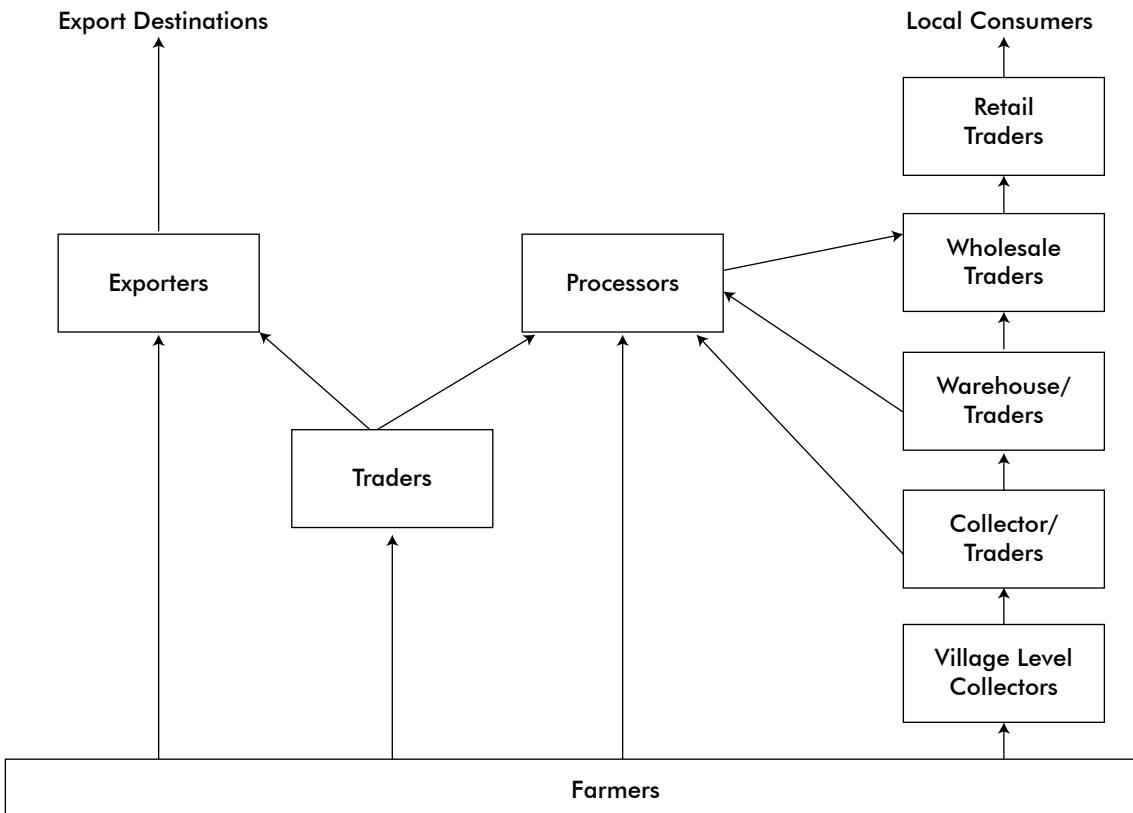


Figure 04 : Export Crop Value Chain (Spice)

Financial requirements of the value chain participants

Category of participants in the value chain	Requirements	Recommended Financial facility
Input suppliers	Procurement of inputs in bulk as required by farmers. (seeds, fertilizer, machinery, and equipment etc.)	Mainly short-term* working capital loans
Smallholder farmers	Establishment of sustainable farm unit with required structures and equipment and to meet the cost of cultivation	Capital investment loans with 3-to-5-year repayment period Short-term cultivation loans Warehouse Receipts Finance loans for storage
Commodity collectors Transporters Distributors	Construction or refurbishment of structures to collect and storage of commodities in compliance with the international /SL standards Cool trucks/other equipment Working capital for procurement of commodities	Capital investments with 3-to-5-year repayment period Short-term working capital loans Factoring facilities could be arranged in agreement with the commodity buyers in the chain
Processors Value added product manufacturers Warehouse keepers Exporters	Adoption of state of art technology and structures required to produce value added products in compliance with the international standards Machinery and equipment Storage Procurement of raw commodities from the farmers or collectors or finish products from the processors or manufacturers Meet the cash flow requirements until receive the export proceedings	Capital investment with 3-to-5-year repayment period Short-term working capital loans Warehouse Receipts Finance facilities Standard export credit facilities or Factoring facilities according to the requirement
Retailers	Retailers registered in a network with the manufacturer or a distributor in a selected value chain are eligible to apply facilities for procurement of commodities/products	Working capital loans on the recommendation of the manufacturer/distributor in the chain.

* up to twelve (12) months

Q1s NO: RDD/REF/1 S/N/EAR/NO:

APPLICATION NO.

LOAN SCHEME:

LOAN REGISTRATION APPLICATION (SCHEME)

11 of 11

111

I certify that the above information are duly filled considering the branch level approved application/s and examined me/Credit Officer of the Head Office before submitting Annex III to the Central Bank of Sri Lanka (CBSL). Further, I certify that the beneficiary/ies are complied with the CBSL Operating Instructions to register under the scheme and take necessary actions to release the funds after receiving registration of such borrower/s by the CBSL through the branch network within the given time line.

Date: _____

Signature Of The Authorised Officer Of The Head Office:

Rūpībhār Stanno:

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/2021)

Address:

Date:

APPLICATION FOR REFINANCE UNDER

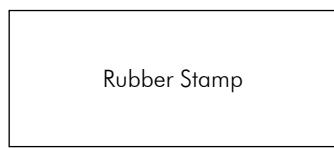
Pilot Project of the Domestic Agriculture Development Programme (DAD-PP)

To: The Central Bank of Sri Lanka.

Gentlemen

We,..... (name of the Participating Financial Institution) a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees (Rs.) under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/ 2021.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "DAD-PP" Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of installments) half yearly installments each of Rs. the first of which shall be payable on day of 20.....
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to borrowers mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.



Signature

Name and description of the Authorised Officer(s)
of the PFI
Manager, Refinance Unit.

Annex V

Ols No: RDD/RF/LS/YEAR/NO:.....

Application No.

Loan Scheme:

Application For Loan Disbursement

We Do Herby Promise To Pay The Above Loan To The Central Bank Of Sri Lanka (CBSL) As Per Operating Instructions (OIs) Issued Under The Scheme And Declare That Amount Received By CBSL Is
Used Only For The Purpose Given In The Scheme.

We Certify That The Above Details Are Duly Filled Considering The Loan Disbursement Schedule/s Given By Our Branch/es For Each Loan Applicant Approved By The CBSL Under The Scheme. Accordingly, We Request CBSL To Disburse Total Of Rs.: Enabling Us To Settle The Loans Released To Applicant/s Of This Scheme. Further, We Informed That All Required Documents/Information Concerning Our Application For Each Loan Applicant Are Presented And Received CBSL At The Head Office, Colombo, And Various Branches CBSL At Various Times.

ପାଦମାର୍ଗରେ ପାଦମାର୍ଗରେ ପାଦମାର୍ଗରେ

Rubber Stamp:

ANNEX VI

OIs NO: RDD/RF/LS/YEAR/NO:.....

APPLICATION NUMBER:.....

DATE:.....

DEMAND PROMISSORY NOTE

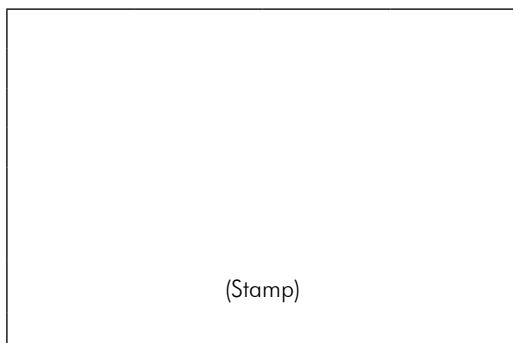
(NAME OF THE SCHEME)

RS:.....

On demand, we, the undersigned

..... (Name and Address of the Participatory Financial Institution) hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupee

..... (Rs:.....) for value received, with the interest rate thereon, at the rate ofper centum (.%) per annum for the date hereof.



(Stamp)

For (Name of the PFI)
 REFINANCE/CREDIT UNIT
 HEAD OFFICE

1.

2.

(Signature of the Authorised Officers)

Witnesses:

1.

2.

Annex VII

REFINANCE APPLICATION NO:.....

(To Operating Instructions No RDD/DAD-PP/2021/01 dated 04/05/2021)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees (Rs.) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Pilot Project of the Domestic Agriculture Development Programme (DAD-PP)) referred to in your Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/2021 we herewith deliver to you our Promissory Note in your favour for Rs. (Rs.) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.



Rubber Stamp

For (Name of the Participatory Financial Institution)

REFINANCE UNIT

HEAD OFFICE

1.

2.

(Signature of the Authorised Officer)

Annex VIII**REFINANCE APPLICATION NO.....**

(To Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/2021)

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY
BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION
88A OF THE MONETARY LAW ACT***

Colombo.

Date:

We,.....
(Name and address of Participatory Financial Institution) in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees.....

..... (Rs.....) granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

Amount of Debt (Rs)	Borrower's Name and Address	Date	Notary

.....
Signature of the Authorised Officer

Rubber Stamp

For (Name of the PFI)

REFINANCE UNIT

HEAD OFFICE

.....* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

For Official Use Only

Project Reference:

Appendix I**Project Proposal Format (Loan Amount Less than Rs. 1 mn)****1. Project Identity/ Specification**

1.1 Project Reference :

1.2 Project Title :

1.3 Project Location :

Province	District	DS Division	GN Division

1.4 Location Address :

1.5 Type of the Project

Startup		Existing	
---------	--	----------	--

1.6 Project Category

Vegetable		Dairy		Spices	
-----------	--	-------	--	--------	--

1.7 Date of Submission of Full Project Proposal :

2. Individual/ Business Information

2.1 Full Name of the Individual/ Business Name :

2.2 NIC No/ Business Registration Number and Date (if any) :

2.3 Business Start Date :

2.4 Legal Status (if any) :

2.5 Bank Details

Bank	Branch	A/C Type	A/C No

2.6 Contact Details

- Postal Address :
- Contact No. :

2.7 Auditor Details (if any) :

3. Current Financial Status (for existing value chain players)

3.1 Revenue/Income for Last 3 years (if any)

Financial Year	Total Revenue/Income (Rs.)

3.2 Details of previous loans obtained relevant to the startup/existing business

Bank	Loan Amount (Rs.)	Period	Date of loan taken	Remarks

4. Description of proposed project.

(Explain the project briefly))

4.1 Objectives

(Main objectives to be achieved under the project should be explained)

4.2 New Product/ New technology

(New production of business and latest technology to be used for the business should be explained) Product Range/ Service Portfolio

Name of the Products/ Service	Unit of measure	Cost of Production	Selling Price (Rs.)	Gross Profit (Rs.)

4.3 Plan and Process

(Production plan should be explained)

5. Advantages and safety methods

(Advantages for the village/town /area or country and safety methods to be used for the business should be explained)

6. Environmental Safety

(Methods to be applied for the safety of environment should be explained)

7. Technical ability

7.1 Technology

(Technology/new methods to be used for the business should be explained)

7.2 Capacity of the proponent for technology adoption

(Ability of proponent to use the technology should be explained)

7.3 Machinery / Factory capacity

Name of Machine	Brand/Trade Name	Maximum Capacity	Proposed capacity to be used	Day Production	Purpose of use

8. Financial Forecast

Payback Period : ..

Monthly installment (capital & Interest should be mentioned clearly): ..

9. Comments on Main Legal Documents

9.1 Business Registration (if any)

9.2 Other Legal Documents (if any)

10. Proposed Detailed Budget

Item No.	Item/Activity	Existing		Proposed		Total Investment (Rs.)
		Bank (Rs.)	Equity (Rs.)	Bank (Rs.)	Equity (Rs.)	
Total						

Above facts and figures presented in this paper are accurate to the best of my knowledge.

.....
Authorised Officer of PFI

.....
Applicant

Approval of the Manager is sought to accept above proposal and award a maximum Loan amount of Rs.

Approved/Not approved by

.....
Manager of the respective PFI branch

Rubber Stamp

Appendix II

Project Proposal Format (Loan Amount more than Rs. 1mn)

For Official Use Only

Project Reference:

1. Project Identity/ Specification

1.1 Project Reference :

1.2 Project Title :

1.3 Project Location :

Province	District	DS Division	GN Division

1.4 Location Address :

1.5 Type of the Project

Startup		Existing	
---------	--	----------	--

1.6 Project Category

Vegetable		Dairy		Spices	
-----------	--	-------	--	--------	--

1.7 Date of Submission of Full Project Proposal :

2. Individual/ Business Information

2.1 Full Name of the Individual/ Business Name :

2.2 NIC No/ Business Registration Number and Date (if any) :

2.3 Business Start Date :

2.4 Legal Status (if any) :

2.5 Bank Details

Bank	Branch	A/C Type	A/C No

2.6 Contact Details

- Postal Address :
- Contact No. :

2.7 Auditor Details (if any) :

3. Current Financial Status (for existing value chain players)

3.1 Revenue/Income for Last 3 years

Financial Year	Total Revenue/Income (Rs.)

3.2 Details of previous loans obtained relevant to the startup/existing business

Bank	Loan Amount (Rs.)	Period	Date of loan taken	Remarks

4. Proposed Project Briefing

(Description of project should be mentioned)

4.1 Objectives

(Main objectives to be achieved under the project should be explained)

4.2 Projects Results/Outcome

Indicators	Units of measure	Year 0*	Target Values (cumulative numbers)				
			Year 1	Year 2	Year 3	Year 4	Year 5

Year 0* - before starting the new project

4.3 Innovation/ New technology

(New production of business and latest technology to be used for the business should be explained)

4.4 Value Addition

(Value addition path/process related to the production should be explained)

Product Range/ Service Portfolio

Name of the Products/ Service	Unit of measure	Cost of Production	Selling Price (Rs.)	Gross Profit (Rs.)

4.5 Plan and Process

(Production plan and strategies to be used for the production should be explained)

5. Social Benefits and Safeguard

(Benefits for the community/village/town /area or country and safeguard methods to be used for the business should be explained)

6. Environmental Safeguard

(Methods to be applied for the safety of environment should be explained)

7. Technical Feasibility

7.1 Technology

(Technology/new methods to be used for the business should be explained)

7.2 Capacity of the proponent for technology adoption

(Ability of proponent to use the technology should be explained)

7.3 Machinery / Factory capacity

Name of Machine	Brand/Trade Name	Maximum Capacity	Proposed capacity to be used	Day Production	Purpose of use

8. Financial Forecast

Internal Rate of Return (IRR) :

Payback Period :

Immediate Revenue for Year 0* :

(only for existing projects)

Estimated Revenue for Year 1 (Rs.) :

Estimated Revenue for Year 2 (Rs.) :

Year 0* - Before starting the new project

9. Comments on Main Legal Documents

9.1 Business Status

(i.e. Individual/ Pvt. Ltd/ Sole Proprietor/ Partnership/ Cooperative/ Association & documents relating to the status should be provided)

9.2 Project Land

(status of the ownership, relating documents and other details of the project land)

9.3 Other Legal Documents

10. Proposed Detailed Budget

Item No.	Item/Activity	Existing		Proposed		Total Investment (Rs.)
		Bank (Rs.)	Equity (Rs.)	Bank (Rs.)	Equity (Rs.)	

Total						

Above facts and figures presented in this paper are accurate to the best of my knowledge.

.....
Authorised Officer of PFI

.....
Applicant

Approval of the Manager is sought to accept above proposal and award a maximum Loan amount of Rs.

Approved/Not approved by

.....
Rubber Stamp

.....
Manager of the respective PFI branch

Ref : 32/04/034/0001/001

09 June 2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/ Madam,

SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.

The Central Bank of Sri Lanka (CBSL), having identified the challenges faced by the businesses and individuals due to the ongoing COVID-19 pandemic decided to extend, the grace period up to 30 September 2021 and repayment period by twelve (12) months (i.e., Total repayment period up to 36 months including the grace period) only for the working capital loans granted to businesses and individuals, under the Saubagya Covid 19 Renaissance Facility Phase I, II and III.

The PFIs shall pay an additional credit guarantee fee of zero-point two five percent (0.25%) on the extended loan repayment period under the above concession and already extended loan repayment period for the borrowers in the tourism sector as per letter issued on 24 March 2021 by the Regional Development Department (RDD) under the Phase III of the Saubagya COVID 19 Renaissance Facility. The premium payable to the CBSL shall be calculated from the value of the sub-loan amount originally released. The cost of premium for the Credit Guarantee shall be borne by the Participating Financial Institutions (PFIs) and shall not be passed on to the borrower.

Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs on or before 30 June 2021. PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.

Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD 09.06.2021- Annex1) with the guarantee premium of zero-point two five percent (0.25%) for each sub-loan under Phase III, to the Director of RDD by 31 July 2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and sehan@cbsl.lk.

Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

(Name, Signature and
Stamp of the Authorised Officer)

2 applicable only for loans under the Phase III.

3 applicable only for the concession applied as per RDD letter dated 09 June 2014 applicable only for the previously given concession for tourism sector loans

Ref: 32/04/034/0001/001

17 June 2021

To: CEO/ GM of all Participating Financial Institutions (PFI)

Dear Sir/ Madam,

(1) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.**(2) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.**

This wishes to clarify the following with respect to the letters issued on 24.03.2021 and 09.06.2021 on the above subjects respectively by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL).

All Participating Financial Institutions (PFI) are hereby informed to compute the interest on the capital accumulation resulting from the extended grace period in conformity with the interest rate of 4 per cent per annum as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Saubagya COVID 19 Renaissance Facility (SCRF) Phase I, II and III.

In the case of the SCRF Phase I and II, if any sub-borrower has opted for no payment of interest during the grace period, the interest accumulated during such grace period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the grace period and no any compound interest shall be computed during the grace period. For any further clarification, you may contact bashika@cbsl.lk or sehan@cbsl.lk.

Further, extended grace period can be applied subject to complying with regulations on classification of credit facilities as non-performing loans issued by Bank Supervision Department (BSD). Arrangements will be made, in collaboration with the BSD of the CBSL, to ensure the compliance of the PFI with these instructions.

Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,
 B L J S Balasooriya
Director
Regional Development Department

Operating Instructions No: RDD/CG/RM/2021/01

Regional Development Department
 Central Bank of Sri Lanka
 PO Box 590
 No. 30, Janadhipathi Mawatha
 Colombo 01
 01.09.2021

To: All Participating Financial Institutions**OPERATING INSTRUCTIONS****CREDIT GUARANTEE SCHEME FOR THE LOANS TO BE GRANTED TO THE RICE MILL OWNERS IN SRI LANKA**

The Operating Instructions No. RDD/CG/RM/2021/01 dated 01.09.2021 are issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (hereinafter referred to as "the Administrator") to all Participating Financial Institutions (hereinafter referred to as "the PFI") to introduce and implement a Credit Guarantee Scheme for the Loans to be granted by PFI to the Rice Mill Owners in Sri Lanka.

1. Introduction

- 1.1 The Credit Guarantee Scheme (hereinafter referred to as "the Scheme") for the loans to be granted to the rice mill owners (hereinafter referred to as "borrowers") by PFI, is introduced by the Administrator under the guidance of the Government of Sri Lanka (GOSL) to provide credit guarantee to the PFI for the loans they granted to the eligible borrowers under the Scheme, to meet their working capital requirements of purchasing paddy.
- 1.2 Having considered the difficulties faced by the rice mill owners in meeting their working capital requirements, the Scheme is introduced as per the decision taken at the meeting chaired by the Hon. Prime Minister held on 07.01.2021.
- 1.3 The Administrator, provides PFI a credit guarantee covers up to sixty percent (60%) for the loan amount, to be granted to the eligible borrowers under the Scheme. The credit risk of the balance forty percent (40%) of the loan amount is required to be borne by the PFI.

2. Implementation of the Scheme

The Scheme is implemented by the Administrator with the participation of the PFIs..

3. The Objectives of the Scheme

The objectives of the Scheme are as follows;

- 3.1 Facilitate rice mill owners to resolve financial constraints faced by them at the time of purchasing paddy.
- 3.2 Enhance credit penetration to the identified sectors in an effective manner.
- 3.3 Increase the contribution of rice mill owners to achieve the national objective of self- sufficiency in rice by strengthening prospective rice mill owners.
- 3.4 Support PFIs to mitigate credit risk.

4. Terms and Conditions

4.1. General requirements

- 4.1.1 The PFIs that grant loans to the eligible borrowers for the purpose of purchasing paddy utilizing their own funds, are entitled to receive the credit guarantee facility under the Scheme.
- 4.1.2 The PFIs may obtain adequate collateral in order mitigate the credit risk.
- 4.1.3 The PFIs are required to get the credit guarantee approval from the administrator before granting the loans to eligible borrowers.

4.2. Area of Operation: All Island

4.3. Eligibility Criteria

- 4.3.1 PFIs are eligible to avail the concessions set out below for the working capital loans granted to the rice mill owners whose annual turnover is less than Rs. 750 million.
- 4.3.2 PFIs may grant a loan under the Scheme subject to a proper credit evaluation carried out for borrowers to bridge the financial gaps of the working capital requirement of the respective borrower, as follows;
 - 4.3.2.1 Under the Scheme, PFIs can consider granting a loan equivalent to the working capital requirement of the borrower subject to a maximum of Sri Lankan Rupees Twenty-Five million (Rs. 25 million)
 - 4.3.2.2 The maximum repayment period of the loan granted under the Scheme is Nine (09) months.
 - 4.3.2.3 Interest rate for the loans granted under the Scheme can be prevailing market rate (bank funded loans).

5. Eligible PFIs

The Scheme is implemented through Bank of Ceylon, People's Bank and Regional Development Bank.

6. Application for Credit Guarantee

6.1 PFIs shall ensure that

- 6.1.1 the accuracy and the compatibility of the information provided for in Annex I (RDD/CG/RM/I)
- 6.1.2 the eligibility of borrowers under this Scheme is duly assessed,
- 6.1.3 all relevant documents relating to such assessment are collected, and
- 6.1.4 the eligible borrower does not obtain more than one loan for the same rice mill during one season by obtaining written undertaking to that effect from the eligible borrower.

6.2 The details of the eligible borrowers under the Scheme shall be made on a separate form using the given format (RDD/CG/RM/I - Annex I) in soft version to the e mail address/es assigned by the Director, RDD through the authorised officer appointed by the head office of the PFI for the same purpose on weekly basis on or before Tuesday of each week for the preceding week for the registration.

6.3 If the Administrator found the information provided by the PFI in Annex I is to insufficient or inaccurate, the Administrator reserves the right to refer back the relevant Annex I to the PFI and seek more information and documentation for clarification.

6.4 The Administrator reserves the right to refuse the registration if the information provided by the Annex I is found inaccurate or not up to the satisfaction of the Administrator.

6.5 The loans to the eligible borrowers shall be granted within 10 working days upon the receipt of the registration number from the RDD.

- 6.6 The PFI shall forward the details of the disbursed loans for which they expect to obtain the credit guarantee facility under the Scheme on monthly basis on or before 10th day of each month for the preceding month, using the format given in the Annex II (RDD/CG/RM/II) to the e-mail address/es assigned by the Director, RDD along with the premium applicable. PFI shall require to submit the signed hard copies of Annex I/II (already emailed) on or before 15th day of each month.
- 6.7 Once the duly completed Annex II is formally accepted, the Administrator will issue Guarantee Cover Note given in Annex III (RDD/CG/RM/III) to PFI, subject to the completion of the payment in lieu of the guarantee premium by such PFI.

7. The Extent of Credit Guarantee

- 7.1 The Scheme will provide guarantee cover only up to sixty percent (60%) of the capital outstanding amount in loss of the loans granted under the Scheme.

8. Credit Guarantee Settlement

- 8.1 In terms of Section 108A(1) of the Monetary Law Act, the Administrator may issue guarantee, loans granted to the borrowers by the PFIs.
- 8.2 The Administrator has the authority to collect premium, pay claims and call for the recoveries after the settlement of claims and matters connected thereto.

9. Guarantee Cover

- 9.1 The guarantee cover becomes effective from the date of disbursement of the first installment of the loan granted under the Scheme by the PFI provided the guarantee premium has been paid by the PFI to the Administrator.
- 9.2 The guarantee cover will cease to be operative if, in the opinion of the Administrator that PFI had failed to observe normal care and prudence and had been negligent in the disbursement of the loan and in monitoring the account without effective recovery process/ actions.

10. Payment of Guarantee Premium

- 10.1 The premium is payable to the Administrator payment at the rate of one percent (1%) of the total amount of the loan granted under the Scheme. [Example; if the loan amount is Rs. 100, the premium will be Rs.100 at 0.01(1%premium) = Rs.1.00]
- 10.2 Failure to pay the guarantee premium disqualifies PFI to receive the guarantee cover.
 - 10.2.1 Remittance of premium shall be make a RTGS transfer to RDD Bank Account No 2- 54518 (in the narration please indicate "Bank Name" and "Scheme Name"). Details of the respective RTGS payment should be send to the Director/RDD in an Excel format through the e-mail within the day of the transfer.
- 10.3 The cost of the premium for the Credit Guarantee shall be borne by PFIs and shall not be passed on to the borrower.

11. Obligations of the PFIs

- 11.1 PFIs shall take all reasonable steps to assess the eligibility and the actual financial requirement of the borrower/ business before disbursing the loan.
- 11.2 PFIs shall assure that the borrower does not obtain more than one loan under the Scheme for the same rice mill during one season by obtaining written undertaking to that effect from the sub borrower. If any case a borrower has obtained two or more loans from different PFIs for the same rice mill during a one season, the priority in providing credit guarantee facility will be given to the first loan which was registered related to the particular borrower/s under the Scheme subject to the condition that the loan has been disbursed to the borrower/s and the applicable premium has been paid to the Administrator.
- 11.3 Further, any other loan registered for the same borrower for the same rice mill during a one season will not be guaranteed under the Scheme. However, if such loan, as indicated in the Section 11.2 above, found to be undisbursed and the premium has not been paid, the next loan registered related to the customer will be considered for providing the credit guarantee facility under the Scheme subject to the condition that the loan has been disbursed to the borrower/s and the applicable premium has been paid to the Administrator.
- 11.4 PFIs shall, at all times, exercise due care and prudence in disbursing the loan to the borrower and ensure that the loan is utilized for the purpose for which it has been granted and not used to settle the previous loans in Non-Performing Loan (NPL) category or any other purpose.
- 11.5 PFIs shall also supervise the status and the operations of the account and take prompt actions where necessary, to minimize any losses to PFIs.
- 11.6 PFIs shall take necessary and adequate measures to recover the loans granted under the Scheme.
- 11.7 PFIs shall pay the premium to the Administrator as described in Section 10 of the Operating Instructions.

- 11.8 PFIs shall keep records and furnish data and information related to each and every loan, to the Administrator.
- 11.9 PFIs are not permitted to write off any loan granted under the Scheme without prior written approval of the Administrator.
- 11.10 PFI shall implement a special internal audit actions to make sure the compliance of the all directions in this operation instruction circular, and the Administrator may request reports of such audit activities.

12. Obligations of the Administrator

- 12.1 Issue Operating Instructions of the Scheme to PFIs, subject to issuing amendments as and when necessary.
- 12.2 Issue the guarantee covers to PFIs with regard to the eligible borrowers subject to the condition that the guarantee premium shall be paid by the PFIs in terms of section 10 of this Operating Instructions.
- 12.3 Collect premium from PFIs as described in the Operating Instructions.
- 12.4 Carry out monitoring and evaluation process of the Scheme and implement necessary policy actions.
- 12.5 The Administrator reserves the right of revoking credit guarantees issued if found that PFI has violated the requirements/terms and conditions of the Scheme or prudential banking practices when granting the loans under the Scheme.

13. Reporting Overdue and Defaults

- 13.1 If the loan or any installment thereof is not repaid on the due date, PFI shall take prompt and effective steps to recover such arrears from the borrower/s.
- 13.2 When the loans granted under the Scheme, are classified as NPL in line with the applicable regulations on classification and impairment of credit facilities of Loans, Income Recognition and Provisioning, and other relevant directions issued by the Monetary Board of the Central Bank of Sri Lanka, the PFI shall submit a report before submit a claim to the Administrator giving the status of the borrower. The report shall include the following information –
 - 13.2.1 An assessment of problem/s faced by the borrower;
 - 13.2.2 An assessment of the borrower's capacity to repay the loan;
 - 13.2.3 Steps taken by PFI to recover the loan and future steps contemplated;
 - 13.2.4 The opinion of PFI regarding status of recovery / rehabilitation;
 - 13.2.5 Such other information as may be required by the Administrator.

14. Claim Procedure

- 14.1 Where any amount of the loan granted under the Scheme is in default, PFI shall send the Demand Notice to the borrower within one (1) month from the date of transferring the respective loan to the NPL category.
- 14.2 Subsequently, PFI may submit a claim to Director, RDD using the Form RDD/ CG/RM/IV (Annex IV) after the expiry of one (1) month, but not later than two (2) months from the date of which Demand Notice is served to the borrower.
- 14.3 For the purpose of Section 14.1 above, the Demand Notice may be served by way of a Letter of Demand to the defaulted borrower.
- 14.4 Certified copies of the Demand Notice issued to the defaulted borrower and evidence of the undertaking to initiate legal action shall accompany the claim application.
- 14.5 The amount in default shall be deemed to be the principle amount covered by the Guarantee.
- 14.6 On receipt of the claim form, the Administrator shall pay sixty per cent (60%) of the capital outstanding amount of the loan granted under the Scheme in two (02) installments subject to section 14.7 and 14.8. However, the Administrator reserves the right to demand the amount paid, if the Administrator found that PFI has failed or been negligent to exercise necessary supervision and actions as required under this Operating Instructions.
- 14.7 On receipt of the Claim Form in the specified format given in Annex IV (RDD/CG/RM/IV), the Administrator will pay fifty per cent (50%) of the capital outstanding amount of the loan granted under the Scheme subject to the limitation stated in Section 7.1 of the Operating Instructions. PFI shall submit a detailed report on recovery actions along with all relevant documentary evidence, to the Administrator.
- 14.8 The remaining balance after first payment i.e. fifty per cent (50%) of the claim guaranteed by the Administrator from the capital outstanding of the loan granted under the Scheme will be paid once the PFI furnishes the Form RDD/CG/ RM/V (Annex V) to the Administrator with the case numbers arising from legal action, within nine (09) months from the first payment mentioned in section 14.7 above.
- 14.9 The Administrator, on case-by-case basis, may accept guarantee claims without case numbers as referred at 14.8 above, subject to PFI taking substantial recovery actions and inspection of the business by the administrator.

14.10 The Administrator reserves the right to recall the amounts paid for credit guarantee 1st installment if the PFI does not furnish the court case numbers with the claim form Annex V for the 2nd installment and/or substantial recovery actions by the PFI, within 09 months from the payment of first installment date

15. Defaulted Loans

15.1 Whenever a claim has been settled, the PFI may set-off NPL balances of loans granted under the Scheme against the credit guarantee claims paid for the respective loans.

16. Recovery Action

- 16.1 The PFIs shall have a proper internal control mechanism in place to monitor the recovery of loans under the Scheme, notwithstanding the availability of the credit guarantee.
- 16.2 The PFIs shall endeavor to take immediate and effective action to recover any overdue amount by every mean available with it and keep the Administrator informed of the action taken and progress of the project from time to time.
- 16.3 The PFIs shall take any action that may be suggested by the Administrator for the purpose of effecting recovery actions against defaulted borrowers. The PFIs shall not discontinue any recovery actions that have already been taken against such borrowers even after the settlement of a claim under the Scheme.

17. Post Claim Settlement

- 17.1 All amounts recovered from the eligible borrower, after payment of a guarantee claim shall be shared between the Administrator and the PFI in the proportion of 60:40 respectively, of which the loan loss was shared. For this purpose, the prescribed format given in Annex VI (RDD/ CG/RM/ VI) shall be used.
- 17.2 The above Form (RDD/ CG/RM/ VI - Annex VI) shall be submitted bi-annually, for the time periods of January to June and July to December by PFIs. Recovery proceeds shall be made available to the Administrator within 30 days from 30th June and 31st December each year.
- 17.3 The PFIs should maintain a register indicating the total guaranteed amount received from the Administrator and the recoveries etc. and the register must be made available to the Administrator or any other officer authorised by him to that effect, during the period of inspections.
- 17.4 The expenses incurred on loan recoveries under the Scheme including the legal cost shall have first charge on the amount recovered from the borrower. The balance amount recovered shall be shared at the rate specified in Section 17.1 above. All other charges shall be met only after the share of the Administrator is reimbursed.

18. Inspection

- 18.1. The Administrator shall, as may be necessary for the purpose of the Scheme, have the right to inspect the books of accounts and other records of the PFI pertaining to any loan guaranteed under the Scheme.
- 18.2. The PFIs shall make it a condition of each loan that the eligible borrower shall submit to the Administrator and/or GOSL such documents, books of accounts as may be requested in relation to the activity financed under the Scheme and permit the officers authorised by the Administrator and/or GOSL to inspect the project, as and when necessary.
- 18.3. The Administrator reserves the right to revoke the guarantee cover and or any payment made in settlement of claims if it is found that PFI has violated the terms and the conditions of the Scheme.

19. Furnishing of Returns and Information

The PFI shall submit such returns and furnish such information when the Administrator request information relating to any loan guaranteed under the Scheme.

20. Modification and Supplementary Provisions

- 20.1. The Administrator reserves the right to modify or withdraw the Scheme without affecting the rights or obligations arising out of any guarantee issued under the Scheme.
- 20.2. The Administrator reserves the right to provide the PFIs with necessary guidelines on the implementation of the Scheme, where necessary.
- 20.3. In respect of any matter not specifically provided in the Scheme, Administrator shall make such supplementary or additional provisions as may be necessary for the purpose of the Scheme.

The effective date of the Scheme is 01.09.2021.

Yours faithfully,

B L J S Balasooriya

Director

Regional Development Department
Central Bank of Sri Lanka

Credit Guarantee Scheme for the Rice Mill Owners in Sri Lanka (CGRMO)
Application for Registration

I certify that the above applicants are eligible to receive a loan under this loan scheme as per the operating instructions of the loan scheme and all the particulars of the applicants are accurate.

Note: (Hardcopy shall be in A3 paper)

1. Individual (I), Partnership (P), Limited Liability Company (L), Other (O)
 2. To be completed by the CBSL

Credit Guarantee Scheme for the Rice Mill Owners in Sri Lanka (CGRMO)**Premium Statement**

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assinged by the CBSL	Name of the Applicants / Partners / Directors	NIC No.	Business Registration No.	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	Due Premium (1 per cent of the total Loan Amount) Rs.

Name of Branch Manager :.....

Date:

Signature of Branch Manager :.....

Branch Stamp:-.....

Annex III

RDD/ CG/RM/III

Credit Guarantee Scheme for the Rice Mill Owners in Sri Lanka (CGRMO)

CENTRAL BANK OF SRI LANKA

CREDIT GUARANTEE COVER NOTE**CBSL Ref No**

This guarantee cover note is issued to certify that the loan amount granted on (dd/mm/yyyy) of

Rupees (amount in words)

(Rs) (amount in numbers)

granted by (name of branch) of the (name of the Licensed Bank)

has been guaranteed under the Credit Guarantee Scheme for the Micro, Small and Medium

Scale Rice Mill Owners in Sri Lanka (CGRMO) as per the terms and conditions of Operating Instructions No RDD/CG/RM/2021/01 dated

..... 2021, its subsequent amendments, if any and the Agreement dated entered into by and between the Monetary Board of the Central Bank of Sri Lanka and the (name of the Licensed Bank).

.....

Date

Director

Regional Development Department

Credit Guarantee Scheme for the Micro, Small and Medium Scale Rice Mill Owners in Sri Lanka (CGRMO)

Claim Application for Credit Guarantee 1st Installment

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assinged by the CBSL	NIC No. / Business Registration No.	Amount Granted (Rs.)	Amount Recovered (Rs.)	*Outstanding Capital Amount as at Reporting Date (Rs.)	Legal Action Taken (Mediation Board Case No.)	Date on which Legal Action Taken (DD/MM/YY)
Total							

* Interest and other charges should not be included in the Credit Guarantee claim 1st instalment.

Name of Branch Manager :.....

Date :

Signature of Branch Manager :.....

Branch Stamp:-.....

Credit Guarantee Scheme for the Micro, Small and Medium Scale Rice Mill Owners in Sri Lanka (CGRMO)

Claim Application for Credit Guarantee 2nd Installment

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assinged by the CBSL	NIC No. / Business Registration No.	Amount Granted (Rs.)	Amount in Loss (Rs.)	*Recoveries after Submission of 1st Claim (Rs.)	Legal Action taken against Willful Defaulters			Net Loss (Rs.)
						Date of Case Filed (DD-MM-YY)	Name of the Court	Arbitration Case No.	
Total									

*Excluding Capitalized Interst

Name of Branch Manager :.....

Date :

Signature of Branch Manager :.....

Branch Stamp:-.....

Credit Guarantee Scheme for the Micro, Small and Medium Scale Rice Mill Owners in Sri Lanka (CGRMO)**Details of Loan Recoveries**

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assigned by the CBSL	NIC No. / Business Registration No.	Granted Loan Amount (Rs)	Amount Settled as Credit Guarantee (Rs)	Amount Recovered from the Borrower (Rs)	Amount to be Remitted to Central Bank (Rs)
Total						

Name of Branch Manager :

Date :

Signature of Branch Manager :

Branch Stamp:

Operating Instructions No: RDD/PR/2010/03 (A-06)

Regional Development Department
 Central Bank of Sri Lanka
 PO Box 590
 No. 30, Janadhipathi Mawatha
 Colombo 01
 01.09.2021

To: All Participating Financial Institutions (PFIs)

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE PROSPERITY LOAN SCHEME (SAUBAGYA)
 PROVISION FOR SECOND LOAN AND SIMPLIFICATION OF THE SUBMISSION OF REGISTRATION
 FORMS TO REGIONAL DEVELOPMENT DEPARTMENT OF THE CENTRAL BANK OF SRI LANKA**

This refers to the Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the Prosperity Loan Scheme (Saubagya).

Considering the prevalent requirements on making a provision for obtaining loans to the beneficiaries more than one time under the Saubagya Loan Scheme with the maximum accumulated amount as Rs. 25.0 million by considering the progress of the business along with the loan repayment and the significance of having an effective and efficient implementation mechanism with simplifying the loan registration and refinancing process for the Prosperity Loan Scheme (Saubagya) implemented by the RDD through expeditious loan registration and refinancing process, the OIs No. RDD/PR/2010/03 dated 22.03.2010 and the subsequent amendments issued by the Director, RDD of the CBSL are hereby complemented and amended as follows;

I. Following new criteria is introduced to the sub section 3.2 of section 3 of the Principal Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time) :

3. Loan Scheme

3.2 Loan Limit: Loans granted to the Small and Medium Scale Enterprises (SMEs), for exceptional cases, are eligible to receive refinance from the CBSL up to a maximum of Rs. 25.0 million per sub project.

(It is possible to consider for a second loan with the maximum loan amount up to Rs. 25.0 million who has been facilitated less than the maximum limit according to the section 7.10).

II. Section 7 and 10 of the Principal Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time) are amended as follows:

7. Registration of Sub-Borrowers

7.1 The branch manager should prepare a complete registration form given in Annex A in duplicate in respect of each loan applicant and forward it to respective PFI Head Office.

- i. Registration of total amount of sub loans; above Rs. 1.0 million:

PFI Head Offices are requested to forward the Annex A and duly certified copies of loan registration application along with relevant documents including credit appraisal report to CBSL

- ii. Registration of total amount of sub loans; Rs. 1.0 million and below: PFI Head Offices should send only Annex B (as described in 7.2)

7.2 The Head Office of the PFI shall forward details of the sub-borrowers, eligible to obtain loans under the Scheme, by submitting duly completed Loan Registration List (Annex B) signed by the authorised officer of the PFI to the RDD. Soft copy of Annex B shall be sent to the email address issued by the RDD, along with hard copy. List of Details of the Loan Application should be submitted separately as follows;

- (i) List of loans amount above Rs. 1.0 million.
- (ii) List of loans amount of Rs.1.0 million and below.

7.3 PFIs shall ensure;

- (i) the accuracy and compatibility of the information provided in Annex A and B;
- (ii) the eligibility of sub-borrowers under the Scheme is duly assessed; and
- (iii) that all relevant documents relating to such assessment are collected.

7.4 PFIs shall keep all supporting documents and records for the legally stipulated relevant time period, in the event any further inspection or clarification is required under Section 7.3 above.

7.5 On receipt of Annex A (only for loans above Rs 1 million) and Annex B along with other necessary documents from the PFI Head Offices, CBSL will verify the details contained therein and determine the eligibility of sub-borrowers and the loan amount to be disbursed. Accordingly, CBSL will register the eligible sub-borrowers under the Scheme.

7.6 Upon registration of a sub-borrower, CBSL allocate a designated Registration Number for each sub-loan and notify such Registration Number to the Head Office of the respective PFI. This Registration Number, unique for each sub-borrower, shall be used for any correspondence with the CBSL with respect to such borrower.

7.7 If CBSL observes any discrepancy and/or inaccuracy of information submitted in Annex A or B, CBSL reserves the right to cancel the registration of the respective sub-borrower whose information is found to be inaccurate, without any prior notice to the PFI.

7.8 The CBSL reserves the right to refer back the registration application to the PFI, in the event any further information or clarification is required by CBSL, for the purpose of registering such application.

7.9 Duly completed hard copy of the registration form (Annex A) along with documents mentioned in Section 7.1 (i) and List of Details of the Loan Application of the Borrowers (Annex B) mentioned in Section 7.1 (ii) should be sent through the Head Office of the PFI to the following address for registration of the loan applicant whilst sending soft version.

The Director
Regional Development Department The Central Bank of Sri Lanka
No: 30, Janadhipathi Mawatha, Colombo 01.

7.10 The PFI shall decide for offering a second loan on the request of the borrower with the maximum accumulated amount as Rs. 25.0 million considering the performance of the business and first loan of the beneficiary. Duly completed Annex C shall be sent as per section 7.1. Other procedure and clauses of a second loan is same as mentioned in OIs No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time).

10. Applications for Refinance

10.1 Duly completed list of sub-borrower/s for whom the PFI is expected to obtain refinance should be submitted with one refinance application to RDD by the Head Office of the PFI on 15th and as at end of each month (twice a month), along with one set of other legal documents for the total amount in hard and soft version to the address aforementioned in section 7.09 and email address issued by the RDD. The refinance application should be accompanied by the following documents.

- (i) Application for Refinance (Appendix I)
- (ii) Statement of Loan Disbursements (Appendix II as amended)
- (iii) Demand Promissory Note (Appendix III) (with relevant stamp duty)

- (iv) Delivery Letter (Appendix IV)
- (v) Credit Institution's Assignment (Appendix V)
- (vi) Disbursement Letter (Appendix VI)

10.2 Refinancing facilities will be released by the RDD after verification of the details of the borrowers and the legal documents.

Other clauses of the OIs remain unchanged.

This amended Operating Instructions will be effective immediately.

Please bring the contents of this amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,
 Sgnd. B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

Annex A

Registration No :

SAUBAGYA LOAN SCHEME LOAN REGISTRATION FORM

1. Name/Branch of PFI			
2. Address of the Branch			
3. Telephone/Fax No.			

4. Status of Applicant/s : Individual Partnership Others

5. Name and Address of Applicant/Partner/Director

Name	Address	NIC No.	Gender	Highest Educational Qualification

6. Loan Category (First/Second Loan)

7. Complete Address/Location of the Project Site :

.....
.....

8. District:

9. Type of Project: Small Medium

10. Brief description of the Project to be finance under Saubagya Loan Scheme
 (Purpose of the Loan).

.....
.....

11. Estimated Cost of the Project	
12. Borrowers' Equity Contribution	
13. Required Loan Amount	
14. Amount Recommended/Approved by the PFI	

I certify that the proposed project described at 10 above has been examined by me/credit officer and found that it has a sufficient cash flow for profitability and hence recommended for finance under the Saubagya Credit Scheme.

Date :

Signature of Branch Manager/Rubber Stamp

**SUB BORROWER REGISTRATION - LOAN CATEGORY - RS. 1 MN AND BELOW
SAUBAGYA LOAN SCHEME**

I certify that the above applicants are eligible to receive a loan under this loan scheme as per the operating instructions of the loan scheme and all the particulars of the applicants are accurate.

Name and Designation of the Authorised Officer

Date:

SAUBAGYA LOAN SCHEME – RECOMMENDATION FOR SECOND LOAN

1 Name/Branch of PFI			
2. Address of the Branch			
3. Telephone/Fax No.			

4. Status of Applicant/s : Individual Partnership

5. Name and Address of Applicant/Partner/Director

Name	Address	NIC No.	Gender	Highest Educational Qualification

6. Amount of the Loan obtained under Initial/ First loan Category:

Rs.

7. Date and CBSL Registration/Refinance No. of the First Loan:

7.1 Registration: No Date

7.2 Refinancing: No Date

8. Amount required under Second Loan Category:

9. Brief description of the Project to be finance under the second loan category (Purpose of the Loan):

.....

.....

10. Status of the Repayment (satisfied or dissatisfied):

11. Performance of the business after obtaining the initial loan (satisfied or dissatisfied):

I certify that the proposed project described at 9 above has been examined by me/credit officer and found that it has a sufficient cash flow for profitability and well performed and hence recommended for finance under the second loan category of the Saubagya Loan Scheme.

Date :

Signature of Branch Manager/Rubber Stamp

APPENDIX I

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

Address:

Date:

APPLICATION FOR REFINANCE UNDER THE "SAUBAGYA" LOAN SCHEME

To: The Central Bank of Sri Lanka.

Gentlemen

We, a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees

..... (Rs.) under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/2010/03 dated 22/03/ 2010.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "Prosperity" Special Credit Scheme for agriculture, livestock and MSMEs. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of instalments) (monthly/quarterly/ half yearly [state frequency]) instalments each of Rs. the first of which shall be payable on day of 20.....
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to borrowers mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature

Name and description of the Authorised Officer(s)

of the PFI

Manager, Refinance Unit.

ANNEX IV

REFINANCE APPLICATION NO. :-

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

DEMAND PROMISSORY NOTE

Colombo.

Date:

Rs.

On demand, we, the undersigned

(name and address of the Participatory Financial Institution)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees

..... (Rs.....) currency for value received, with interest thereon, at the rate of per centum per annum from the date hereof.

.....
 For (Name of the PFI)
 REFINANCE UNIT
 HEAD OFFICE

(Stamp)

1.
 2.

(Signature of the Authorised Officer)

WITNESSES:

1.
 2.

APPENDIX IV

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees (Rs.....) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Saubhya Loan Scheme) referred to in your Operating Instructions No RDD/PR/2010/03 dated 22/03/2010 we herewith deliver to you our Promissory Note in your favour for Rs.....

(Rs.....) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

For (Name of the Participating Financial Institution)

REFINANCE UNIT, HEAD OFFICE

1.

2.

(Name and Signature of the Authorised Officer)

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE
MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA
UNDER SECTION 88A OF THE MONETARY LAW ACT***

Colombo.

Date:

We,

(Name and address of Participatory Financial Institution) in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees

(Rs.....) granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

Amount of Debt (Rs.)	Borrower's Name & Address	Date	Notary

.....
Signature of the Authorised Officer

For (name of the PFI)

REFINANCE UNIT

HEAD OFFICE

* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

DISBURSEMENT LETTER

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/ 2010)

Bank Name

Bank Code No:

Branch Name:

Branch Code No:

Serial No. of the Loan:

Date:

Disbursement:

*

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER
THE 'SAUBAGYA' LOAN SCHEME**

Enquiry Number:

1. Particulars of the Borrower

1.1 Name of the Borrower :

1.2 Address of the Borrower :

2. Particulars of the Loan

2.1 Purpose of the Loan :

2.2	Location of the Sub-project :	
2.3	Total amount of loan sanctioned : originally	Rs.
	Subsequent enhancement of loan for cost overruns	Rs.
	Total	Rs
2.4	Date of original sanction of loan	:
	Date of sanction of enhancement of loan	:
2.5	Repayment Programme for the installment for which refinance was applied for :	
	Date	Amount (Rs.)
2.6	Rate of interest:	
3. Status of Loan:		
3.1	Amount released previously and refinance claimed from the CBSL) Rs
3.2	Amount now released and for which refinance is sought) Rs
	Total	Rs

I certify that the particulars given above are true and correct.

Date : _____ Signature of Branch Manager
Name of Branch Manager

* Please indicate whether it is 1st, 2nd or any other installment by putting a cross in the appropriate box.

Ref No: 32/04/034/0001/001

10.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIIs) of SCRF

Dear Sir/Madam,

(1) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.

(2) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.

This is further to the letters issued on 24.03.2021 and 09.06.2021 on the above subjects, respectively, by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL).

2. Extended Concessions for the loans granted under the Saubagya COVID 19 Renaissance Facility (SCRF)

2.1. In line with the Section 09 of the Monetary Board Circular No. 08 of 2021 dated 01.09.2021 issued by the Monetary Board of the Central Bank of Sri Lanka (The Monetary Board Circular) (Annex A), it has been decided to extend the debt moratorium facility of the SCRF Phase I, II and III up to 31.12.2021 on case-by-case basis.

2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, as defined in the Monetary Board Circular, on case by case basis.

2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIIs on or before 30.09.2021. Participating Financial Institutions (PFIIs) shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.

2.4. Accordingly, PFIIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD-SCRF-10.09.2021- Annex I) to the Director of RDD by 15.10.2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and sehan@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rate of 4 per cent per annum as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Saubagya SCRF Phase I, II and III.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower of SCRF Phase I, II and III, has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.
- 3.4. These guidelines on interest computation is applicable for the loans for which the concessions granted by the letters dated 24.03.2021 and 09.06.2021, as well.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted borrowers of the SCRF Phase I, II and III.
- 4.2. PFIs are required to send Credit Guarantee claims to the RDD after taking all required recovery actions relevant to that claims as stipulated in the prevailing Operating Instructions of the SCRF Phase III.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.
6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with theses instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SCRF Schemes.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

"SAUBAGYA COVID-19 RENAISSANCE FACILITY"

Details of Extension of Concessions Provided for Businesses and Individuals

Phase :

Name of the PFI:

#	CBSL Registration No.	CBSL Refinance No. (if applicable)	Name of the Borrower/s	NIC/BR No. (if applicable)	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	Date of Refinance granted by the CBSL (For SCRF Phase I and II)	Concession Extended Date by the PFI	Existing Repayment Period of the Loan*	Debt Moratorium			Requested Moratorium Facility (Capital only/Capital and interest Both)**
											Initial Grace Period (GP) provided for the loan (No. of months)	End date of the Debt moratorium previously granted (if any)	Requested new Debt Moratorium period (No. of months)	

* After the Debt Moratorium granted by the letter dated 09.06.2021. (Please note repayment period shall not be extended by this debt moratorium)

** Pls, mention as appropriate

Ref No: 32/04/034/0001/001

10.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIIs)

Dear Sir/Madam,

**INSTRUCTIONS FOR THE CREDIT GUARANTEE CLAIMS UNDER LOAN SCHEMES IMPLEMENTED BY
REGIONAL DEVELOPMENT DEPARTMENT OF THE CENTRAL BANK OF SRI LANKA**

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the circular Monetary Board Circular No. 08 of 2021 dated 01.09.2021 on concessions for COVID19 affected business and individuals. As per the section 2(c) of the aforementioned circular, Licensed Banks shall suspend all types of recovery actions until 31.12.2021, against credit facilities.

Accordingly, Participating Financial Institutions (PFIIs) are requested to initiate all required recovery actions whose loans are identified as Non-Performing Loans, within one month after 31.12.2021 under the following Credit Guarantee loan schemes.

- New Comprehensive Rural Credit Scheme (NCRCS)
- Saubhagya COVID19 Renaissance Facility (SCRF) Phase III Scheme
- Credit Guarantee Scheme for Working Capital Loans to be granted to the Small and Medium Scale Entrepreneurs

Further, PFIIs should send the Credit Guarantee claims to the Regional Development Department of the CBSL, after taking all required recovery actions as stipulated in the Operating Instructions of the loan schemes.

Please bring the contents of this letter to the notice of the officers of the relevant departments/ branches of your bank

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

21.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIIs) of Smallholder Tea and Rubber Revitalization (STaRR) Project

Dear Sir/Madam,

**CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE SMALLHOLDER TEA AND
RUBBER REVITALIZATION (STaRR) PROJECT IN TERMS OF THE MONETARY BOARD CIRCULAR NO. 08 OF
2021 DATED 01.09.2021**

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No. 08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following.

2. Debt Moratorium to be provided under the STaRR Project

- 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the STaRR Project from 01.09.2021 up to 31.12.2021 on case-by-case basis.
- 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, on case by case basis.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFIIs) on or before 15.10.2021. PFIIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFIIs are requested to accept the request from the eligible borrowers who wish to avail the concessions and report the details separately for the loan scheme as per the attached format (RDD-STaRR- 21.09.2021- Annex I) to the Director of Regional Development Department (RDD) and the Project Management Unit of STaRR Project by 31.10.2021. Soft copy of the details in Excel format shall be sent to gihan@cbsl.lk and sewwandi@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFI s are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of STaRR Project.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFI s are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted sub- borrowers of the STaRR Project.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFI s shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFI s shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.
- 6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFI s with these instructions.
- 7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the STaRR Project.

Yours faithfully,
 B L J S Balasooriya
 Director
 Regional Development Department

Cc: 1. Project Director, Smallholder Tea and Rubber Revitalization Project

2. The Secretary, Ministry of Plantation

“SMALLHOLDER RUBBER REVITALIZATION PROJECT”

DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS

Name of the PFI:

* P|_S, mention as appropriate

21.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFI) s of SAPP

Dear Sir/Madam,

**CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE LOAN SCHEMES
IMPLEMENTED UNDER THE SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP) IN TERMS
OF THE MONETARY BOARD CIRCULAR NO. 08 OF 2021 DATED 01.09.2021**

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No. 08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following;

2. Debt Moratorium to be provided under the SAPP Loan Schemes

- 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the SAPP Loan Schemes from 01.09.2021 up to 31.12.2021 on case-by-case basis.
- 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, on case by case basis.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFI) s on or before 15.10.2021. PFI s shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFI s are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD-SAPP-21.09.2021- Annex I) to the Director of Regional Development Department (RDD) with a copy to the Project Management Unit of SAPP by 31.10.2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and indeewarie@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFI s are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of SAPP Loan Schemes.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFI s are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted sub- borrowers of the SAPP Loan Schemes.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFI s shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFI s shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.

6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SAPP Loan Schemes.

Yours faithfully,

B L J S Balasooriya
Director
Regional Development Department

Cc; 1. Dr. (Mrs.) Yasantha Mapatuna, Programme Director/SAPP
2. The Secretary, Ministry of Agriculture

“SMAI | HSI DER AGRIBUSINESS PARTNERSHIPS PROGRAMME”

DETAILS OF DEBT MORATORIUM REQUESTS FOR COVID19-AFFECTED BUSINESSES AND INDIVIDUALS

Loan Scheme :

Name of the PFI:

* $P|S$, mention as appropriate

Ref No: 32/04/034/0001/001

23.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIIs) of SCRF

Dear Sir/Madam

(1) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.**(2) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.**

This is further to the letters issued on 24.03.2021, 09.06.2021 and 10.09.2021 on the above subjects by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL).

2. Extended Concessions for the loans granted under the Saubagya COVID 19 Renaissance Facility (SCRF) for Businesses and Individuals in the Tourism Industry.

- 2.1. In line with the Monetary Board Circular No. 10 of 2021 dated 13.09.2021 issued by the Monetary Board of the CBSL (The Monetary Board Circular) (Annex A), it has been decided to extend the debt moratorium facility for the tourism sector under the SCRF Phase I, II and III up to 30.06.2022 on case-by-case basis.
- 2.2. The borrowers of the tourism sector who did not avail themselves of the maximum repayment period of 36 months extended by the letter of the DRD dated 09.06.2021 to increase their repayment period up to 36 months including the grace period, on case-by-case basis, considering the impact of the debt moratorium granted.
- 2.3. In case of SCRF Phase III Credit Guarantee Scheme, charge an additional credit guarantee fee of zero point two five percent (0.25 %) from Participatory Financial Institutions (PFIIs) on the loans extended the repayment period.
- 2.4. Businesses and individuals registered with following institutions are eligible to obtain this extension of concessions.
 - i. Ministry of Tourism
 - ii. Sri Lankan Tourism Development Authority
 - iii. Agencies under Sri Lanka Tourism Development Authority
 - iv. Department of Cultural Affairs
 - v. The Hotel Association of Sri Lanka
- 2.5. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, as defined in the Monetary Board Circular, on case by case basis.
- 2.6. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIIs on or before 20.10.2021. Participating Financial Institutions (PFIIs) shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.7. Accordingly, PFIIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD-SCRF-22.09.2021- Annex I) with the guarantee premium of zero point two five percent (0.25 %) for each sub loan under SCRF Phase III, to the Director of RDD by 30.10.2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and sehan@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1 All PFIIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rate of 4 per cent per annum as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Saubagya SCRF Phase I, II and III.
- 3.2 In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.

3.3 If any sub-borrower of SCRF Phase I, II and III, has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

4.1 In line with the Section B.3 of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 30.06.2022, on defaulted borrowers of the SCRF Phase I, II and III.

4.2 PFIs are required to send Credit Guarantee claims to the RDD after taking all required recovery actions relevant to that claims as stipulated in the prevailing Operating Instructions of the SCRF Phase III.

5. Providing Concessions for the loans in the NPL Category

5.1 PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.

6. Further to the concessions given to SCRF by RDD letter Ref No: 32/04/034/0001/001 dated 10.09.2021, extend the repayment period by 12 months by providing a maximum repayment period of 36 months including the grace period to the sub-borrowers under the loan granted SCRF Phase I, II and III on case-by-case basis. In case of SCRF Phase III Credit Guarantee Scheme, charge an additional credit guarantee fee of zero point two five percent (0.25 %) from PFIs on the loans extended the repayment period. The guarantee premium for each sub loan under SCRF Phase III, shall be sent to the Director of RDD by 30.10.2021 with the details mentioned in the letter dated 10.09.2021.

7. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with theses instructions.

8. Please bring the contents of this letter to the notice of the officers of the relevant departments/ branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SCRF Schemes.

Yours faithfully,

B L J S Balasooriya
Director
Regional Development Department

RDD 23.09.2021(Tourism) - Annex I

„SAJIRAGYA COVID-19 RENAISSANCE FACILITY“

DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS OF THE TOURISM SECTOR

Phase :

Name of the PFI:

* Applicable only for the loans which have requested to extended the repayment period under SCRF Phase III

** P_S, mention as appropriate

27.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFI) of Supply Chain Re-Energizing Loan Scheme (SCREL)

Dear Sir/Madam

**CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE SUPPLY CHAIN
RE- ENERGIZING LOAN SCHEME (SCREL) IN TERMS OF THE MONETARY BOARD
CIRCULAR NO. 08 OF 2021 DATED 01.09.2021**

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No.08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following.

2. Debt Moratorium to be provided under the SCREL Loan Scheme

- 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the SCREL Loan Scheme from 01.09.2021 up to 31.12.2021 on case-by-case basis.
- 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, on case by case basis.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFI) on or before 20.10.2021. PFI shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFI are requested to accept the request from the eligible borrowers who wish to avail the concessions and report the details separately for the loan scheme as per the attached format (RDD-SCREL- 27.09.2021- Annex I) to the Director of RDD by 30.10.2021. Soft copy of the details in Excel format shall be sent to lakminiws@cbsl.lk and chamali@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFI are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of SCREL Loan Scheme.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFI are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted sub-borrowers of the SCREL Loan Scheme.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFI shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFI shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.

6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFI's with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SCREL Loan Scheme.

B L J S Balasooriya
Director
Regional Development Department

Cc; 1. Director General, Sri Lanka Tea Board, 574, Galle Road, Colombo 03.
2. Ministry of Plantation, Secretary, 11th Floor, Sethsiripaya 2nd Stage, Battaramulla.

**DETAILED INFORMATION ON THE
SUPPLY CHAIN RE-ENERGIZING LOAN SCHEME (SCREL)
AND THE DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS**

Name of the PFI:

* P|s, mention as appropriate

Note: Repayment period shall not be extended by this debt moratorium.

Operating Instructions No: RDD/SAPP/4P/2019/01 (Amendment - 02)

30.09.2021

TO: All PFIs of SAPP Loan Schemes

Dear Sir/Madam,

**SECOND AMENDMENT TO OPERATING INSTRUCTIONS FOR THE 4P LOAN SCHEMES UNDER
SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP)**

All Participating Financial Institutions of the 4P Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP) are hereby informed that the Operating Instructions No. RDD/SAPP/4P/2019/01 dated 06.08.2019 (As amended on 03.11.2020) which have been issued further to the Operating Instructions No. RDD/SAPP/4P/2018/01 dated 10.04.2018 (as amended on 05.12.2018), have been amended as below.

1. "Registration of Borrowers" specified in the Section 9 (d) of the Operating Instructions shall be repealed and substituted therefor;

"If the borrower is obtaining a loan under 4P Youth Loan Scheme, 4P Promoter Loan Scheme and 4P Promoter Bulk Loan Scheme, PFI should forward duly completed Annex I(a) [i or ii] and Annex I(b) [i or ii] for each borrower, as appropriate, to the RDD of the CBSL through PMU.

However, if the borrower is obtaining a loan **below Rs.1,000,000** under **4P Youth Loan Scheme**, **PFI must retain duly completed Annex I(a) [i]** with respect to each and every borrower and **should direct duly completed Annex I(b) [i]** to the RDD of the CBSL through PMU."

All other terms and conditions of the Operating Instructions (as amended) will remain unchanged.

The effective date for this amendment is 30.09.2021.

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

Yours faithfully,

B L J S Balasooriya

Director

Regional Development Department

Copy : Dr (Mrs) Yasantha Mapatuna, Programme Director, SAPP

Operating Instructions No: RDD/SAPP/RF/2019/01 (Amendment - 02)

30.09.2021

TO: – All PFIs of SAPP Loan Schemes

Dear Sir/Madam,

**SECOND AMENDMENT TO OPERATING INSTRUCTIONS FOR THE RF LOAN SCHEMES UNDER
SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP)**

All Participating Financial Institutions of the RF Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP) are hereby informed that the Operating Instructions No. RDD/SAPP/RF/2019/01 dated 06.08.2019 (As amended on 03.11.2020) which have been issued further to the Operating Instructions No. RDD/SAPP/RF/2018/01 dated 10.04.2018 (as amended on 05.12.2018), have been amended as below.

1. "Registration of Borrowers" specified in the Section 9 (d) of the Operating Instructions shall be repealed and substituted therefor;

"If the borrower is obtaining a loan under RF Youth Loan Scheme, RF Promoter Loan Scheme, RF Promoter Bulk Loan Scheme and RF Tea & Rubber Sector Loan Scheme, PFI should forward duly completed relevant Annex I(a) [i or ii] and Annex I(b) [i or ii] for each borrower, as appropriate, to the RDD of the CBSL through PMU.

However, if the borrower is obtaining a loan **below Rs.1,000,000** under **RF Youth and RF Tea & Rubber Sector Loan Schemes**, **PFI must retain duly completed Annex I(a) [i or ii]** with respect to each and every borrower and **should direct duly completed Annex I(b) [i or ii]**, as appropriate, to the RDD of the CBSL through PMU."

All other terms and conditions of the Operating Instructions (as amended) will remain unchanged.

The effective date for this amendment is 30.09.2021.

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

Copy : Dr (Mrs) Yasantha Mapatuna, Programme Director, SAPP

Operating Instructions No: RDD/COVID19-Phase IV/2021/01

Regional Development Department
Central Bank of Sri Lanka
Po Box 590
NO 30, Janadhipathi Mawatha
Colombo 1
26.10.2021

To- All Participating Financial Institutions

Dear Sir/ Madam,

OPERATING INSTRUCTIONS**NEW REFINANCE SCHEME TO RE-ENERGIZE THE STATE-OWNED ENTERPRISES (SOEs)
("SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV")**

The Operating Instructions No: RDD/COVID19-Phase IV/2021/01 dated 26.10.2021 are issued by Director, Regional Development Department (RDD) of Central Bank of Sri Lanka (CBSL) to Participating Financial Institutions (PFIs) to accommodate the requirements of working capital and settling the statutory obligations of State-Owned Enterprises (SOEs) affected by the COVID-19 outbreak.

1. Introduction

- 1.1 As per the decision taken at the Cabinet Meeting held on 09.08.2021 to implement a Working Capital Loan Scheme under concessionary terms to re-energize Public Enterprises (the Cabinet Decision), the CBSL has formulated a Refinance Loan Scheme for granting working capital loans for Public Enterprises including Statutory Boards and Corporations, allocating Rs. 10 billion out of the funds received through the recoveries of loans provided under the "Saubhya COVID19 Renaissance Facility" and the "Saubhya Fund" of the CBSL.
- 1.2 Further, it has been decided at the Cabinet Meeting held on 17.08.2021 to provide funds required for settling the statutory obligations of SOEs, Corporations and Statutory Boards through the same loan scheme mentioned in section 1.1 above.
- 1.3 This new refinance facility will be referred to as "Saubhya COVID-19 Renaissance Facility Phase IV" (SCRF – Phase IV) for the purpose of distinguishing from the main credit component of Saubhya Loan Scheme and the subsequent components of the Saubhya COVID-19 Renaissance Facility (SCRF) introduced by CBSL.

2. Overall Management of the Project

The Regional Development Department (RDD) of the CBSL will be responsible for implementation of the loan scheme.

3. Loan Scheme

3.1 Name of the Scheme	Saubhya COVID-19 Renaissance Facility-Phase IV (SCRF – Phase IV)
3.2 Nature of the Scheme	Refinancing Scheme to fulfill the Working Capital requirements and settling the statutory obligations of SOEs
3.3 Participating Financial Institutions (PFIs)	Bank of Ceylon and Peoples' Bank

3.4 Funding Source	CBSL
3.5 Fund Allocation	Rs. 10 billion
3.6 Maximum Loan Amount per Sub-borrower (SOE)	Working capital requirement for a maximum of 03 months period and the statutory obligation after considering the business plan of the relevant SOEs or the maximum eligible amounts recommended by Department of Public Enterprises (DPE) of Ministry of Finance, whichever is lower
3.7 Rate of interest on refinance loans to PFIs*	1 percent per annum (1% p.a.)
3.8 Rate of interest for sub-loans	Four per cent per annum (4% p.a.)
3.9 PFI Margin	Three per cent per annum (3% p.a.)
3.10 Maximum Repayment Period	36 Months (including the Grace Period)
3.11 Maximum Grace Period	06 Months
3.12 Collateral	Any collateral acceptable to PFI
3.13 Date of implementation	The scheme is effective from 26.10.2021
3.14 Areas of Operation	All island

*In the event of non-compliance Standing Lending Facility Rate (SLFR) will be charged as per the provisions of the Subsidiary Loan Agreement.

4. Eligible Sub-borrowers

- 4.1 SOEs recommended by DPE of the Ministry of Finance shall be considered as eligible Sub-borrowers under SCRF – Phase IV.
- 4.2 A list of such eligible Sub-borrowers informed by DPE of Ministry of Finance is given in the Annex I.
- 4.3 CBSL reserves the right to issue amended list of eligible Sub-borrowers in this regard in consultation with DPE, where it is deemed necessary.

5. Eligible Activities

- 5.1 Sub-loans under "SCRF – Phase IV" shall be granted to facilitate working capital requirements and settling the statutory obligations of eligible sub-borrowers.
- 5.2 List of eligible working capital requirements and statutory obligations granting working capital loans are given in Annex II.
- 5.3 PFIs should obtain consent/recommendation of DPE of Ministry of Finance for the eligible working capital requirements and statutory obligations of each eligible sub borrower (SOE).
- 5.4 An eligible sub-borrower (SOE) is entitled to receive only one loan under this Scheme even when such borrower has banking facilities in several banks. In other circumstances, PFIs are requested to obtain a written confirmation from the sub-borrower that the sub-borrower has not approached other banks.

6. Registration of Borrowers

- 6.1 The Head Office of PFI shall issue relevant guidelines and instruct its branches to issue loan applications to the eligible sub-borrowers and collect loan applications from such eligible sub-borrowers.
- 6.2 The Head Office of PFI should forward the details of the eligible sub-borrowers who wish to obtain sub-loans under the "SCRF – Phase IV", by submitting the hard copy of duly completed Loan Registration Forms given as Annex III(a) and Annex III(b) of these Operating Instructions, to the RDD.
- 6.3 For the expeditious implementation, PFIs should email the soft copy of the Annex III (b) within 7 working days of receipt of Sub-loan application from the eligible sub-borrower to the email addresses which will be informed by Director, RDD of CBSL.
- 6.4 PFIs must ensure the accuracy and compatibility of the information provided in the Annexes given in these Operating Instructions and the soft copies and hard copies of such Annexes provided by PFI.
- 6.5 Based on the information provided in Annex III (b), RDD will register the sub-borrowers on first-come-first-served basis, within 14 working days.

- 6.6 If discrepancy is observed between the information provided in the Annex III (a) and Annex III(b) after receiving the hard copies of those documents, the information given in the hard copy will be considered by the RDD.
- 6.7 RDD reserves the right to refer back the registration application to PFI, if any further information or clarification is required by RDD for the purpose of registering such Sub-loan application.
- 6.8 Upon the registration of a Sub-borrower, RDD will allocate a designated Registration Number to every loan registered and notify such Registration Number to the Head Office of the respective PFI. This Registration Number should be used for every correspondence with CBSL regarding the particular sub-borrower.

7. Disbursement of Sub-loans

- 7.1 PFIs should release loans to the registered sub-borrowers within 21 working days of such registration with CBSL.
- 7.2 If a PFI is unable to disburse any sub-loan within the stipulated time period, RDD should be informed immediately with valid reasons for the delay in disbursement. RDD will consider the reasons given for the delay and take appropriate decision/actions on registered sub-borrowers.
- 7.3 Any failure of PFI to disburse sub-loans and to provide valid reasons within 30 days may cause cancellation of the registration of sub-borrowers by RDD.
- 7.4 PFIs should submit a report on such registered loans which have not been disbursed with the specific reason for each application as and when it is required by RDD.

8. Refinance Procedure

- 8.1 CBSL will provide 100 per cent refinance for all sub-loans granted by PFIs subject to the terms and conditions laid down in these Operating Instructions.
- 8.2 Duly completed applications for refinance should be submitted to RDD for reimbursement after releasing the sub-loans to the registered sub-borrowers. Each refinance application should be accompanied with the following documents:
- (i) Application for Refinance - Annex IV
 - (ii) Statement of Loans Disbursed Application for Refinance - Annex V
 - (iii) Demand Promissory Note- Annex VI
 - (iv) Delivery Note - Annex VII
 - (v) Form of Assignment by way of Pledge to CBSL - Annex VIII
 - (vi) Disbursement Letter - Annex IX
- 8.3 RDD, having satisfied with the completion of required information in the refinance application together with all relevant documents mentioned above, will approve such refinance application and release refinance within 14 working days after receiving duly completed refinance application, on first come first served basis, subject to the availability of funds and the funding quota allocated to the respective PFI, if such allocation has been made by CBSL.
- 8.4 Refinance claims should be submitted to the RDD only through the Head Offices of PFIs within 90 days of the date of disbursement. Refinance claims sent to the RDD directly by PFI branches will not be accommodated.

9. Recovery of Loans

- 9.1 PFIs should recover the capital and interest from the sub-borrowers as per the conditions apply for each sub-loan.
- 9.2 The capital and interest for the refinance released to PFIs will be recovered semi – annually i.e. 30th June and 31st December of each year by CBSL according to the repayment schedule for refinance prepared by CBSL based on the repayment schedule of each sub-borrower.

10. Custody of documents

- 10.1 PFI should make arrangements to keep all the evidence used to assess the losses and the repayment capacity of the sub-borrower. Such documents shall be presented to CBSL as and when requested by CBSL for the examination or other purposes.
- 10.2 PFI Head Office or branch may retain any other document relevant to loan disbursement at the sole discretion of PFI.

11. Auditing of Accounts

11.1 PFI shall conduct special internal audits on the sub-loans provided under the SCRF – Phase IV.

12. Role and Responsibilities of PFI

PFI are required to play an active role in the implementation of the "SCRF – Phase IV". In addition to the requirements mentioned in these Operating Instructions, PFI are requested to comply with the additional roles and responsibilities. In this regard, PFI shall;

12.1 ensure that adequate staff is allocated at the Head Office and the branches of PFI for expeditious implementation of the "SCRF – Phase IV" within the stipulated time period.

12.2 designate a senior official at PFI Head Office as a Project Loan Administrator to liaise with RDD of CBSL with regard to the implementation of the "SCRF – Phase IV".

12.3 exercise due care and prudence at all times in disbursing loans to eligible sub-borrowers and take all reasonable steps to ensure that the loans are disbursed only for the purpose of the "SCRF – Phase IV".

12.4 take full responsibility of the delivery of credit and the recoveries in time.

12.5 ensure that any branch of PFI shall not, in any circumstance, grant loans for the sub-borrowers registered under the "SCRF – Phase IV" at a rate higher than the interest rate mentioned in these Operating Instructions.

12.6 ensure regular supervision of the status and operations of the respective loan account in its books and take prompt actions, where necessary, to minimize any losses to PFI.

12.7 maintain Accounts and Financial Statements.

- (i) PFI are required to maintain appropriate ledger accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
- (ii) PFI are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
- (iii) PFI should make available the Accounts and Financial Statements for the inspection and review of RDD. Further, PFI should submit the Accounts and Financial Statements and any information requested by RDD with regard to the "SCRF – Phase IV", as and when required.

12.8 follow the registration process and refinance procedure stipulated in these Operating Instructions.

13. Other

PFI shall contact Head of the Project Finance Division of RDD on Tel. No. 011 2477348 for any clarifications on this Scheme.

The Director, RDD of CBSL reserves the right to;

13.1 Revise the terms and conditions stipulated in these Operating Instructions, as and when necessary.

13.2 Issue necessary guidelines, clarifications to PFI and determine necessary deadlines with reference to the implementation of the SCRF – Phase IV; and

13.3 Remove any PFI operating under the Scheme in the event of non-compliance to the Operating Instructions of the Scheme, in accordance with the Subsidiary Loan Agreement entered into by and between CBSL and such PFI.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

Annex I

LIST OF SOES TO BE CONSIDERED FOR IMPLEMENTING A WORKING CAPITAL LOAN

No	Entity	Actual Employees as at 30 June 2021	Turnover as at 31-12-2020 (Rs.Mn)	WC forcast for 3 months (Rs.Mn)
Small				
1	Skills Development Fund Ltd	36	17	5
2	Co-operative wholesale Establishment	306	21	50
3	National Paper Company Ltd	110	22	16
4	Cey-Nor Foundation Ltd	72	37	10
5	Ceylon Ceramic Corporation	35	85	5
6	National Film Corporation of Sri Lanka	129	108	19
7	Kahatagaha Graphite Lanka Ltd	116	126	17
8	Lakdiva Engineering Company Ltd	104	130	15
9	Palmyrah Development Board	207	133	30
10	Sri Lanka Foundation	155	153	22
11	Sri Lanka Cashew Corporation	372	155	54
12	Paddy Marketing Board	192	179	28
13	Sri Lanka Institute of Nano Technology (Pvt) Ltd	86	192	130
14	National Transport Commission	195	194	50
15	Sri Lanka Handicraft Board (Laksala)	139	194	30
16	Manthai Salt Ltd	173	202	25
17	Lanka Phosphate Ltd	25	218	21
18	North Sea Ltd	250	245	50
Medium				
19	BCC Lanka Ltd	52	306	10
20	Paranthan Chemicals Company Ltd	55	307	8
21	Elkaduwa Plantations Ltd.	1545	328	222
22	Sri Lanka Institute of Tourism & Hotel Management	190	341	27
23	Sri Lanka Tourism Development Authority	197	377	120
24	Sri Lanka Broadcasting Corporation	710	545	102
25	Dr. Nevile Fernando Teaching Hospital	656	570	150
26	Ceylon Fishery Harbours Corporation	1219	596	200
27	Sri Lanka Ayurvedic Drugs Corporation	337	676	150
Large				
28	National Building Research Organization	317	771	46
29	Chilaw Plantations Ltd	805	791	130
30	Sri Lanka State Plantations Corporation	3550	925	511
31	Sri Lanka Tourism Promotion Bureau	88	1,037	50
32	Sri Lanka Rupavahini Corporation	898	1,049	300
33	Janatha Estates Development Board	3870	1,134	557
34	Independent Television Network Ltd	756	1,150	300
35	Kalubowitiyana Tea Factory Ltd	80	1,175	100

36	Rakna Arakshana Lanka Ltd	3616	1,224	250
37	Colombo Commercial Fertilizer Company Ltd	132	1,330	250
38	Central Cultural Fund	2509	1,415	150
39	State Development and Construction Corporation	594	1,449	400

LIST OF SOES TO BE CONSIDERED FOR IMPLEMENTING A WORKING CAPITAL LOAN

No	Entity	Actual Employees as at 30 June 2021	Turnover as at 3112-2020 (Rs.Mn)	WC forecast for 3 months (Rs.Mn)
40	State Engineering Corporation of Sri Lanka(including National Equipment of Machinery Organization- NEMO)	2260	1,532	500
41	State Printing Corporation	602	1,843	300
42	Associated Newspapers Ceylon Ltd (Lakehouse)	1341	1,911	150
43	Sri Lanka Thripasha Ltd	246	1,996	300
44	Sir John Kotelawala Defense University	1709	2,062	264
45	Ceylon Fertilizer Company Ltd	367	2,101	400
46	STC General Trading Company Ltd	352	2,454	400
47	Civil Aviation Authority	182	2,504	26
48	Ceylon Fisheries Corporation	672	2,900	500
49	National Livestock Development Board	1988	3,232	300
50	Ceylon Shipping Corporation Ltd	120	3,849	500
51	Central Engineering Consultancy Bureau	1289	6,131	500
52	Sri Lanka Land Development Corporation	1480	7,366	250
53	Milco (Pvt) Ltd	1422	11,047	1,000

Annex II

Eligible working capital requirements and statutory obligations shall be covered by granting loans as follows.

1. Working capital Requirements for 3 months

- Salaries and wages
- Purchase of raw material (shall not be considered if the SOE is non-operational)
- Settlement of creditors
- Utility bill settlement
- Other recurrent expenses
- Any other acceptable working capital requirement to PFI
- Any other working capital requirement recommended by the Department of Public Enterprises (DPE) of the Ministry of Finance.

2. Settlement of Statutory Obligations

- EPF and ETF payable
- Surcharge for EPF & ETF
- Gratuity payable
- Advances & loans (Non-financial/banking sector)
- Bank loan, lease & bank overdraft within the CBSL Directions (eligible for suspension/deferral due to concessions given under CBSL directions/Circulars shall be excluded)
- Any other acceptable statutory obligations to PFI
- Any other statutory obligations recommended by DPE of the Ministry of Finance.

Registration No :

"SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE -IV"**REGISTRATION FORM**

1. Name and Branch of PFI			
2. Address of the Branch			
3. Telephone/Fax No.			

4. Status of Applicant/s : Statutory Board Corporation Other

(Please Specify)

5. Name and Contact details of State-Owned Enterprise:

Name of SOE	Business Registration/Act No. of SOE	Name of the Directors	Designation	NIC No.. of the Director	Contact No.

6. Complete Address/Location of the SOE

.....
.....

7. District:

8. Type of SOE : Small Medium Large

9. Brief description of the activities and expenditures to be covered under the Saubagya COVID-19 Renaissance Facility Phase -IV (Purpose of the Loan).

.....
.....

10. Date submitted the recommendation/consent of the DPE of the Ministry of Finance –

..... (copy should be attached)

11. Estimated working capital and statutory obligations *	
12. Required Loan Amount	
13. Amount Recommended/Approved by the PFI	

I certify that the proposed activities and expenditures described at 9 above has been examined by me/credit officer and found that it has a sufficient cash flow and match with the recommendation made by the Department of Public Enterprises (DPE) of Ministry of Finance and hence recommended for finance under the Saubagya COVID-19 Renaissance Facility Phase-IV.

Date :

Signature of Branch Manager/Rubber Stamp

Date :

Signature and rubber stamp of the authorised officer of the PFI Head Office

* A list of 3 months working capital requirements and statutory obligations with the calculation should be attached.

Annex III(b) :

"SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV"
SUB BORROWER (SOE) REGISTRATION

APPLICATION NUMBER :

To The Central Bank of Sri Lanka

Through PFI Head Office

Name of the PFI:

PFI Branch Name :

District of the Branch:

Name of the SOE	Address	Business Reg./Act No	Name of the Director	Designation	Location of the Site		Loan Details			CBSL Registration Number
					Address	District	Purpose	Estimated Cost (Rs)	Recommended Amount (Rs)	

I certify that the proposed activities and expenditures of above SOEs were examined by me/credit officer of the bank and found that those are eligible to be financed under the Saubagya COVID-19 Renaissance Facility Phase-IV.

.....

(Name & Signature and Stamp of the Authorised Officer)

*For CBSL use only.

.....

Date

ANNEX IV- Application for Refinance

Refinance Application No :

(To Operating Instructions No RDD/COVID19-Phase-IV/2021/01)

Address:

Date:

APPLICATION FOR REFINANCE UNDER
THE "SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV"

To: The Central Bank of Sri Lanka.

Gentlemen

We, a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees..... (Rs.) under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "Saubhya COVID-19 Renaissance Facility Phase-IV" for working capital requirements and settling Statutory obligation requirement of SOEs. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of instalments) (monthly /quarterly/half yearly [state frequency]) instalments each of Rs. the first of which shall be payable on day of 20.....
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to State Owned Enterprises mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

**Signature Name and designation of the Authorised Officer(S) of the PFI
 Manager, Refinance Unit**

ANNEX V - Statement of Loans Disbursed Application for Refinance

REFINANCE APPLICATION NO.....

STATEMENT OF LOANS DISBURSED UNDER THE
"SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV"
 (To Operating Instructions No : RDD/COVID19-Phase-IV/2021/01)

To : Central Bank of SRI Lanka
 From : Refinance Unit

PFI : Branch :

District :

Enquiry Number	Name & Address of the SOE	Project Description & Purpose of Loan	Sub- Loan Amount (Rs.)	Amount Disbursed (Rs.)	Date of Disbursement	Disbursed Amount for which Refinance is Sought (Rs.)	Grace Period	Repayment Schedule		
								No. of Instalments	Value of Instalment (Rs.)	Due Date of first Instalment
Total										

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly installments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

.....
 Name & Signature of Authorised Officer

ANNEX VI - Demand Promissory Note

REFINANCE APPLICATION NO. :-

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

DEMAND PROMISSORY NOTE

Colombo.

Date:

Rs.

On demand, we, the undersigned

.....

(name and address of the Participatory Financial Institution)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees

..... (Rs...) currency for value received, with interest thereon, at the rate of per centum per annum from the date hereof.

.....
For (Name of PFI)

REFINANCE UNIT

HEAD OFFICE

.....
1.

(Stamp)

2

(Name and Signature of the Authorised Officer)

WITNESSES:1.
2.**ANNEX VII - Delivery Note**

REFINANCE APPLICATION NO. :-

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees

..... (Rs.....) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Saubhya COVID-19 Renaissance Facility Phase-IV) referred to in your Operating Instructions No. RDD/COVID19- Phase-IV/2021/01 dated 26.10.2021 we herewith deliver to you our Promissory Note in your favor for Rs.....

..... (Rs) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonor in respect of our said Promissory Note.

For (Name of the Participating Financial Institution)

REFINANCE UNIT, HEAD OFFICE

1.

2.

(Name and Signature of the Authorised Officer)

ANNEX VIII - Form of Assignment by way of Pledge to CBSL

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT*Colombo.
Date:

We, (Name and address of Participatory Financial Institution) in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees (Rs...) granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

Amount of Debt (Rs.)	Borrower (SOE)'s Name and Address	Date	Notary

..... Name & Signature of the Authorised Officer

For (name of the PFI)

REFINANCE UNIT

HEAD OFFICE

* State Owned Licensed Commercial Banks (LCBs).

ANNEX IX - Disbursement Letter**DISBURSEMENT LETTER**

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

Bank Name

Bank Code No:

Branch Name:

Branch Code No:

Serial No. of the Loan:

Date:

Disbursement:

*

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER
THE "Saubagya COVID-19 Renaissance Facility Phase-IV"**

Enquiry Number:

1. Particulars of the Borrower :

1.1 Name of the Borrower (SOE) :

1.2 Address of the Borrower (SOE) :

1.3 Contact/Responsible Person :
 1.4 Contact Number of the Borrower :
2. Particulars of the Loan
 2.1 Purpose of the Loan
 2.2 Location of the Sub-project
 2.3 Total amount of loan sanctioned : originally _____ Rs.
 Subsequent enhancement of loan for cost overruns _____ Rs.
 Total _____ Rs
 2.4 Date of original sanction of loan : _____
 Date of sanction of enhancement of loan : _____
 2.5 Repayment Programme for the installment for which refinance was applied for:
 Date _____ Amount (Rs.)
 2.6 Rate of interest:

3. Status of Loan:

3.1 Amount released previously and refinance claimed from the CBSL)	Rs
3.2 Amount now released and for which refinance is sought)	Rs
Total		Rs _____

I certify that the particulars given above are true and correct.

Date : _____ Signature of Branch Manager
 _____ Name of Branch Manager

* Please indicate whether it is 1st, 2nd or any other installment by putting a cross in the appropriate box

RefNo: 32/004/021/001/005

29.10.2021

To: CEO/ GM of all Participating Financial Institutions (PFIIs)

Dear Sir/Madam,

CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE "SWASHAKTHI - TOWARDS ONE MILLION JOBS" LOAN SCHEME.

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No. 08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following.

2. Extended Concessions for the loans granted under the "Swashakthi — Towards One Million Jobs" Loan Scheme
 - 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the Swashakthi Loan Scheme from 01.09.2021 up to 31.12.2021 on case-by-case basis.
 - 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, as defined in the Monetary Board Circular, on case by case basis.
 - 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFIIs). PFIIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
 - 2.4. Accordingly, PFIIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for the loan scheme as per the attached format (RDD-Swashakthi-29.10.2021- Annex I) to the Director of RDD by 30.11.2021. Soft copy of the details in Excel format shall be sent to lakminiws@cbsl.lk and chamali@cbsl.lk with a COPY to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Swashakthi Loan Scheme.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the subborrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted borrowers of the Swashakthi Loan Scheme.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.

6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with theses instructions.

7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the Swashakthi Loan Scheme.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

Cc: Secretary, Ministry of Youth and Sports.

02.11.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

**CONCESSIONS PROVIDE FOR THE BORROWERS OF THE LOANS OBTAINED UNDER THE SCHEMES
IMPLEMENTED BY THE REGIONAL DEVELOPMENT DEPARTMENT (RDD) OF THE CENTRAL BANK OF SRI
LANKA (CBSL).**

Concessions provide for the borrowers of the loans obtained under the schemes implemented by the Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL)

This is further to our letters dated 10.09.2021, 19.09.2021 and 23.09.2021 with regarding the concessions provided for the borrowers who obtained the loans under the following schemes implemented by the RDD of the CBSL.

- Saubagya Covid 19 Renaissance Facility Loan Scheme Phase I, II and III.
- Saubagya (Prosperity) Loan Scheme
- Supply Chain Re-Energizing Loan Scheme (SCREL)
- Loan schemes implemented under the Smallholder Agribusiness Partnerships Programme (SAPP)
- Smallholder Tea and Rubber Revitalization (STaRR) Scheme

This is to inform you that the deadlines for accepting the customer requests for moratoriums case by case basis and the submission of the moratorium requests to the CBSL for the abovementioned schemes have extended up to 15.11.2021. Accordingly, all the moratorium requests must be sent to the CBSL on or before 15.11.2021. RDD will consider only moratorium requests which meet

the mentioned deadline for paying the interest subsidy or refinance recovery calculations under the given moratoriums for the second half of year 2021.

Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadline mentioned above, to maintain the operational efficiency of the Schemes.

Yours faithfully,
 B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/IS/SF/2021/01

Regional Development Department
 Central Bank of Sri Lanka
 P.O. Box 590
 No. 30, Janadhipathi Mawatha
 Colombo 01
 21.12.2021

To: All Participatory Financial Institutions

OPERATING INSTRUCTIONS

INTEREST SUBSIDY LOAN SCHEME FOR INTENSIFICATION OF SHRIMP FARMS IN SRI LANKA

The Operating Instructions No: RDD/IS/SF/2021/01 dated 21.12.2021 are issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) to all Participatory Financial Institutions (hereinafter referred to as "the PFIs") to introduce and implement an Interest Subsidy Loan Scheme for Intensification of Shrimp Farms in Sri Lanka (hereinafter referred to as the Scheme).

1. Introduction

- 1.1. The Scheme is introduced by the CBSL upon the request of the State Ministry of Ornamental Fish, Inland Fish & Prawn Farming, Fishery Harbor Development, Multiday Fishing Activities and Fish Exports (hereinafter referred to as "State Ministry of Fisheries") to implement an interest subsidy loan scheme under concessionary terms for intensification of shrimp farms in Sri Lanka by upgrading the facilities of shrimp farmers (herein after referred to as "Borrowers") to increase the production.
- 1.2. PFIs are expected to use their own funds to grant loans to the eligible Borrowers at a concessionary interest rate. Interest subsidy will be provided by the CBSL to PFIs to cover the cost of funds of PFIs of loans granted under the Scheme.
- 1.3. PFIs are eligible to claim interest subsidy from the CBSL for the loans granted to the borrowers under the Scheme.
- 1.4. RDD of the CBSL has been vested with the authority to operate the Scheme as the implementing agency.

2. Funding

- 2.1 Funds for the loan disbursement: PFIs' own funds
- 2.2 Funding for the provision of Interest Subsidy: State Ministry of Fisheries

3. Participatory Financial Institutions (PFIs)

Bank of Ceylon, Peoples' Bank and Regional Development Bank.

4. Salient Features of the Scheme

- 4.1 Key Features of the scheme

(i) Maximum Loan Amount per Borrower	Rs. 100 mn (Maximum Rs.5mn per pond)	
(ii) Interest Rate applicable to Borrower	During the first 18 months	4.5% per annum
	For the next 06 months	8.5% per annum

(iii) Interest Subsidy	During the first 18 months	4% per annum
	For the next 06 months	No Interest Subsidy will be paid
(iv) Maximum Repayment Period including the Grace Period		Two (02) years
(v) Grace Period		Six (06) months

4.2 General Features

- (i) Nature of the Project - Interest Subsidy Loan Scheme under Concessionary terms for Intensification of Shrimp Farms
- (ii) Objectives of the Scheme - Assist shrimp farmers to upgrade their farms
- (iii) Target Group/Borrowers - Shrimp farmers who are currently having "B" Grade & "C" Grade shrimp farms
- (iv) Area of Operation - All island
- (v) Selection of Borrowers - Borrowers to be selected by the State Ministry of Fisheries and/or National Aquaculture Development Authority of Sri Lanka (NAQDA) by calling applications from eligible shrimp farmers who are both technically and financially capable, through a selection process.
 - Based on the fund availability, the selection of beneficiaries shall be decided by the State Ministry of Fisheries and/or NAQDA by time to time.
- (vi) Collateral - NAQDA farm license/ Buy-back guarantee/Formal cooperative guarantee from exporters or any other collateral acceptable to the PFI

4.3 Borrowers are entitled to a grace period of 06 months and after that loan has to be paid in two installments within a year. Half of the loan amount (i.e. 50% of the capital and the applicable interest) has to be paid by the borrower before end of 12 months from the date of granting the loan. Balance payment has to be made within next 6 months before ending the loan tenure.

4.4 Borrowers can extend the tenure of their loan for a further period of 06 months (i.e. up to a maximum of two years for total repayment including the grace period) if the PFI are agreed. However, in that case interest subsidy will not be provided for the extended period and the borrower shall pay the total interest to the PFI, which is maximum of 8.5% per annum.

4.5 Irrespective of the loan period, interest subsidy will be provided only for the first 18 months of the loan by the CBSL.

4.6 Borrowers are opted for no payment of interest, during the grace period mentioned in 4.3 above and the accumulated interest should be equally distributed among the remaining loan period. The interest accumulated after the grace period (first 06 months) has to be paid in full while making the first payment to the PFI by the borrower. No interest should be charged on accumulated interest during the grace period.

5. The Role and Responsibilities of PFI

- 5.1. Nominate a senior official within the Head Office of the PFI to co-ordinate and supervise loan operations with the branch offices, State Ministry of Fisheries, NAQDA and with the CBSL.
- 5.2. Ensure that required staff is allocated to implement the Scheme, throughout the branch network.
- 5.3. Designate an appropriate number of branches for granting of loans and make such branch staff aware on the implementation of the Scheme.
- 5.4. Undertake full responsibility of the delivery of credit and recoveries.
- 5.5. Ensure to select and grant loans solely based on the recommendations made by the State Ministry of Fisheries and/or NAQDA.
- 5.6. Ensure to take actions to avoid single customer obtaining several loans from the PFI under the Scheme.
- 5.7. Ensure that any branch of the PFI shall not, in any circumstance, grant loans for the eligible borrowers under the Scheme, at any interest rate higher than the rate mentioned in Section 4.1(ii) above.
- 5.8. Satisfy itself that each project is economically and financially viable and feasible.

- 5.9. Maintain records and a separate database with regard to the Scheme facilitating to trace all information regarding a loan.
- 5.10. Cooperate with the State Ministry of Fisheries and/or NAQDA fully, in order to achieve the goals of the Scheme with respect to credit delivery and capacity development of beneficiaries to ensure complete absorption of funds earmarked for the component.
- 5.11. Furnish data and information related to the Scheme requested time to time by CBSL in the relevant formats, through the respective Head Offices.
- 5.12. Perform pre and post-supervision of the loans granted under the scheme.
- 5.13. Observe normal care and prudence in disbursing the loans to the eligible Borrowers and to take all reasonable steps to ensure that the loans are utilized for the purposes for which they have been granted.
- 5.14. Maintain Accounts and Financial Statements
- (a) PFIs are required to maintain appropriate records and ledger accounts to indicate inter alia, loan appraisal, approvals, disbursement and recovery.
 - (b) PFIs are required to maintain separate accounts for the utilization of loan proceeds and interest subsidy operations.
 - (c) PFIs should make available the Accounts and Financial Statements for the inspection and review of CBSL. Further, the PFI should submit the Accounts and Financial Statements to CBSL as and when required.

5.15. Required to;

- (a) Monthly report the disbursement of loan details according to the Annex I, on or before 15th of each month for the preceding month, to the CBSL with copies to the State Ministry of Fisheries and NAQDA.
- (b) Monthly report the early settlement of loans and over-payment of loan instalments by the borrowers, according to the Annex III, on or before 15th of each month for the preceding month, to the CBSL with copies to the State Ministry of Fisheries and NAQDA.
- (c) Bi-annually report the NPL status of the disbursed loans as per the Annex IV to the CBSL.

5.16. All hard copies of Annex I, III and IV mentioned above should reach Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01 and the soft copies should be sent to the e-mail addresses which will be informed by the Director, Regional Development Department or any other authorised Officer of the Regional Development Department of the CBSL.

5.17. Follow the procedure stipulated in the Operating Instructions in claiming interest subsidy.

6. Role of the CBSL

- 6.1 Issue Operating Instructions and amendments to PFIs as and when necessary.
- 6.2 Release interest subsidy under the Scheme on the first-come first-served basis, upon arrival of the duly completed interest subsidy application in compliance with the Operating Instructions of the Scheme and inform the particulars of the release of interest subsidy to the respective Head Office of the PFIs.
- 6.3 Ensure that calculate and recommend the interest subsidy is provided semi - annually within forty-five (45) days of the receipt of the duly completed interest subsidy application.
- 6.4 Conduct progress review of the fund disbursement of the PFIs against the submitted beneficiaries by the State Ministry of Fisheries and/or NAQDA with the participation of the State Ministry of Fisheries, NAQDA, and PFIs as and when necessary.

7. Role of the State Ministry of Fisheries

- 7.1 Nominate a senior official of the State Ministry of Fisheries to co-ordinate with the CBSL, PFIs and NAQDA.
- 7.2 Carry out the monitoring and evaluating process of the Scheme, implement the necessary policy actions and monitoring and evaluating post disbursement of loans liaise with the NAQDA and the PFIs.
- 7.3 Oversee the functions of the NAQDA to ensure its operations are in line with the terms and conditions stipulated in the Administration Agreement.
- 7.4 Make payments to the PFIs through the CBSL, for the recommended interest subsidy claims submitted by the CBSL.
- 7.5 Ensure that the initial loan projections and interest subsidy calculations are maintained within the approved limitations during the process of recommending the loan amounts to the PFIs by the NAQDA.

- 7.6 Involve conducting progress review of the fund disbursement of the PFIs against the submitted borrowers by the NAQDA with participation of the relevant PFIs as and when necessary.
- 7.7 Supervise and conduct the fund flow of the Scheme in collaboration with the NAQDA

8. Role of the NAQDA

- 8.1 Nominate a senior official of the NAQDA to co-ordinate with the CBSL, PFIs and State Ministry of Fisheries.
- 8.2 Select borrowers to obtain the loan under the Scheme.
- 8.3 Provide opportunity to the borrowers selected by the NAQDA to obtain loans, to select the PFI based on their own preferences.
- 8.4 Direct the borrowers with a valid document including all details to prove their eligibility to the PFIs and shall inform the PFI to grant the loan under the Scheme and recommend the loan amount whilst maintaining the initial calculations given in the proposal.
- 8.5 Ensure to take actions to avoid single customer obtaining several loans from the PFIs under the Scheme.
- 8.6 Ensure that the initial loan projections and interest subsidy calculations are maintained within the approved limitations during the process of recommending the loan amounts to the PFIs.
- 8.7 Maintain records of the borrowers directed to the PFIs, loans disbursed to them and the interest subsidy provided by the CBSL for each of the loans disbursed.
- 8.8 Supervise and conduct the fund flow of the Scheme in collaboration with the State Ministry of Fisheries.
- 8.9 Take all reasonable steps to ensure that the loans are utilized for the purposes for which they have been granted and carry out post-supervision of the projects under the scheme to ensure that the projects are being operating up to the expected level.

9. Interest Subsidy Payments

- 9.1. The CBSL will provide an interest subsidy at a rate specified in these Operating Instructions for loans provided by the PFIs out of their own funds according to the terms and conditions specified in these Operating Instructions.
- 9.2. PFIs, in order to be qualified for the interest subsidy under the Scheme, are required to provide loans to the eligible borrowers at the interest rate mentioned in Section 4.1(ii) above, in all circumstances. Loans which do not fulfil this requirement, will not be eligible for interest subsidy under the Scheme.
- 9.3. The procedure to follow is given below;
- (a) Duly completed interest subsidy applications given in Annex II should be submitted to the CBSL semi-annually by the Head Office of PFI, adhering to the deadlines given in the section 9.3 (c) below, after releasing the loans. Both soft and hard copies of the interest subsidy applications are to be made available to the CBSL.
 - (b) CBSL shall pay the interest subsidy on the capital outstanding of the loan at a rate of 4% per annum for the first 18 months of the loan including the grace period on monthly basis using the Reducing Balance Method and Actual/365 day count basis. In calculating the capital outstanding, fully or partly early settlement of loans will also be taken in to consideration.
 - (c) Duly completed Annex II hereto shall be submitted to the CBSL by the Head Office of the PFI on or before the 31st day of the month of July and January in each year for consideration of releasing Interest Subsidy under the Scheme.
 - (d) Once all the claim applications of the PFIs are received to the CBSL within the given time period, RDD will sanction the interest subsidy application and forwards to the State Ministry of Fisheries requesting the applicable interest subsidy claims for each PFI under the Scheme, semi - annually, and will be settled the claims after receiving due amounts from the State Ministry of Fisheries.
- 9.4. All hard copies of applications claiming interest subsidy under the Scheme should reach Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01 and the soft copies should be sent to the e-mail addresses which will be informed by the Director, Regional Development Department or any other authorised Officer of the Regional Development Department of the CBSL.
- 9.5. CBSL reserves the right to refer the interest subsidy application to the PFI, in the event of further clarifications are required.

10. General Conditions

The CBSL reserves the right to;

- 10.1. conduct field inspection, visit PFIs and inspect the ledgers and books etc. and any other supervisory and regulatory action where deemed to be necessary,
- 10.2. recall any sums paid on a claim to a PFI where there is evidence that the PFI has wilfully neglected to take adequate steps to ensure proper supervision, care and prudence in lending resulting in fictitious loans, misutilization of loans by the borrowers or where there is evidence of any misdemeanour committed by the PFI in the grant of loans, the CBSL will deny liability and where a claim has been admitted,
- 10.3. revoke the eligibility of any Bank to operate as a PFI under the Scheme in an event of non-compliance to the Operating Instructions of the Scheme and
- 10.4. revise the terms and conditions of the Scheme as and when necessary.

The Scheme will be effective from the date of 21st December 2021

M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Annex I

Interest Subsidy Loan Scheme for Intensification of Shrimp Farms in Sri Lanka

New Loans Details - Monthly Report

I do hereby certify that the loans indicated above were granted out of the Bank's own resources at an interest rate of ... per annum and that the bank is eligible to receive the interest subsidy in terms of operating Instruction No. RDD/IS/SF/2021/01

..... Name of the Authorised Officer

Date

Signature of the Authorised Officer

.....
Bank Stamp

Note: Each and every sheet need to be placed the stamp and the signature of the authorised officer.

Annex II

Interest Subsidy Loan Scheme for Intensification of Shrimp Farms in Sri Lanka

Statement of Pre-mature/Over Settlement of Loans

Reporting Month/Year: _____
Bank: _____

I hereby certify that the Sub-login details indicated above are true & correct.

.....
Name of the Authorised Officer

..... Date

.....
Bank Stamp

.....
Signature of the Authorised Officer

Note: Each and every sheet need to be placed the stamp and the signature of the authorised officer.

INTEREST SUBSIDY LOAN SCHEME FOR INTENSIFICATION OF SHRIMP FARMS IN SRI LANKA

NON-PERFORMING LOAN STATUS

Name of the Bank:

Reporting Period (Bi annual||y):

* NPI of the SIS scheme of fisheries as a percentage of total cans given under the same Scheme

*** NPI of the IS achieved following an intervention of the Bank

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Total Loans & Advances of the Bank (₹ ₹ Mn)

TTots| NPI of the Bank (1 KB Ma)

111 of 111

(Name & Signature and
Stamp of the Authorised Officer)

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

NO. 2221/55-THURSDAY, APRIL 01, 2021
 (Published by Authority)

PART I : SECTION (I) — GENERAL
CENTRAL BANK OF SRI LANKA NOTICES
THE MONETARY LAW ACT

REGULATIONS made by the Monetary Board under section 32E of the Monetary Law Act, (Chapter 422).

Prof. W D Lakshman
Chairman, Monetary Board.

Central Bank of Sri Lanka,
 Colombo,
 01st April, 2021.

Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations
Amendment to the Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010

- | | |
|--|--|
| Citation | 1. These Regulations shall be cited as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 1 of 2021". |
| Amendment to the principal regulation | <p>2. The Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010 published in Gazette Extraordinary No. 1673/11 of 28 September, 2010, are hereby amended, as follows:-</p> <p>(a) In Regulation 9 thereof, by the repeal of paragraph 9.4 of that Regulation and the substitution of the following paragraph:-
 "9.4 The compensation within the limits as specified, will be paid expeditiously from the date of the suspension or cancellation of the licence, as the case may be. No interest will be paid in the ensuing period."</p> <p>(b) In Regulation 9 thereof, by the repeal of paragraph 9.6 of that Regulation and the substitution of the following paragraph in lieu thereof :-
 "9.6 The amount of compensation payable to a depositor shall be limited to the total insured deposits computed as above, subject to a maximum amount of Rupees One Million and One Hundred Thousand (Rs.1,100,000) in respect of LKR deposits or in the case of foreign currency deposits, its equivalent in LKR, and upto that extent, if such amount exceeds Rupees One Million and One Hundred Thousand (Rs.1,100,000)." </p> <p>(c) In Regulation 9 thereof, by the insertion of the following paragraph immediately after paragraph 9.10 :-
 "9.11 In the case of a Member Institution, whose licence has been cancelled, the insured depositors thereof shall be entitled to receive compensation payment under this Regulation, only in so far as such insured depositors submits the duly completed claim for the eligible compensation, before the appointment of the liquidator by the competent court in respect of the liquidation of such Member Institution."</p> |
| Transitional Provisions | 3. The insured depositors of the Member Institutions whose licences have been cancelled or suspended, as the case may be, prior to the date of this Regulation, shall be entitled to receive compensation payable under this Regulation, subject to a maximum of Rupees One Million and One Hundred Thousand (Rs.1,100,000) or its LKR equivalent in the case of foreign currency deposits, provided that such insured depositors have :- |

- a) Either not claimed compensation as of date, or
- b) Have already made their claim, but have not been paid compensation as of date, or
- c) Have already been paid amounts of compensation, but such compensation is less than Rupees One Million and One Hundred Thousand (Rs. 1,100,000).

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO. 2239/52 - FRIDAY, AUGUST 06,2021

(Published by Authority)

**PART I : SECTION (I) — GENERAL
CENTRAL BANK OF SRI LANKA NOTICES
THE MONETARY LAW ACT**

REGULATIONS issued by the Monetary Board of the Central Bank of Sri Lanka (Monetary Board), under section 32E of the Monetary Law Act, (Chapter 422).

Prof. W D Lakshman
Chairman, Monetary Board.

Colombo,
06th August 2021

Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations

- | | | |
|---|-----|--|
| 1. Citation | 1.1 | These Regulations shall be cited as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No.02 of 2021". |
| 2. Objective of the Scheme & Enabling Provisions | 2.1 | In terms of Section 5 of the Monetary Law Act, No. 58 of 1949, the Central Bank of Sri Lanka is charged with the duty of securing, as far as possible, by action authorised by such Act, the two primary objectives of (a) economic and price stability and (b) financial system stability. |
| | 2.2 | In terms of Sections 32A to 32E of the Monetary Law Act, the Central Bank may establish, maintain, manage and control, as determined by the Monetary Board from time to time, a scheme for insurance of deposits held by banking institutions. |
| | 2.3 | In terms of Sections 46(1) and 76(J) of the Banking Act, No. 30 of 1988, the Monetary Board is empowered to issue Directions to licensed commercial banks and licensed specialized banks, regarding the manner in which any aspect of the business of such bank is to be conducted, in order to ensure the soundness of the banking system. |
| | 2.4 | In terms of Sections 38, 39 and 41 of the Finance Business Act, No. 42 of 2011, the Monetary Board may operate a scheme for insurance of deposits held by licensed finance companies and require such finance companies to insure their deposit liabilities under the scheme or under a body corporate authorised by the Monetary Board. |
| | 2.5 | Accordingly, the Sri Lanka Deposit Insurance and Liquidity Support Scheme is established in the interest of the overall financial system stability of the country (hereafter referred to as "the Scheme"). It will outline a mechanism to protect small depositors in the event of a failure of a Member Institution, with a view to upholding the public trust in the financial system. |
| 3. Title of the Scheme and Effective Date | 3.1 | This Scheme shall be titled the "Sri Lanka Deposit Insurance and Liquidity Support Scheme". |
| | 3.2 | The Scheme under these Regulations shall come into effect from the 06th of August, 2021. |

- 4. Member Institutions to be governed by the Scheme**
- 5. Eligible Deposits to be insured**
- 4.1 Every Licensed Bank, Licensed Finance Company shall be a member of the Scheme (referred to in these Regulations as a "Member Institution").
- 5.1 Eligible deposits to be insured, shall include demand, time and savings and certificates of deposit liabilities of Member Institutions, value of the shares of shareholders who were initially deposit holders, whose deposits were converted into equity under the Directions of the Monetary Board in 2010 and 2011 as part of the business restructuring plans implemented prior to 01.01.2012 and exclude all debt instruments, including any promissory note, hybrid equity and such other debt instrument as may be determined by the Monetary Board .
For this purpose, the value of shares of shareholders whose deposits were converted into equity, shall be the value of deposit/s that had been converted into shares.
- 5.2 The following deposit liabilities shall be excluded from the Scheme:
- (i) Deposit liabilities to Member Institutions.
 - (ii) Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in Banking Act Direction, No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act Direction, No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks and the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies."
 - (iii) Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel of the respective Member Institution;
 - (a) Where the Monetary Board has issued Directions to remove such Director/s or Key Management Personnel , as the case may be, from the Board of Directors and/or Key Management Personnel from the position or positions held by such personnel in the respective Member Institution, due to such Directors or Key Management Personnel being involved in or concerned with, carrying on the business operations or management of the Member Institution, following any unsound, improper, dishonest, deceitful or fraudulent financial practice or practices, detrimental to the interests of its depositors and other creditors.
 - (b) Where the Director of Bank Supervision/Director of the Department of Supervision of Non-bank Financial Institutions, have determined that such Director or Directors and/or any one or more Key Management Personnel is and/or are not fit and proper to hold office in the Member Institution, in as much as they being subject to an investigation or inquiry for or concerning an act involving fraud, cheating, misappropriation, deceit, dishonesty or any other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or in any other jurisdiction OR have been found guilty for any act which involves fraud, cheating, misappropriation, deceit, dishonesty, improper conduct or non-compliance with the provisions of any law or any rule, regulation, direction, determinations made thereunder, by any court of law, regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or in any other jurisdiction.
 - (c) Where the Monetary Board determines ex mero motu, upon being satisfied upon material available, that any Director or Directors, or any Key Management Personnel of any Member Institution, is or are disentitled to receive any benefit under the Scheme, due to having been responsible for or having engaged in or engaging in, or being involved in carrying on the business operations or management of the Member Institution, by or through following any unsound, improper, dishonest, deceitful or fraudulent financial practice/s, detrimental to the interests of its depositors and other creditors.

- (iv) Deposits falling within the meaning of abandoned property in terms of the Banking Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.
 - (v) Dormant deposits in terms of the Finance Business Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.
- 5.3 In the case of foreign currency deposit liabilities, the daily indicative exchange rates issued by the International Operations Department of the Central Bank of Sri Lanka, shall be used to convert the foreign currency liabilities into local currency.
- 5.4 All eligible deposits shall be insured by Member Institutions.
- 6. Premium to be levied on insured deposits**
- 6.1 Each Member Institutions shall pay a premium calculated on the total amount of deposits inclusive of any interest accrued, excluding the deposit liabilities stated in 5.2 above, as at the end of the quarter/month as may be determined by the Monetary Board, from time to time, to the Sri Lanka Deposit Insurance and Liquidity Support Fund stated in Regulation 7.
- 6.2 The calculation of premia effective until further notice, shall be as follows:
 - (i) Licensed banks, which maintained a capital adequacy ratio of 14 per cent or above at the end of the immediately preceding financial year as per its audited accounts as accepted by the Director of Bank Supervision – a premium of 0.10 per cent per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
 - (ii) All other licensed banks – a premium of 0.125 per cent per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
 - (iii) Licensed Finance Companies – a premium of 0.15 per cent per annum payable monthly calculated on total amount of all eligible deposits as at end of the month.
- 6.3 Each Member Institution shall remit the applicable amount of the premium to the account of the Sri Lanka Deposit Insurance and Liquidity Support Fund within a period of fifteen (15) calendar days from the end of the respective quarter/month and submit the details of deposits and calculation of premium in a format specified by the Director of the department of the Central Bank of Sri Lanka, who shall be responsible for the operational and administrative arrangements of the Scheme, as specified in Regulation 10.1.
- 6.4 In the event of a delay in the payment of the premium inclusive of instances of under-payment, a penalty will be levied at the prevailing weighted average 91 days primary Treasury bill yield rate plus 200 basis points or as may be determined by the Monetary Board.
- 7. Sri Lanka Deposit Insurance and Liquidity Support Fund**
- 7.1 The Scheme shall have a fund titled "Sri Lanka Deposit Insurance and Liquidity Support Fund" (hereafter referred to as "the Fund"), and it shall be operated and managed by the Monetary Board, which responsibility may delegate to an officer or a Department of the Central Bank of Sri Lanka as it may consider necessary and Regulation 10.1 below, specifies the present operational and management arrangements.
- 7.2 The administration and management arrangements of the Sri Lanka Deposit Insurance and Liquidity Support Fund shall be distinct and independent from that of the supervisory departments of Member Institutions, in order to prevent or avoid any natural or other conflicts of interest.
- 7.3 Credits to the Fund shall include: premia and penalties paid by Member Institutions, all proceeds of profits, investment income and gains arriving out of the investments of the moneys in the Fund, recovery of secured advances or loans granted to any Member Institution, recovery of compensation paid to depositors, such sums as may be appropriated out of the abandoned property in the case of licensed banks and dormant deposits in the case of licensed finance companies transferred to the Central Bank of Sri Lanka in terms of Directions issued by the Monetary Board under Part IX – Sections 72 and 76 of the Banking Act and Sections 23 of the Finance Business Act as applicable, borrowings and contributions from the Government and/or any other sources as may be approved by the Monetary Board.

- 7.4 Debits to the Fund may be on account of :- Compensation payments to depositors, repayment of abandoned property/dormant deposits lying in the fund and the operating expenses of the Scheme, as may be determined by the Monetary Board.
- 8. Utilisation of moneys in the Fund**
- 8.1 Apart from any debits to the fund, the moneys in the Fund shall be utilized as hereinafter provided:
- (i) Investments in Government Securities - Government securities shall include Treasury bills, Treasury bonds and all other marketable securities issued by the Government of Sri Lanka. For avoidance of doubt and for the purposes of these Regulations, these will include investments made by way of reverse repurchase agreements.
 - (ii) Secured advances or loans to any Member Institution in the instance of a severe liquidity crisis in such Member Institution, if, in the opinion of the Monetary Board (after considering an assessment report on the liquidity position submitted by the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a licensed finance company), that such an advance/loan will substantially contribute towards avoiding or averting an imminent financial panic in the particular institution, or in respect of that institution, or in the financial system as a whole AND if the same is warranted in the totality of the attendant circumstances.
- 8.2 Such advances or loans to Member Institutions in terms of Regulation 8.1(ii) shall be provided on the pledging of collateral in the form of Government securities, at prevailing market interest rates or otherwise, as may be unanimously determined by the Monetary Board, taking into consideration, the viability of the Fund and the opportunity cost of such decision, to the Fund.
- 8.3 The repayment period of such loans or advances shall be as determined by the Monetary Board.
- 8.4 The Monetary Board may issue Operational Guidelines pertaining to the granting of such loans or advances, supplemental to these Regulations.
- 9. Compensation on Insured Deposits**
- 9.1 Compensation to depositors on insured deposits will be paid as per Regulations issued by the Monetary Board from time to time, or as hereinafter provided.
- 9.2 Member Institutions shall maintain records of all depositors with an unique identification number for each depositor and submit details of all the depositors. Such details shall be submitted quarterly by licensed banks and monthly by licensed finance companies, to the department of the Central Bank of Sri Lanka, who shall be responsible for the operational and administrative arrangements of the Scheme as specified in Regulation 10.1, in a format as specified by the Director of such department from time to time. In the case of resident individuals, the unique identification number shall be the National Identity Card Number. In the case of companies registered under the Companies Act, the company registration number shall be considered and all other non-individuals, registration numbers issued by the relevant and accepted approving authority, shall be considered as the unique identification number.
- 9.3 A Member Institution shall cease to be a member of the Scheme upon the cancellation of the licence of such Member Institution to carry on banking business or finance business, by the Monetary Board.
- 9.4 Compensation on insured deposit liabilities of a Member Institution will be paid only when the licence issued to the Member Institution is cancelled by the Monetary Board in terms of the relevant statutory provisions.

- 9.5 Within fourteen (14) calendar days from the announcement of the decision of the Monetary Board to cancel its licence, the Member Institution shall submit the list of depositors with the certification of the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a licensed finance company, in the format specified by the Director of the Department of the Central Bank of Sri Lanka, who shall be responsible for the operational and administrative arrangements of the Scheme as specified in Regulation 10.1 for the purpose of payment of compensation as at the date of the Monetary Board Order of cancellation. For the purpose of certification of the list of depositors, the Director of Bank Supervision and the Director of Department of Supervision of Non-Bank Financial Institutions may obtain the service of an External Auditor, if necessary.
- 9.6 The payment of compensation on insured deposit liabilities of a Member Institution shall be commenced within sixty (60) calendar days from the date of the cancellation of the licence and honour the claims of insured depositors submitted not later than two (02) years from the date of cancellation of the licence. The insured depositors of the Member Institutions whose licences have been cancelled/suspended prior to the date of these Regulations, shall submit their claims not later than four (04) years from the date of the cancellation/suspension of the licence issued to the respective institution.
- 9.7 In the case of a Member Institution, whose licence has been cancelled, the insured depositors thereof, shall be entitled to receive compensation payment under this Regulation, only in so far as such insured depositors submits the duly completed claim for the eligible compensation, before the appointment of the liquidator by the competent court in respect of the liquidation of such Member Institution or before the expiration of the periods to submit claims as specified in Regulation 9.6 above, whichever occurs earlier.
- 9.8 The compensation payable in respect of insured deposits of a Member Institution will be computed on a "per-depositor" basis, consolidating all insured deposits liabilities to each depositor inclusive of any interest accrued as at the date of the cancellation of the licence of the Member Institution. No interest shall be paid for the ensuing period.
- 9.9 The amount of compensation payable to a depositor shall be limited to the total insured deposits computed as above, subject to a maximum amount of Rupees One Million and One Hundred Thousand (Rs.1,100,000), in respect of LKR deposits or in the case of foreign currency deposits, its equivalent in LKR, and up to that extent, if such amount exceeds Rupees One Million and One Hundred Thousand (Rs.1,100,000).
- 9.10 The insured depositors of the Member Institutions whose licences have been cancelled or suspended, as the case may be, prior to 01.04.2021, shall be entitled to receive compensation payable under this Regulation, subject to a maximum of Rupees One Million and One Hundred Thousand (Rs.1,100,000) or its LKR equivalent in the case of foreign currency deposits, provided that such insured depositors have :-
- either not claimed compensation as of 01.04.2021, or
 - made their claim by 01.04.2021, but have not been paid compensation as at the date of these Regulations coming into force, or
 - in cases where compensation been paid by 01.04.2021, but such compensation is less than Rupees One Million and One Hundred Thousand (Rs. 1,100,000).

- 9.11 Any compensation paid to depositors of a Member Institution by the Sri Lanka Deposit Insurance and Liquidity Support Scheme shall be accounted in the books of the Member Institution as its deposit liability to the Sri Lanka Deposit Insurance and Liquidity Support Scheme, while redeeming the deposit liabilities due to the respective depositors by an equivalent amount.
- 9.12 In the event that any depositor is unable to or has not received the entitled compensation at the time of payment of compensation, the legal beneficiaries of the depositor shall be paid the compensation in terms of the applicable legal provisions and procedures.
- 9.13 The Monetary Board may enter into an agreement with a licenced bank/s, if the Monetary Board deems it so necessary, in order to expedite the compensation payments to the depositors of a particular Member Institution, whose licence has been cancelled.
- 9.14 Any specific instructions or guidelines relevant to the compensation payment process of insured depositors of Member Institutions, may be determined by the Monetary Board, from time to time.
- 9.15 The payment of compensation shall not be a liability of the Monetary Board under any circumstances, and shall be strictly limited only to the funds available or raised in the Sri Lanka Deposit Insurance and Liquidity Support Fund, including any borrowings permitted and contributions received. The Monetary Board shall not be responsible for any liability or claim that exceeds the total amount lying to the credit of the Fund, in any manner whatsoever.
- 10. Books and Accounts of the Fund**
- 10.1 There shall be an established Deposit Insurance Unit in the Resolution and Enforcement Department of the Central Bank of Sri Lanka (hereinafter referred to as "the Unit"), which shall be responsible for the operational and management arrangements, under the instructions and supervision of the Director of Resolution and Enforcement in terms of Directions/Regulations and policies as approved by the Monetary Board from time to time.
- 10.2 The Unit shall maintain books, accounts and statements relating to financial transactions of the Fund in terms of the applicable Sri Lanka Accounting Standards.
- 10.3 The financial year of the Fund shall be the calendar year and the Auditor General shall be the Auditor.
- 10.4 The Unit shall prepare financial statements on income and expenses, assets and liabilities, cash flows and investments for each financial year and submit the audited financial statements to the Monetary Board on or before 31st March of the following year and disclose such statements for the information of the Member Institutions and the public.
- 10.5 The financial statements of the Sri Lanka Deposit Insurance and Liquidity Support Fund shall be distinctly separated from the financial statements of the Central Bank of Sri Lanka and accordingly, no consolidation of the Unit's financial statements shall be made with that of the Central Bank of Sri Lanka.
- 11. Interpretation**
- 11.1 For the purposes of these Regulations,
- (i) "Licensed Banks" shall mean all banks, which are licensed under the Banking Act No. 30 of 1988, as amended and "Licensed Finance Companies" shall mean all finance companies, which are licensed under the Finance Business Act No.42 of 2011, as amended.
- (ii) "Loans and advances" shall mean a specified sum of money lent to a Member Institution, at a specified rate of interest on specified collaterals, for a specified period of time for repayment.

(iii) "Insured deposits" shall mean all eligible deposits; provided however, that the maximum amount of compensation payable to a depositor shall be limited to the amount specified in Regulation 9.9, above.

(iii) "Insured depositors" shall mean holders of eligible deposits; provided however, that the maximum amount of compensation payable to a depositor shall be limited to the amount specified in Regulation 9.9, above.

12. Repeal of Regulations

- 12.1 The Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 1 of 2010, as amended by subsequent Regulations, is hereby repealed (hereinafter referred to as "the repealed Regulations"). Notwithstanding the repeal effected under these provisions, the Sri Lanka Deposit Insurance and Liquidity Support Scheme, established under the said repealed Regulations shall subsist and be preserved and shall continue in existence, without interruption or impediment, under and subject to the provisions of these Regulations.
- 12.2 The amounts lying to the credit of the Sri Lanka Deposit Insurance and Liquidity Support Fund operated under the said repealed Regulations as at the date of the coming into operation of these Regulations, shall be deemed to be the Sri Lanka Deposit Insurance and Liquidity Support Fund under these Regulations, as at the effective date.
- 12.3 All rights, obligations, assets, properties, liabilities, powers, privileges, authorities attributed to the Scheme operated under the repealed Regulations, and interests arising in or out of such rights, assets, properties and such liabilities, all books, accounts; and documents relating or appertaining to the Scheme operated under the repealed Regulations, and subsisting on the effective date, shall be deemed as from the effective date, to be rights, obligations, assets, properties, liabilities, powers, privileges, authorities, interests, books, accounts and documents of the Scheme under these Regulations.

Finance Business Act Directions No. 01 of 2021

01 January 2021

AMENDMENT TO VALUATION OF IMMOVABLE PROPERTIES

In terms of the powers conferred by section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board hereby issues the following amendments to the Finance Business Act Direction No. 04 of 2018 on Valuation of Immovable Properties issued for Licensed Finance Companies in Sri Lanka.

Accordingly, Direction 4 and Direction 6 of the Finance Business Act Direction No. 04 of 2018 on Valuation of Immovable Properties of Licensed Finance Companies shall be replaced with the following.

4. Eligibility Criteria for Valuers 4.1 Every Licensed Finance company shall ensure that:
- Eligibility criteria for valuers are set out as follows.
 - A member of the Institute of Valuers of Sri Lanka (IVSL) who shall be:
 - A Fellow member; or
 - A Professional Associate member with 5 years of experience in such grade of membership.

For the purpose of determining number of years of experience in the grade of Professional Associate Membership, the transitional provisions stated in the Section 24 of the IVSL (Amendment) Act, No. 9 of 2019, shall be applicable.
 - A Chartered Valuation Surveyor of the Royal Institution of Chartered Surveyors (RICS) of the United Kingdom who shall be:
 - A Fellow member (FRICS); or
 - Other members of RICS with 5 years' experience in such grade of membership

		b. Valuers selected for the panel of valuers of the Licensed Finance Companies as per the qualifications set out in Direction 4.1 a) above shall acquire Continuous Professional Development as approved/recommended by respective professional body.
		c. Valuation of immovable property undertaken by internal valuers shall satisfy the eligibility criteria set out in the Direction 4.1 a) above.
		d. valuers who maintain highest levels of professional conduct, ethics and integrity in carrying out valuations of immovable property of Licensed Finance Companies are included in the panel of valuers.
6. Frequency of Valuation	6.1	The frequency of valuation of immovable property shall be as follows.
	a.	Valuation of immovable property obtained as collateral against loans and advances which are non-performing shall be made at the frequency as follows for any regulatory purpose.
	i.	In respect of credit facilities granted against residential property which is occupied by the borrower for residential purposes: a report that is not more than five years old.
	ii.	All other credit facilities: a report that is not more than four years old.
	b.	Valuation of immovable property obtained as collateral against loans and advances which are performing, shall be made at the time of initial granting and at a time of any subsequent enhancement of credit facilities.
	c.	Revaluation of immovable property as referred to in Directions 3.1 b) and c) of the Finance Business Act Direction No. 04 of 2018 on Valuation of Immovable Properties shall be made in line with the internal policies approved by Board of Directors or depending on any significant and volatile changes in fair value of such immovable property are experienced. However, such gains can only be included in Tier 2 capital once in three years.
Revocation of previous Directions		Finance Business Act Direction No. 04 of 2019 on Amendment to Valuation of Immovable properties is hereby revoked.

Prof. W D Lakshman
Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka

Finance Leasing Act Directions No. 01 of 2021

01 January 2021

AMENDMENT TO VALUATION OF IMMOVABLE PROPERTIES

In terms of the powers conferred by section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-bank Financial Institutions issues the following amendments to the Finance Leasing Act Direction No. 04 of 2018 on Valuation of Immovable Properties issued for Specialised Leasing Companies in Sri Lanka.

Accordingly, Direction 5 and Direction 7 of the Finance Leasing Act Direction No. 04 of 2018 on Valuation of Immovable Properties of Specialised Leasing Companies shall be replaced with the following.

5. Eligibility Criteria for Valuers	5.1	Every Specialised Leasing Company shall ensure that:
	a.	Eligibility criteria for valuers are set out as follows.
	a.1.	A member of the Institute of Valuers of Sri Lanka (IVSL) who shall be:
	i.	A Fellow member; or
	ii.	A Professional Associate member with 5 years of experience in such grade of membership.
		For the purpose of determining number of years of experience in the grade of Professional Associate Membership, the transitional provisions stated in the Section 24 of the IVSL (Amendment) Act, No. 9 of 2019, shall be applicable.

- a.2. A Chartered Valuation Surveyor of the Royal Institution of Chartered Surveyors (RICS) of the United Kingdom who shall be:
 - i. A Fellow member (FRICS); or
 - ii. Other members of RICS with 5 years' experience in such grade of membership
 - b. Valuers selected for the panel of valuers of the Specialised Leasing Companies as per the qualifications set out in Direction 5.1 a) above shall acquire Continuous Professional Development as approved/ recommended by respective professional body.
 - c. Valuation of immovable property undertaken by internal valuers shall satisfy the eligibility criteria set out in the Direction 5.1 a) above.
 - d. Valuers who maintain highest levels of professional conduct, ethics and integrity in carrying out valuations of immovable property of Specialised Leasing Companies are included in the panel of valuers
7. Frequency of Valuation
- 7.1 The frequency of valuation of immovable property shall be as follows.
- a. Valuation of immovable property obtained as collateral against loans and advances which are non-performing shall be made at the frequency as follows for any regulatory purpose.
 - i. In respect of credit facilities granted against residential property which is occupied by the borrower for residential purposes: a report that is not more than five years old.
 - ii. All other credit facilities: a report that is not more than four years old.
 - b. Valuation of immovable property obtained as collateral against loans and advances which are performing, shall be made at the time of initial granting and at a time of any subsequent enhancement of credit facilities.
 - c. Revaluation of immovable property as referred to in Directions 4.1 b) and c) of the Finance Leasing Act Direction No. 04 of 2018 on Valuation of Immovable Properties shall be made in line with the internal policies approved by Board of Directors or depending on any significant and volatile changes in fair value of such immovable property are experienced. However, such gains can only be included in Tier 2 capital once in three years.

Revocation of previous
Directions

Finance Leasing Act Direction No. 02 of 2019 on Amendment to Valuation of Immovable properties is hereby revoked.

J D S J Nanayakkara
Director, Department of Supervision of Non-Bank
Financial Institutions, Central Bank of Sri Lanka

Finance Business Act Directions No. 02 of 2021

17 February 2021

AMENDMENTS TO DIRECTIONS ON LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN RESPECT OF MOTOR VEHICLES

Issued under Section 12 of the Finance Business Act, No.42 of 2011.

The Central Bank of Sri Lanka issues Directions as follows for implementation of loan to value ratios in respect of credit facilities granted by Licensed Finance Companies (LFCs), for the purpose of purchase or utilisation of motor vehicles.

1. The following will replace Directions 1 (i) (b) of the Finance Business Act Directions No.03 of 2020 on Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in respect of Motor Vehicles.

"(b) 80 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration."

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Finance Leasing Act Directions No. 02 of 2021

17 February 2021

AMENDMENTS TO DIRECTIONS ON LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN RESPECT OF MOTOR VEHICLES

Issued under Section 34 of the Finance Leasing Act, No.56 of 2000.

The Central Bank of Sri Lanka issues Directions as follows for implementation of loan to value ratios in respect of credit facilities granted by Specialized Leasing Companies (SLCs) for the purpose of purchase or utilization of motor vehicles.

1. The following will replace Directions 1 (i) (b) of the Finance Leasing Act Directions No.03 of 2020 on Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in respect of Motor Vehicles.

- (b) 80 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration.

J D S J Nanayakkara
Director, Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka

Circular No. 04 of 2021

12 March 2021

CONCESSIONS FOR LEASE FACILITIES OBTAINED BY BUSINESSES AND INDIVIDUALS IN PASSENGER TRANSPORTATION SECTOR

With a view to meeting the challenges faced by businesses and individuals engaged in passenger transportation sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed finance companies and specialised leasing companies, (hereinafter referred to as Non-Bank Financial Institutions), to provide concessions for the payment of lease facilities obtained by COVID-19 affected businesses and individuals engaged in passenger transportation services (hereinafter referred to as the Scheme) for a period of six months commencing from 1 April 2021 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all Non-Bank Financial Institutions (NBFIs).

1. Period of deferment of lease installments

- 1.1. NBFIs shall defer the lease installments for a period not exceeding 6 months commencing from 1 April 2021 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers.
- 1.2. On the request made by affected borrowers, the lease installments (both capital and interest) shall be deferred by NBFIs.

2. Deadline for submission of the application

- 2.1. Eligible borrowers may request on or before 19 April 2021, for deferring the lease installments in writing or through electronic means. NBFIs shall expeditiously communicate the concessions, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including email and SMS.
- 2.2. NBFIs shall accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable.

3. Eligible borrowers

- 3.1. Businesses and individuals engaged in providing public passenger transportation, private passenger transportation such as school transport service, office transport service, taxis including three wheelers, etc. and providing passenger transportation services to tourism sector.
- 3.2. NBFIs may request the eligible borrower to submit necessary documentations to ensure that the vehicle is used to provide passenger transportation to the sectors referred in paragraph 3.1 above.

4. Eligible credit facilities

Performing lease facilities including lease facilities under moratorium as at 31 March 2021 obtained by eligible borrowers referred to under paragraph 3 above.

5. Structuring of the concession

5.1. Extending the existing tenure of lease facilities

- (a) NBFIs shall extend the existing tenure of lease facilities eligible for deferment.
- (b) NBFIs may charge an interest rate for the deferred period only on the lease installments falling due during the deferred period, at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 5.5 per cent per annum and shall not exceed 11.5 per cent per annum.
- (c) Such interest accrued on deferred installments shall be recovered from April 2023 along with the existing lease installment falling due during this period on a monthly basis. In the case where, the remaining tenure of the lease facility ends before April 2023, the NBFIs may commence recovery of such interest at the completion of the remaining tenure of the lease facility.
- (d) Once the remaining tenure of the existing lease facility is over, borrowers shall commence repayment of the deferred installments referred to in paragraph 5.1 (a) above.

5.2. Recovery of amounts due on the moratorium

- (a) Considering that the use of public and private transportation is gradually returning to normalcy due to reopening of schools (monthly payments being collected uninterruptedly by many transport providers), offices, airport, etc., potential impact of the extended debt moratoria on the NBFIs, and the ongoing vaccination program, NBFIs shall commence recovery of installments falling due in relation to the moratoria granted during 01 April 2019 to 31 March 2020, 01 April 2020 to 30 September 2020 and 01 October 2020 to 31 March 2021 (hereinafter referred to as moratoria), as applicable, during the deferred period of the existing lease facility referred to in paragraph 5.1(a) above.
- (b) The repayment of the remaining installments due in relation to the previous moratorium as referred to in paragraph 5.2(a) above, shall be deferred until the remaining tenure including the deferred period of the existing lease facility is over.
- (c) For such deferred period of the installments due in relation to the moratoria, interest shall accrue at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 5.5 per cent per annum and shall not exceed 11.5 per cent per annum.
- (d) Such interest shall be recovered on a monthly basis immediately after completing the payment of interest referred in paragraphs 5.1(b) and (c) above along with the installments on the existing lease facility and deferred installments relating to moratoria referred to in paragraph 5.2(b), as applicable.
- (e) Once the remaining tenure including the deferred period of the existing lease facility is over, borrowers shall commence repayment of the deferred installments relating to the moratoria referred to in paragraph 5.2(b) above.

5.3. If the borrower submits a written request to settle the lease instalments falling due during the deferred period including the dues of moratoria and interest for the deferred period, early, NBFIs may facilitate such requests. In such case, NBFI and the borrower shall agree on the structure, interest rate and the tenure.

5.4. NBFI may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. In such case, NBFI shall clearly explain the interest computation under all options including the structure proposed in this Circular to the borrower, prior to approving such concession.

5.5. NBFIs shall waive off the penal interest accrued and unpaid as at 01 April 2021, if any and penal interest shall not be accrued and charged during the period of deferment.

5.6. NBFIs shall not levy excessive fees or charges in relation to granting of the concessions.

5.7. In the case of declined requests, NBFIs shall clearly mention the reason for such decline.

6. Accounting considerations on deferment of lease instalments

NBFIs shall account for the deferment of lease instalments as per Sri Lanka Accounting Standards and any additional guidance provided by CA Sri Lanka (CASL) on Financial Reporting implications due to the outbreak of COVID-19. NBFIs may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7. Reporting requirement

NBFIs shall report the details of deferment of lease instalments availed by their borrowers to the Department of Supervision of Non-Bank Financial Institutions as at the end of each month, within 15 working days, commencing from 30 April, 2021. A reporting format will be issued in due course.

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Circular No. 05 of 2021

19 March 2021

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by businesses and individuals engaged in tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed finance companies and specialised leasing companies, (hereinafter referred to as Non-Bank Financial Institutions (NBFIs)), to extend the debt moratorium granted for tourism sector under Circular No. 09 of 2020 dated 30 September 2020 for another six months (hereinafter referred to as the Scheme) commencing from 1 April 2021 as specified below. However, NBFIs may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. The aforementioned extension is granted in order to provide adequate time for borrowers to come up with proposals for a long-term arrangement. Therefore, borrowers shall submit an acceptable plan to NBFIs for restructuring of credit facilities over a long period of time, prior to the expiry of the extended moratorium period. Such plans shall be assessed on case-by-case basis by NBFIs. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs.

The following provision of the Circular No. 09 of 2020 has been amended and other provisions will remain unchanged:

1. General Terms and Conditions

- 1 (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of six months commencing 1 April 2021 to 30 September 2021.
- 1 (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant NBFIs on or before 19 April 2021. NBFIs are requested to accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable. NBFIs are required to finalise the terms and conditions and enter into new agreements with eligible borrowers before 31 May 2021.
- 1 (vii) The instalment due on the interest free term loan (i.e. the interest accrued during the first moratorium period from 1 April 2020 to 30 September 2020) as per the Explanatory Note No.03 of 2020 and No.04 of 2020, and instalment due on converted term loan as per the Circular No.09 of 2020, may be recovered from the eligible borrowers commencing from 01 October 2021, if customers make a such request.

2. Structuring the debt moratorium

- 2 (i) NBFIs shall convert the capital and interest falling due during the moratorium period commencing from 1 April 2021 to 30 September 2021 into a term loan.
- 2 (ii) NBFIs may commence recovery of such converted loan once the extended moratorium period is over.
- 2 (v) NBFIs shall waive off the accrued and unpaid penal interest as at 1 April 2021, if any, on credit facilities considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Finance Business Act Directions No. 03 of 2021

31 March 2021

AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS

Issued under Section 12 of the Finance Business Act, No.42 of 2011

The Monetary Board hereby issues following amendments to the Directions on liquid assets of the Licensed Finance Companies (LFCs), considering the challenging operating environment due to the prolonged impact of the second wave of the COVID-19 pandemic.

Accordingly, the following will replace Direction 5 of the Finance Business Act (Amendments to Directions on Liquid Assets) Direction No.07 of 2020.

- | | |
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| 5. Validity Period | <p>5.1 The Directions 2, 3 and 4.1 shall be effective for an extended period of three (3) months until 30.06.2021, in order to facilitate the LFCs to overcome the stress on liquidity due to the present challenging environment.</p> <p>5.2 LFCs shall take necessary measures to ensure that the liquid assets requirement in terms of the Finance Companies (Liquid Assets) Direction No. 04 of 2013 are complied on the expiration of the extension given in 5.1 above.</p> |
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Prof. W D Lakshman

**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Finance Leasing Act Directions No. 03 of 2021

31 March 2021

AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS

Issued under Section 34 of the Finance Leasing Act, No.56 of 2000

The Director of the Department of Supervision of Non-Bank Financial Institutions issues the following amendments to Finance Leasing Act (Amendments to Direction on Liquid Assets) Direction No.06 of 2020, considering the challenging operating environment due to the prolonged impact of the second wave of the COVID-19 pandemic.

Accordingly, the following will replace Direction 2 of the Finance Leasing Act (Amendments to Direction Liquid Assets) Direction No.06 of 2020.

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| 2. Validity Period | <p>2.1 The Directions shall be effective for an extended period of three (3) months until 30.06.2021, in order to facilitate the SLCs to overcome the stress on liquidity due to the present challenging environment.</p> <p>2.2 SLCs shall take necessary measures to ensure that the liquid assets requirement in terms of the Finance Leasing (Liquid Assets) Direction No. 04 of 2012 are complied on the expiration of the extension given in 2.1 above.</p> |
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J D S J Nanayakkara
**Director, Department of Supervision of Non-Bank
Financial Institutions, Central Bank of Sri Lanka**

Finance Business Act Directions No. 04 of 2021

09 April 2021

FOREIGN CURRENCY BORROWINGS

- | | |
|---------------------------------|---|
| 1. Legal provisions | 1.1 In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board issues these directions on foreign currency borrowings by the Licensed Finance Companies (LFCs). |
| 2. Objectives of the directions | 2.1 Stabilise any unwarranted macro-economic and financial sector volatilities in the country created by the foreign funding exposures of LFC sector. |

- 2.2 Provide a risk management framework for LFCs on the exposures to foreign currency borrowings.
3. Applicability and scope 3.1 These directions shall be applicable to all foreign currency borrowings by LFCs.
4. Responsibility of Board of Directors 4.1 All foreign currency borrowings of an LFC shall be approved by the Board of Directors after evaluating the rationale, cost benefit analysis of borrowings and availability of adequate risk management practices.
- 4.2 Board of Directors shall establish board approved prudent foreign exchange risk management policies and procedures, and oversee the implementation of the same.
5. Tenure 5.1 Foreign currency borrowings shall be with a maturity of 2 years or more.
6. Limits on Foreign Currency Borrowings 6.1 The maximum outstanding amount of foreign currency borrowings by an LFC at a particular time shall be determined as a percentage of its total assets
- 6.2 The percentage of foreign currency borrowings of an LFC shall be based on the criteria given for each level in Table 1, below.

Table 1: Foreign currency borrowing limits, criteria and approvals required

Level	Criteria	Limit as a % of total assets	Approvals required
1.	LFCs meeting the prudential requirements stipulated in section 8.2 at the time of borrowing	10.0	Notify the Director prior to and after borrowing
2.	i. Meet criteria in level 1. ii. Maintain capital conservation buffer of 1% in addition to the minimum capital adequacy requirement, and iii. Availability of a publishable credit rating of investment grade (BBB-) and above.	Over 10.0 - 15.0	Prior approval of the Director
3.	i. Meet criteria in level 2. ii. Such borrowings shall be unsecured and subordinated to the claims of depositors, and iii. Utilize such borrowings solely to lend/invest for the purposes of exports, import substitutions, government development projects, small and medium enterprises, projects generating foreign income, any other sector deemed to be priority sector as determined by the Monetary Board.	Over 15.0 - 20.0	Prior approval of the Monetary Board

7. Requirements for approvals 7.1 Any LFC shall meet the following requirements when notifying or obtaining approval for foreign currency borrowings on the levels as specified in section 6, above.
- i. Level 1 -
- a. Submit the approval granted by the Board of Directors of LFC, term sheet and other relevant details of the prospective foreign currency borrowings to the Director prior to obtaining the facility, and
- b. Notify the details and the bank confirmation of the foreign currency borrowing to the Director within 3 working days after obtaining the borrowing.

- ii. Level 2 - Obtain the prior written approval of the Director by submitting the approval granted by the Board of Directors of LFC, term sheet and other relevant details of the prospective foreign currency borrowing.
 - iii. Level 3 - Obtain the prior written approval of the Monetary Board by submitting the approval granted by the Board of Directors of LFC, term sheet and other relevant details of the prospective foreign currency borrowing.
- 7.2 Foreign currency borrowings approved by the Director or the Monetary Board, as the case may be, shall be obtained within 3 months from the date of such approval.
8. Other terms and conditions
- 8.1 Foreign currency borrowings by LFCs shall comply with the applicable provisions of the Foreign Exchange Act, No. 12 of 2017 and directions/regulations issued thereunder.
 - 8.2 LFCs shall comply with the prudential requirements, including, but not limited to, Directions on minimum capital adequacy ratios, minimum core capital and liquid assets.
 - 8.3 LFCs shall use the foreign currency borrowings strictly for the purpose(s) given in the loan agreement with the counterparty.
 - 8.4 LFCs shall hedge the foreign exchange risk of the foreign currency loan proceeds by using currency SWAPS with the Central Bank of Sri Lanka (CBSL) through Licensed Commercial Banks as per the prevailing guidelines for SWAP arrangements with the CBSL. Further, LFCs shall appropriately hedge the foreign exchange risk on the interest payment by using appropriate market derivative products and manage the interest rate risk arising from such foreign currency borrowings.
 - 8.5 The total borrowing cost including interest rate, hedging cost and all related costs of the borrowing shall be less than the interest rates ceiling stipulated for debt instruments given in the Maximum Interest Rates on Deposits and Debt Instruments Direction or any amendment thereto
9. Transitional Arrangements
- Any LFC which has obtained foreign currency borrowings as at the date of these Directions in excess of the maximum limits as specified under section 6 above are permitted to service the existing arrangements.
10. Interpretations
- 10.1 'Foreign currency' shall mean any designated foreign currency.
 - 10.2 'Director' shall mean Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka
 - 10.3 'Total assets' shall be the amount as per the latest annual audited financial statements or interim financial statements as certified by the External Auditor of the LFC.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 06 of 2021

09 June 2021

CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

With the outbreak of the third wave of COVID-19 in Sri Lanka, Central Bank of Sri Lanka (CBSL) received many requests from concerned parties and Government Authorities to consider granting certain concessions to the affected borrowers/customers. Accordingly, with a view to meeting the challenges faced by businesses and individuals due to the third wave of COVID-19, CBSL requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Banking Financial Institutions (NBFIs)), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme). Further, NBFIs may offer additional concessions to businesses and individuals affected due to the third wave of COVID-19, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs, with a view to easing the burden on the borrowers of NBFIs that are affected by the current disruption in business /income generating activities to duly repay their loans.

1. Deferment or restructuring of existing credit facilities in the performing category as at 15 May 2021

- (a) NBFIs shall defer recovery of capital, interest, or both of the existing credit facilities of borrowers who are affected by the third wave of COVID-19, on case-by-case basis, during the period up to 31 August 2021, considering the financial difficulties faced by the eligible borrowers, such as loss of job, loss or reduction of income/salaries or sales, closure of business, etc.
- (b) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted considering the financial difficulties and repayment capacity of the eligible borrowers.
- (c) For credit facilities considered for the above deferment, NBFIs may charge an interest rate not exceeding the 364-days Treasury Bills auction rate as at 19 May 2021 plus 5.5 per cent per annum (i.e., $5.18\% + 5.5\% = 10.68\% \text{ p.a.}$) for the deferred period and only on the amount deferred amount.
- (d) Alternatively, NBFIs may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the NBFI and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
- (e) Penal interest shall not be accrued or charged during the concessionary period, i.e., 15 May to 31 August 2021.
- (f) NBFIs shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 10 working days) due to the ongoing travel restrictions, without deferring or re-structuring such facilities. NBFIs shall not charge any additional interest or other charges for such delay.
- (g) Borrowers who are currently enjoying deferment of lease repayments under Circular No. 04 of 2021 issued on 12 March 2021 or moratorium under Circular No. 05 of 2021 issued on 19 March 2021 are not eligible for concessions provided above.

2. Concessions for credit facilities in the non-performing category as at 15 May 2021

- (a) NBFIs may reschedule the existing non-performing credit facilities as at 15 May 2021 of eligible borrowers under this scheme, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the NBFI and the borrower shall agree on the terms and conditions including the interest rate.
- (b) NBFIs shall waive-off penal interest accrued or charged during the period 1 April 2020 to 15 May 2021, provided such facilities are considered for rescheduling under the scheme as specified in 2 (a) above.
- (c) NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers that have been classified as non-performing on or after 01 April 2020, until 31 August 2021.
- (d) NBFIs shall not levy excessive fees or charges in relation to granting of concessions.

3. NBFIs shall discontinue late payment fee on credit cards and other credit facilities during the period up to 30 June 2021, for those who are demonstrably affected.

4. NBFIs shall not charge any early settlement fee for eligible borrowers under this circular, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 31 August 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities

5. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- (a) NBFIs shall not decline loan applications from eligible borrowers under this Scheme solely based on an adverse CRIB record.
- (b) NBFIs, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

6. Deadline for submission of request

- (a) Eligible borrowers may request for the above concessions on or before 15 July 2021 in writing or through electronic means. NBFIs shall expeditiously communicate the concessions, deadline, and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- (b) NBFIs shall accept any request submitted after 15 July 2021, if the reasons for delay in making such request is acceptable.

- (c) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
- (d) NBFIs shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of declined requests, NBFIs shall clearly mention the reasons for such decline.

7. Accounting considerations on the moratorium

NBFIs shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under letter dated 31 December 2020. NBFIs may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

8. Reporting requirement

NBFIs shall report the details of concessions availed by their borrowers to the Department of Supervision of Non-bank Financial Institutions as at 30th of each month, within 15 working days, commencing 30 July 2021. The reporting format will be circulated in due course.

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance Directions No. 01 of 2021

09 July 2021

MINIMUM CAPITAL REQUIREMENT OF PRIMARY DEALER COMPANIES

In terms of powers conferred by the Regulations 6(1) read with 11(1) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and the Regulations 6(1) read with 11(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended, made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937, respectively, the Monetary Board, having regard to the viability and stability of the primary dealer system, issues Directions as follows on minimum capital requirement of Primary Dealer (PD) Companies.

- 1. Empowerment under the Local Treasury Bills (Primary Dealers) Regulations and Registered Stock and Securities (Primary Dealers) Regulations
 - 1.1 In terms of the Regulation 11(1) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and the Regulation 11(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended, the Central Bank may issue Directions to a PD to ensure compliance with the Regulations including Directions on capital, reserves, capital adequacy and other prudential and operating requirements of a Primary Dealer.
 - 1.2 In terms of the Regulation 6(1) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and the Regulation 6(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended, the Monetary Board may having regard to the viability and stability of the PD system, determine the capital required to be maintained by a PD Company and may vary such determination, from time to time.
- 2. Minimum Capital Requirement
 - 2.1 Every PD Company shall, at all times, maintain the core capital at a level not less than Rs. 1.0 billion until 31.12.2021, and thereafter, maintain such capital at a level not less than the amounts stipulated in Table 1 below with effect from the respective date.

Table 1- Minimum Capital Requirement for PD Companies

Effective Date	Amount (Rs. Billion)
01.01.2022	2.0
01.01.2023	2.5

3. Special Risk Reserve
- 3.1 Every PD Company shall, at all times, maintain a special risk reserve, in order to promote the safety, soundness and the stability of the PD Company and the PD system and to build up the PD Company's capital base.
 - 3.2 Every PD Company shall, out of the audited profit (after tax) of each financial year, transfer to the special risk reserve, a sum not less than 10 per cent of such profits.
 - 3.3 Notwithstanding the direction 3.2 above, the Director of the Department of Supervision of Non-Bank Financial Institutions (DSNBFI) may, at any time, require a PD Company to transfer a sum higher than that required by direction 3.2.
 - 3.4 A PD Company may, upon an application made to the DSNBFI, be permitted to transfer a sum less than that required by direction 3.2 or to draw down the special risk reserve, after an assessment of PD Company's performance, capital position and risk profile, and subject to such terms and conditions as DSNBFI may deem necessary.
4. Capital Assessment and Planning Process
- 4.1 Every PD Company shall have a sound capital assessment process, which determines the level of capital and its buffers to be maintained against all material risk exposures which can reliably be quantified under normal and stress conditions.
 - 4.2 Every PD Company shall develop a capital plan with time targets, approved by its Board of Directors, at least for three years, which stipulates means by which the Company intends to meet its current and future capital needs in line with the Company's strategies, risk profile and regulatory requirements. Such plan shall also capture the future expansions, other sources of funds, distribution policies and potential uncertainties.
 - 4.3 Where a PD Company maintains the core capital at a level below Rs. 2.5 billion as at the effective date of these directions or at any time thereafter and if such shortfall persists for a period more than 3 months, such Company shall, within 3 months, submit a time bound plan for capital augmentation, in line with the minimum capital requirements and time frames as stipulated in the direction 2.1 above, which shall be acceptable to DSNBFI.
5. Distributions
- 5.1 Every PD Company shall have a distribution policy approved by its Board of Directors, which stipulates the criteria for making distributions of its earnings.
 - 5.2 Prior to making a distribution, a PD Company shall notify the details of such distribution to DSNBFI and distributions under following circumstances require the prior written approval of DSNBFI.
 - (i) Accumulated distribution for the period which such distribution relates to (including the proposed distribution) exceeds the profit (after tax) for the said period, or a PD Company has incurred a cumulative loss for that period, as per the latest available financial statements; or
 - (ii) Making the distribution requires the use of earnings of prior financial years; or
 - (iii) Accumulated earnings of prior financial years remain negative before or after the proposed distribution; or
 - (iv) Core capital remains at a level below Rs. 2.5 billion before or after the proposed distribution
 - 5.3 Where a PD Company decides to make a distribution for an interim period or prior to availability of annual audited financial statements, the Company shall ensure that it retains a sum not less than that required by directions 3.2, 3.3 and 3.4 above, as applicable, based on the profits (after tax) for the period which such distribution relates to, as per its latest available financial statements.
 - 5.4 Where a PD Company has failed to comply with the minimum capital requirements stipulated in the direction 2.1 above or with the minimum Risk Weighted Capital Adequacy Ratio as at the end of the period for which a distribution relates to, or if a PD Company fails to comply with the said requirements after a proposed distribution, such PD Company shall not make any distribution until such compliance is effected and confirmed to DSNBFI.

- 5.5 Every PD Company shall ensure that it has complied with any other legal and/or regulatory requirements with regard to distributions of the PD Company.
- 5.6 A PD Company shall not enter into transactions with any counterparty with a view of undue transferring of profits or losses of the Company.
6. Disclosures
- 6.1 A PD Company shall disclose as explanatory notes in its annual audited financial statements;
- (i) Where a PD Company has failed to comply with the minimum capital requirements within the time frames as stipulated in the direction 2.1 above, such fact with the value of shortfall in core capital
 - (ii) Description of events, if any, which occurs between the end of the reporting period and the date on which the financial statements are authorised for issue, which resulted in a depletion of its core capital to a level below the minimum capital requirements stipulated in direction 2.1 above.
7. Effective Date and Revocation of Previous Directions
- 7.1 These Directions shall be effective from 01.08.2021.
- 7.2 Primary Dealer Companies (Minimum Core Capital) Direction No. 1 of 2015 is revoked from the effective date of these Directions.
8. Definitions
- 8.1 For the purposes of these directions;
- (i) "Distribution" shall have same meaning as defined in the Companies Act, No. 07 of 2007, or as amended.
 - (ii) "Primary Dealer Company" shall mean a Company which is appointed as a Primary Dealer in terms of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended and excludes a Licensed Commercial Bank so appointed as a Primary Dealer.
 - (iii) "Risk Weighted Capital Adequacy Ratio" shall mean the ratio which is computed as per the Direction on Risk Weighted Capital Adequacy Framework for Primary Dealers dated 22.06.2006, or as amended.
 - (iv) "Core Capital" shall mean the Tier I capital as defined in the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 07 of 2021

10 September 2021

**AMENDMENT TO CIRCULAR NO. 06 OF 2021 ON CONCESSIONS FOR COVID-19 AFFECTED
BUSINESSES AND INDIVIDUALS**

Central Bank of Sri Lanka issues following amendments to the Circular No. 06 of 2021 on concessions for COVID-19 affected businesses and individuals.

Paragraph 1(a), 1(e), 1(f), 2(c) and paragraph 4 will be amended as follows. All other clauses will remain unchanged.

1. (a) NBFIs shall extend the deferment of recovery of capital, interest, or both of the existing credit facilities of borrowers who enjoying the deferment under Circular No. 06 of 2021 until 30 September 2021.
1. (e) Penal interest shall not be accrued or charged during the concessionary period, i.e., up to 30 September 2021.
1. (f) NBFIs shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 15 working days) due to the quarantine lockdown without deferring or re-structuring such facilities. NBFIs shall not charge any additional interest or other charges for such delay.

2. (c) NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers that have been classified as non-performing on or after 01 April 2020, until 30 September 2021.
4. NBFIs shall not charge any early settlement fee for eligible borrowers under this circular, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 30 September 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 08 of 2021

24 September 2021

RECOGNITION OF LANKA RATING AGENCY LTD AS AN ACCEPTABLE CREDIT RATING AGENCY

The Central Bank of Sri Lanka recognizes Lanka Rating Agency Ltd (LRA) as an acceptable External Credit Assessment Institutions for the following purpose,

- i. Circular No.01 of 2018 - Credit Ratings;
- ii. Finance Business Act Directions No.03 of 2018 – Capital Adequacy Requirement for Licensed Finance Companies (LFCs) and Finance Leasing Act Directions No.03 of 2018- Capital Adequacy Requirements for Specialized Leasing Companies (SLCs);
- iii. Finance Business Act Directions No. 01 of 2020 – Classification and measurement of credit facilities and Finance Leasing Act Directions No.01 of 2020 – Classification and measurement of credit facilities;
- iv. Finance Business Act Directions No.04 of 2021 – Foreign Currency Borrowings and
- v. Other related regulatory requirements pertaining to LFCs ad SLCs.

Accordingly, Table 5 under the item No. 2.3 of Part 2- Computation of Total Risk Weighted Assets of Schedule I of the Finance Business Act Directions No.03 of 2018 – Capital Adequacy Requirement for LFCs and Finance Leasing Act Directions No.03 of 2018- Capital Adequacy Requirements for SLCs is revised as in Annex.

J P Gamalath
**Director, Department of Supervision of
Non-Bank Financial Institutions,
Central Bank of Sri Lanka**

**Table 5 - Mapping of Notations of the Credit Rating Agencies
in Sri Lanka**

Fitch Rating Lanka	ICRA Lanka Limited	Lanka Rating Agency Limited	Rating Scale for Capital Ratios
AAA (lka)	(SL) AAA	AAA	AAA
AA+ (lka)	(SL) AA+	AA+	AA+
AA (lka)	(SL) AA	AA	AA
AA- (lka)	(SL) AA-	AA-	AA-
A+ (lka)	(SL) A+	A+	A+
A (lka)	(SL) A	A	A
A- (lka)	(SL) A-	A-	A-
BBB+ (lka)	(SL) BBB+	BBB+	BBB+
BBB (lka)	(SL) BBB	BBB	BBB
BBB- (lka)	(SL) BBB-	BBB-	BBB-
BB+ (lka)	(SL) BB+	BB+	BB+
BB (lka)	(SL) BB	BB	BB
BB- (lka)	(SL) BB-	BB-	BB-
B+ (lka)	(SL) B+	B+	B+
B (lka)	(SL) B	B	B
B-(lka) & Lower	(SL) B- & Lower	B- & Lower	B- & Lower

Circular No. 09 of 2021

06 October 2021

EXTENSION OF CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

The Central Bank of Sri Lanka has received many requests from concerned parties and Government Authorities to extend the concessions granted to the borrowers affected by the continuation of the outbreak of the COVID-19 pandemic in Sri Lanka. Accordingly, in order to facilitate meeting the challenges faced by businesses and individuals, CBSL requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Bank Financial Institutions (NBFI)), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme).

Further, NBFI may offer additional concessions than given in this Scheme to affected businesses and individuals, on their request. Accordingly, this Circular is issued to provide concessions in a consistent manner to all affected borrowers of NBFI, with a view to easing the burden on the borrowers of NBFI to duly repay their loans.

1. Eligible Borrowers

- 1.1. A borrower of NBFI, who faces financial difficulties, such as loss or reduction of income/salaries or sales, closure of business or loss of employment, etc., due to COVID-19 would be eligible to receive these concessions.
- 1.2. The eligible borrowers of transportation and tourism sectors, who have availed concessions under the Circular No. 04 and No. 05 of 2021 are also eligible to obtain concessions under this Scheme.

2. Eligible Concessions

2.1. Eligible borrowers opting for concessions under this Scheme shall choose one of the three options given below.

- (i) Option 01: Restructuring of credit facilities
 - (a) NBFI shall restructure the existing credit facilities (performing and non-performing as at 01 October 2021) over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan agreed by both parties.
 - (b) The interest rate applicable for 2.1(i)(a) above shall be the original contractual interest rate minus 3 percent per annum, subject to a floor of 11.5 percent per annum and cap of 15 percent per annum.
 - (c) A minimum of 3 months grace period shall be granted to commence repaying capital portion of the instalment as per restructured terms.
 - (d) NBFI may aggregate the amounts fallen due during the previous moratorium schemes (i.e., capital, interest and additional accumulated concessionary interest during the moratorium period) with the balance capital outstanding at the time of restructuring.
 - (e) Any additional interest charged on inability to repay the instalment as per agreed terms, shall not exceed 2 percent per annum and charged only on the amount in arrears.
 - (f) NBFI shall waive-off penal interest accrued or charged during the period 1 April 2020 to 30 September 2021.

- (ii) Option 02: Facilitating early settlement

If an eligible borrower is willing to settle the existing credit facilities on or before 31 March 2022, NBFI shall fully waive-off future interest, fees and applicable charges.

- (iii) Option 03: Extending the moratorium for performing credit facilities as at 01 October 2021
 - (a) NBFI shall defer recovery of capital, interest, or both up to 31 March 2022.
 - (b) NBFI shall convert the capital and interest falling due during the moratorium period into a term loan.
 - (c) NBFI shall aggregate the amounts fallen due during the previous moratorium schemes (i.e., capital, interest and additional accumulated concessionary interest during the moratorium period) and the term loan referred to in 2.1(iii)(b) above, into a new loan.
 - (d) NBFI may charge an interest rate on the new loan, not exceeding 11.5 percent per annum.
 - (e) NBFI may commence recovery of new loan referred to in 2.1(iii)(c) above commencing from 01 July 2022 with a minimum repayment period of 12 months.

- (f) The borrower shall commence the repayment of the original loan instalment from 01 April 2022.
- (g) NBFIs shall extend the due dates of revolving credit facilities up to 31 March 2022, if such due dates fall from 01 October 2021 to 31 March 2022.
- (h) Penal interest shall not be accrued or charged during the moratorium period.

2.2. Suspension of recovery actions: NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers until 31 March 2022, provided that such facilities have been classified as non-performing on or after 01 April 2020 and the respective borrowers are not in a position to continue/immediately start repayment of loans due to the disruption to their normal income earning activities.

3. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- 3.1. NBFIs shall not decline loan applications from eligible borrowers solely based on an adverse CRIB record.
- 3.2. NBFIs, in consultation with CRIB, shall develop a reporting modality to report moratorium/restructuring granted under this scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

4. Deadline for Submission of request and Appeal Procedure

- 4.1. NBFIs shall circulate this Circular to all branches within 3 working days and provide necessary internal guidelines/circulars within 7 days.
- 4.2. Eligible borrowers who are opting for concessions under option 01 and option 03 above, shall apply for the above concessions on or before 01 November 2021 in writing or through electronic means. NBFIs shall expeditiously communicate the concessions, deadline, and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 4.3. NBFIs shall accept any request submitted after 01 November 2021, if the reasons for delay in making such request is acceptable.
- 4.4. NBFIs shall ensure that the borrowers are made aware of the structure of the moratorium or restructuring of credit facilities prior to approval.
- 4.5. In the case of declined requests, NBFIs shall inform the borrower in writing or through electronic means and clearly mention the reasons for rejection.
- 4.6. NBFIs shall educate the borrowers on the option to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), Central Bank of Sri Lanka requesting for a review.

5. Accounting Treatments on the Moratorium

NBFIs shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under letter dated 31 December 2020. In the case of risk elevated borrowers or sectors, NBFIs are required to make adequate impairment charges. NBFIs may seek advice from Institute of Chartered Accountants Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.

6. Reporting Requirement

NBFIs shall report the details of concessions availed by their borrowers to the Department of Supervision of Non-Bank Financial Institutions as at 30th of each month, within 15 working days, commencing 30 November 2021. The reporting format will be circulated in due course.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 05 of 2021

31 December 2021

CORPORATE GOVERNANCE

In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011(FBA), the Monetary Board of the Central Bank of Sri Lanka hereby issues the following directions on corporate governance and shall be applied to every finance company licensed under the FBA with a view to further strengthen the corporate governance practices of the finance company.

1. Board's overall responsibilities
 - 1.1 The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities.
 - 1.2 Business Strategy and Governance Framework
 - a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.
 - b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.
 - c) Assessing the effectiveness of its governance framework periodically.
 - d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.
 - 1.3 Corporate Culture and Values
 - a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.
 - b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.
 - c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.
 - d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.
 - 1.4 Risk Appetite, Risk Management and Internal Controls
 - a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.
 - b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.
 - c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.
 - d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.
 - 1.5 Board Commitment and Competency
 - a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.
 - b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.
 - c) The Board shall regularly review and agree the training and development needs of all the members.
 - d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.

- e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.
- 1.6 Oversight of Senior Management
- a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.
 - b) Defining the areas of authority and key responsibilities for the senior management.
 - c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.
 - d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.
 - e) Ensuring the FC has an appropriate succession plan for senior management.
 - f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.
- 1.7 Adherence to the Existing Legal Framework
- a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.
 - b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.
 - c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.
2. Governance Framework
- 2.1 Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.
- a) role and responsibilities of the Board
 - b) matters assigned for the Board.
 - c) delegation of authority.
 - d) composition of the Board.
 - e) the Board's independence.
 - f) the nomination, election and appointment of directors and appointment of senior management.
 - g) the management of conflicts of interests
 - h) access to information and obtaining independent advice.
 - i) capacity building of Board members.
 - j) the Board's performance evaluation.
 - k) role and responsibilities of the chairperson and the CEO.
 - l) role of the company secretary.
 - m) Board sub committees and their role; and
 - n) limits on related party transactions.
3. Composition of the Board
- 3.1 The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.
- 3.2 The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).
- 3.3 The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.
- 3.4 Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (1/4) of the total number of directors of the Board.

3.5 Executive Directors

- a) Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.
- b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.
- c) In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.
- d) All Executive directors shall have a functional reporting line in the organization structure of the FC.
- e) The executive directors are required to report to the Board through CEO.
- f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.

3.6 Non-Executive Directors

- a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.
- b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC.

3.7 Independent Directors

- a) The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.
- b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.
- c) A non-executive director shall not be considered independent if such:
 - i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.
 - ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.
 - iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.
 - iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.
 - v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC.

- vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.
- vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director.
- viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.
- d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.
- e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.

3.8 Alternate Directors

- a) Representation through an alternate director is allowed only;
 - i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and
 - ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.
- b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.
- c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.
- d) An alternate director cannot be appointed to represent an executive director.
- e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.

3.9 Cooling off Periods

- a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.
- b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.

3.10 Common Directorships

Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).

- 3.11 The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.
4. Assessment of Fitness and Propriety Criteria
- 4.1 No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.
- 4.2 A person over the age of 70 years shall not serve as a director of a FC.
- 4.3 Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,
- a) Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
 - b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).
 - c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.
 - d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.
5. Appointment and resignation of directors and senior management
6. The Chairperson and the CEO
- 5.1 The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
- 6.1 There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.
- 6.2 The chairperson shall be an independent director, subject to 6.3 below.
- 6.3 In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.
- 6.4 Responsibilities of the Chairperson
- The responsibilities of the chairperson shall at least include the following:
- a) Provide leadership to the Board.
 - b) Maintain and ensure a balance of power between executive and non-executive directors.
 - c) Secure effective participation of both executive and non-executive directors.
 - d) Ensure the Board works effectively and discharges its responsibilities.
 - e) Ensure all key issues are discussed by the Board in a timely manner.
 - f) Implement decisions/directions of the regulator.
 - g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary.
 - h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities.
 - i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
 - j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.
- 6.5 Responsibilities of the CEO

- The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FC's operations and business. The responsibilities of the CEO shall at least include:
- a) Implementing business and risk strategies in order to achieve the FC's strategic objectives.
 - b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions.
 - c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.
 - d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.
 - e) Strengthening the regulatory and supervisory compliance framework.
 - f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.
 - g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.
7. Meetings of the Board
- 7.1 The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.
 - 7.2 The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.
 - 7.3 A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.
 - 7.4 A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.
 - 7.5 A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.
 - 7.6 The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.
 - 7.7 A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.
 - 7.8 A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.
 - 7.9 Scheduled Board Meetings and Ad Hoc Board Meetings
For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.
8. Company Secretary
- 8.1 a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.
 - b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.

- 8.2 All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.
- 8.3 The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.
- 8.4 The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.
- 8.5 The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.
- 8.6 Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.
- 8.7 The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.
9. Delegation of Functions by the Board
- 9.1 The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.
- 9.2 In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.
- 9.3 The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.
- 9.4 The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
- 9.5 The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.
10. Board Sub-Committees
- 10.1 a) For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with asset base of more than Rs. 20 bn and FCs with asset base of less than Rs. 20 bn, subject to transitional provisions stated in direction 19.3.

	FCs with asset base of more than Rs. 20 bn	FCs with asset base of less than Rs. 20 bn
Board Sub-Committees	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee	Shall establish at least the BAC, BIRMC and Related Party Transactions Review Committee
Meetings	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	Meetings shall be held at least quarterly for BAC and BIRMC. Other committees shall meet at least annually

- b) Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.
- c) The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC.
- d) Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.
- e) Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.
- f) The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.

10.1 Board Audit Committee (BAC)

The following shall apply in relation to the BAC.

- a) The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.
- b) The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.
- c) The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).
- d) External Audit Function
 - i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.
 - ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.
 - iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.
 - iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.
 - v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.
 - vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.

- vii. The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.
- viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.
- ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.
- e) The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.
- f) The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC.
- g) Internal Audit Function
 - i. The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.
 - ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.
 - iii. The BAC shall take the following steps with regard to the internal audit function of the FC:
 - (i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.
 - (ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.
 - (iii) Assess the performance of the head and senior staff members of the internal audit department.
 - (iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.
 - (v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.
 - (vi) Examine the major findings of internal investigations and management's responses thereto.
 - h) The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.
 - i) Meetings of the Committee

- i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
- ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.
- iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.

10.3 Board Integrated Risk Management Committee (BIRMC)

The following shall apply in relation to the BIRMC:

- a) The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.
- b) The secretary to the committee may preferably be the CRO.
- c) The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- d) Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.
- e) The BIRMC shall review the FC's risk policies including RAS, at least annually.
- f) The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- g) The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.
- h) BIRMC shall annually assess the performance of the compliance officer and the CRO.
- i) Compliance Function
 - i. BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.
 - ii. For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.

- iii. For FCs with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.
- iv. The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.

i) Risk Management Function

- i. BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.
- ii. For FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.
- iii. The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.
- iv. The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.
- v. The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.
- vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.
- vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.

10.4 Nomination Committee

The following shall apply in relation to the Nomination Committee:

- a) The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.
- b) Secretary to the nomination committee may preferably be the company secretary.
- c) The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.

- d) The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
- e) The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.
- f) The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.
- g) The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.
- h) Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.
- i) The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.
- j) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management
- k) A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.

10.5 Human Resource and Remuneration Committee

The following shall apply in relation to the Human Resources and Remuneration Committee:

- a) The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.
- b) The secretary to the human resource and remuneration committee may preferably be the company secretary.
- c) The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.
- d) There shall be a formal and transparent procedure in developing the remuneration policy.
- e) The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.
- f) The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.

- g) The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.
- h) The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.
11. Internal Controls
- 11.1 FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.
- 11.2 A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.
- 11.3 All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.
12. Related Party Transactions
- 12.1 Board shall establish a policy and procedures for related party transactions, which covers the following.
- a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.
- b) All related party transactions shall be prior reviewed and recommended by the RPTRC.
- c) The business transactions with a related party that are covered in this Direction shall be the following:
- i. Granting accommodation.
- ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable.
- iii. Providing financial or non-financial services to the FC or obtaining those services from the FC.
- iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.
- 12.2 The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.
- a) Directors and senior management.
- b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC.
- c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa.
- d) Directors and senior management of legal persons in paragraph (b) or (c).
- e) Relatives of a natural person described in paragraph (a), (b) or (d).
- f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.

- 12.3 The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean:
- Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee.
 - Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty.
 - Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties.
 - Providing or obtaining services to or from a related party without a proper evaluation procedure; or
 - Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.
13. Group Governance
- 13.1 Responsibilities of the FC as a Holding Company
- The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.
 - The Board of the FC shall:
 - Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.
 - Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework.
 - Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries.
 - Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and
 - Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.
 - The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls.
 - The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.
 - The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.
- 13.2 Responsibilities as a Subsidiary
- If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.
14. Corporate Culture
- 14.1 A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.

- 14.2 The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.
- 14.3 A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.
15. Conflicts of Interest
- 15.1 a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.
- b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,
- Identify circumstances which constitute or may give rise to conflicts of interests.
 - Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest.
 - Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.
 - Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.
 - Identify those responsible for maintaining updated records on conflicts of interest with related parties, and
 - Articulate how any non-compliance with the policy to be addressed.
16. Disclosures
- 16.1 The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.
- The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.

Subject	Disclosure
i. Financial statements	In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, <ul style="list-style-type: none"> A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. A statement of responsibility of the Board in preparation and presentation of financial statements.
ii. Chairperson, CEO and Board related disclosures	<ul style="list-style-type: none"> Name, qualification and a brief profile. Whether executive, non-executive and/or independent director. Details of the director who is serving as the senior director, if any. The nature of expertise in relevant functional areas. Relatives and/or any business transaction relationships with other directors of the company. Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.

	<ul style="list-style-type: none"> Number/percentage of board meetings of the FC attended during the year; and Names of board committees in which the director serves as the Chairperson or a member.
iii. Appraisal of board performance	<ul style="list-style-type: none"> An overview of how the performance evaluations of the Board and its committees have been conducted
iv. Remuneration	<ul style="list-style-type: none"> A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) The aggregate values of remuneration paid by the FC to its directors and senior management.
v. Related party transactions	<ul style="list-style-type: none"> The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.
vi. Board appointed committees	<ul style="list-style-type: none"> The details of the chairperson and members of the board committees and attendance at such meetings.
vii. Group Structure	<ul style="list-style-type: none"> The group structure of the FC within which it operates. The group governance framework.
viii. Director's report	<p>A report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> The FC has not engaged in any activity, which contravenes laws and regulations. The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.
ix. Statement on Internal Control	<ul style="list-style-type: none"> A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

	<ul style="list-style-type: none"> • The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. • A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions
x. Corporate governance report	<ul style="list-style-type: none"> • Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.
xi. Code of Conduct	<ul style="list-style-type: none"> • FC's code of business conduct and ethics for directors, senior management and employees. • The Chairperson shall certify that the company has no violations of any of the provisions of this code.
xii. Management report	<ul style="list-style-type: none"> • Industry structure and developments • Opportunities and threats • Risks and concerns • Sustainable finance activities carried out by the company • Prospects for the future
xiii. Communication with shareholders	<ul style="list-style-type: none"> • The policy and methodology for communication with shareholders. • The contact person for such communication.

17. Definitions

"Act" shall mean the Finance Business Act, No.42 of 2011 or as amended

"Affiliate" in relation to a FC refers to any corporation that directly or indirectly controls, is controlled by, or is under common control with, the FC, and includes subsidiary, associate, holding company, companies under common group.

"Board" shall, include executive directors or otherwise, and shall include alternate directors as well.

"Relative" shall have the same meaning as Section 74 of the FBA.

"Direct or indirect shareholding" shall mean holding of shares carrying voting rights by a company, an incorporated body, or an individual, or held in aggregate by:

- a. a company and one or more of the following:
 - (i) its subsidiary companies.
 - (ii) its holding company.
 - (iii) a subsidiary company of its holding company; or
 - (iv) a company in which such company or its subsidiary company, or its holding company, or a subsidiary company of its holding company has a substantial interest; or
- b. an individual and one or more of the following:
 - (i) relatives – "
 - (ii) a company in which he/she has a substantial interest or in which his/her relative has a substantial interest; the subsidiary company of such company; a holding company of such company; a subsidiary company of such company's holding company; a company in which such company, or its subsidiary company or its holding company or a subsidiary company of its holding company has a substantial interest; or

(iii) an incorporated body other than a company in which such individual; or his/her relative has a substantial interest; or

companies in each of which an individual or a company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.

“Executive Director” is a full-time salaried employee of the FC, who is in the FC’s payroll and employed under an employment contract and is involved in day-to-day management responsibilities.

Non-Executive Director is not an employee of the FC and not under the FC’s payroll and not involved in day-to-day management of the FC.

Non-audit service shall have the same meaning as guideline for panel of external auditors issued in December 2012 or as amended

“Senior management” of the FC means

- i. Chief Executive Officer (CEO)
- ii. Officers in the immediate two layers below the level of CEO on the FC organization structure including Compliance Officer, Internal Chief Auditor, Chief Risk Officer, Chief Information Security Officer and Company Secretary. Such officers shall have authority and responsibility for planning, directing, and controlling the activities of the entity and any other persons within the definition of the ‘key management personnel’ of the Finance Business Act, No.42 of 2011, as may be determined by the Director/Department of Supervision of Non-Bank Financial Institutions.

“Substantial interest” shall have the same meaning as Section 74 of the FBA.

18. Effective Date

The Direction will be effective from 01.07.2022 subject to transitional provisions stated below.

19. Transitional Provisions

- 19.1 a) Direction 3.2, Direction 3.5(a) and Direction 3.7 will be effective from 01.07.2024. During the transitional period, the provisions contained in “Section 4: Composition of the Board” of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 will be applicable
- b) Direction 3.4 will be effective immediately
- 19.2 Direction 8.1(b): A transitional period until 01.07.2024 will be granted.
- 19.3 Direction 10.1: A transitional period until 01.07.2024 will be granted. However, during the transitional period provisions contained in “Section 8: Board appointed committees” of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 will be applicable.

20. Revocation of previous directions

Subject to the transitional provisions as expressly provided in direction 19, the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Finance Companies (Corporate Governance-Amendment) Direction No. 04 of 2008 and Finance Companies (Corporate Governance-Amendment) Direction No. 06 of 2013 Finance Business Act (Amendment to Corporate Governance) Direction and No. 05 of 2020 will be revoked from the effective date of this Direction.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 06 of 2021

31 December 2021

**ASSESSMENT OF FITNESS AND PROPRIETY OF
KEY RESPONSIBLE PERSONS**

1. Legal provisions
 - 1.1 In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011 the Monetary Board of the Central Bank of Sri Lanka hereby issues these directions on the assessment of fitness and propriety of key responsible persons of Licensed Finance Companies (LFCs).
2. Objectives
 - 2.1 Ensure that the key responsible persons of an LFC are able to exercise their responsibilities efficiently in view of managing the LFC soundly and prudently.
 - 2.2 The key responsible person of an LFC would promote good governance practices on the conduct of business of LFCs which lead to the stability.
 - 2.3 An LFC shall be accountable to establish such person is fit and proper to discharge the duties and responsibilities efficiently and in the best interests of stakeholders.
3. Scope and the applicability
 - 3.1 These directions will be applicable for all key responsible persons in LFCs.
 - 3.2 Key responsible persons proposed to be nominated, elected or appointed of an LFC shall obtain the prior approval of the Director for the appointment or continuation to the designated post of an LFC in terms of provisions of these directions.
 - 3.3 The fitness and propriety of continuing board of directors, Chief Executive Officer (CEO) and other key responsible persons shall be annually assessed subject to direction 7.
 - 3.4 Any resignation, retirement or removal of a key responsible person of an LFC shall be subject to direction 8.
4. Key responsible person
 - 4.1 The key responsible persons in relation to an LFC shall be,
 - (a) Board of directors of the LFC (executive or otherwise and shall include alternate directors).
 - (b) Senior management of the LFC
 - i. CEO
 - ii. Officers in the immediate two layers below the level of CEO on the LFC organization structure including Compliance Officer, Chief Internal Auditor, Chief Risk Officer, Chief Information Security Officer and Company Secretary. Such officers shall have authority and responsibility for planning, directing, and controlling the activities of the entity.
 - (c) Consultants or advisors to the board of directors, board sub-committees or senior management of the LFC, and
 - (d) Any other persons within the definition of the 'key management personnel' of the Finance Business Act, No.42 of 2011, as may be determined by the Director.
5. Criteria for fitness and propriety assessment
 - 5.1 The fitness and propriety of a key responsible person shall be assessed under the following criteria but not limited to the following,
 - 5.1.1 Nomination, election or appointment of a new key responsible person
 - (a) Honesty, integrity and reputation
 Shall be assessed based on the criteria set out under section 21 of the Finance Business Act No.42 of 2011 or as amended.
 - (b) Competency and capability
 The competency and capability of a key responsible person shall match the requirements of the post and shall be assessed based on the following factors,
 - (i) Academic or professional qualifications or effective experience in banking, finance, business or administration, economics, accounting, auditing, financial analysis, investment management, capital markets, information technology, strategic planning, risk management, human resource management, law, marketing and specific qualifications and experience according to the mandate of the LFC.

- (ii) Skills that give the ability to understand the technical requirements of the business, identify inherent risks and the management processes.
 - (iii) The level of performance and contribution towards the success of the organization in the previous directorship, employment or contract term.
 - (c) Financial soundness

Shall be assessed based on whether such person has been able to fulfil any financial obligations, in Sri Lanka or elsewhere.
 - (d) Standard background checks

Shall be assessed appropriately where relevant through credit bureau, reference checks, professional bodies, regulatory authorities and/or any other authorities.
- 5.1.2 Existing/continuing key responsible persons
- (a) Board of directors and CEO,
 - i) Criteria given in direction 5.1.1 excluding direction 5.1.1 (b)(iii).
 - ii) The level of performance and contribution towards the success of the LFC in the present directorship or employment
 - iii) The LFCs level of compliance with regulatory framework and the Monetary Board directions specific to the LFC.
 - (b) Other key responsible persons
 - i) Criteria given in direction 5.1.1 excluding direction 5.1.1 (b)(iii).
 - ii) The level of performance and contribution towards the success of the LFC in the present employment or contract term.
6. Approval process and subsequent changes to the fitness and propriety
- 6.1 The Company Secretary of the LFC shall be responsible to attest and forward the information and documentation required as per Annexure I under confidential cover to the Director for the assessment of fitness and propriety of key responsible persons. The CEO of LFC shall be responsible to attest and forward the information and documentation required as per Annexure I under confidential cover to the Director for the assessment of fitness and propriety of the Company Secretary.
 - 6.2 The Director shall assess the information and documentation submitted as per Annexure I based on the criteria set out under direction 5.1 and shall issue a letter approving or declining the proposed election, appointment or continuation of the key responsible person.
 - 6.3 In the event the consultant or advisor is a firm, the criteria on assessment of fitness and propriety shall be applicable for the principal consultant or advisor involved in making consultative advice to the LFC.
 - 6.4 The key responsible persons shall undertake to keep the Company Secretary fully informed, as soon as possible, of all subsequent events relevant to the information provided which may have an impact on the assessment of fitness and propriety.
 - 6.5 The Company Secretary of the LFC shall notify the Director of all subsequent events relevant to the information provided of key responsible persons which may have an impact on the assessment of fitness and propriety within seven (7) working days of becoming aware of such facts.
 - 6.6 Fitness and propriety of a key responsible person shall be carried out at any time where there are supervisory concerns in respect of any key responsible person of an LFC as may be determined by the Director.
7. Timelines for assessment of fitness and propriety submissions
- 7.1 Nomination, election or appointment of a new key responsible person

Submission of information and documentation, twenty (20) working days prior to the expected date of election or appointment.

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| <p>7.2 Existing/continuing key responsible persons</p> <p>a) Board of directors and CEO
Annual submission of information and documentation, twenty (20) working days before the Annual General Meeting of the respective LFC or by end of three months after the financial year of the respective LFC, whichever is earlier.</p> <p>b) Other key responsible persons
Submission of information and documentation, twenty (20) working days prior to changes resulting of promotions, renewal of contracts and on lateral moves to positions requiring special knowledge and/or skills.</p> | <p>8.1 A board of director or CEO shall not be resigned, retired or be removed from an LFC without prior approval of the Director. In the event of a resignation or removal, the LFC shall submit such reasons to the Director.</p> <p>8.2 The LFC shall inform the Director of the resignation, retirement or removal of any other key responsible persons of an LFC with reasons within three (3) working days of such event.</p> <p>9.1 A person aggrieved by the declining of the proposed nomination, election or appointment by the Director under direction 6.2 above may within ten (10) working days of receipt of the communication sent by the LFC make an appeal giving reasons in writing in justifiable manner to the Monetary Board.</p> <p>9.2 The Monetary Board may, after considering reasons given by the Director and the objections of the aggrieved party, decide either to confirm or over-rule the decision to decline made by the Director.</p> <p>10.1 These directions shall come into effect commencing 01.04.2022.</p> <p>11.1 'Director' shall mean Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.</p> <p>12.1 The Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.3 of 2011 will be revoked from effective date of these directions subject to direction 12.2.</p> <p>12.2 The key responsible persons of an LFC stated in direction 4.1 who have been granted approval for fit and proper under the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.3 of 2011 are deemed to be fit and proper till the fitness and propriety assessment is performed under these directions.</p> |
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Nivard Ajith Leslie Cabraal
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Annexure I

Information and documentation required for assessment of fitness and propriety of key responsible persons

1. Information and documentation required

- 1.1. Nomination, election or appointment of a new key responsible person
- a) The original Affidavit as given in Schedule I, which is completed in line with the guidelines given in the directions.
 - b) A letter from the previous directorship, employment or contract term immediately preceding the appointment regarding the level of performance of duties assigned in the particular organization.
 - c) In addition to the above, a Board resolution with a justification for the appointment of a consultant or an advisor to the board of directors, board sub-committees or senior management of the LFC.
- 1.2. Existing/continuing key responsible persons

1.2.1 Board of directors and CEO

Information and documentation required	Chair-person	Board of Director	CEO
a) The original Affidavit As given in Schedule I which is completed in line with the guidelines given in the directions.	X	X	X
b) Self-assessment Incorporating the improvement of financial performance during past 12 months, details of any special assignments, projects carried out under the leadership and explaining the future plans to increase value of the LFC	X	X	X
c) Chairperson assessment Performance and the contribution with key achievements during the past 12 months.	-	X	X
d) Board resolution For board of directors exceeding the age of 70 years up to maximum of 75 years on the continuation of the directorship. The Board resolution must be sufficiently describing the benefit to the LFC of the continuation of such board of director/s and must be supported by documentation/evidence, wherever possible.	-	X	-
e) Non-executive directors' assessment on the chairperson performance Annual independent assessment of the chairperson's performance by the non-executive directors.	X	-	-

1.2.2 Other key responsible persons

- a) The original Affidavit
As given in Schedule I which is completed in line with the guidelines given in the directions
- b) Self-assessment
Incorporating the improvement of financial performance during the past 12 months, details of any special assignments, projects carried out under his/her leadership and explaining his/her future plans to increase value of the financial institution
- c) In addition to the above, the following assessments are required covering the performance and the contribution with key achievements during the past 12 months,
 - i) CEO's assessment
 - Consultant or advisors to the senior management
 - Other key responsible persons
 - ii) Chairperson's assessment
 - Consultant or advisors to the board of directors or board sub-committees

Schedule I

Assessing Fitness and Propriety of Key Responsible Persons of

Licensed Finance Company

AFFIDAVIT

Section 1: Information to be submitted in terms of Section 12 of the Finance Business Act, No.42 of 2011

Passport size photo (Taken within last 6 months)

Name of the LFC:

I (full name), holder of National Identity Card No.¹ and Passport number.....of.....

..... (address), being a [Buddhist / Hindu/ Muslim/ Christian / Catholic/other..... (please specify)] do hereby solemnly, sincerely and truly declare and affirm/make oath and state (please specify as appropriate) as follows:

- 1) I am the [affirmant / deponent]² above named and I have been elected/ nominated/appointed or proposed to be elected/nominated/appointed as(designation) of(name of LFC) which is a licensed finance company under the Finance Business Act, No.42 of 2011.
- 2) I state that my personal details are as follows:

2.1 (i) Name with Initials:		
(ii) Title: Mr/Mrs/Ms/Dr/Prof/Other (Please specify)		(iii) Age as at date of signing the affidavit: days/months/years
(iv) Date of birth: dd/mm/yyyy		v) Gender:
(vi) Civil status:		(vii) Nationality:
(viii) Citizenship ³ :		(ix) Local/expatriate:
2.2 (i) Contact details Permanent address: Residential address:		
(ii) Telephone: Mobile:		
Fixed line:		
Fax:		
(iii) Email	Email-official:	
	Email-personal:	
2.3 Occupation or profession:		
2.4 (i) Nominated, elected or appointed: Post/Designation in the LFC: (ii) Date of appointment to the Post/Designation: (dd/mm/yyyy)		
2.5 Nature of the appointment (Please mark X in relevant box(es):		
Independent ⁴		Executive
Non-Independent		Non-Executive
Senior Director		Alternative
Other (Specify):		
If non-independent, reasons for determining as non-independent:		
If nominated by major shareholder/s, name/s of such nominating shareholder/s:		
If an alternate, name of the principal director:		
2.6 (i) Annual Remuneration (with detailed information):		
(ii) Annual value of income/benefits derived by the key responsible person and its relative from the LFC:		
(iii) Expenses borne by the LFC or reimbursement of any expenses (credit card bills, utility bills etc):		
2.7 2.7.1. Details of relative in terms of Section 74 of the Finance Business Act, No.42 of 2011		
(i) Full name of the spouse:		
(ii) NIC number ¹ :		(iii) Passport number:

1 Not applicable for expatriates

2 A person who affirms is called an affirmant while a person who makes and oath is called a deponent. If a person has a conscientious objection to make an oath, he may, instead of making an oath, make an affirmation.

3 A Dual Citizen is required to state whether he/she should be considered as local or expatriate

4. In terms of the Finance Business Act, Corporate Governance Direction No. 05 of 2021

2.7.2. Details of dependent children:		
Full name	NIC number ¹	Passport number

- 3) I state that I possess the following academic and/or professional qualification/s:

Qualifications (academic)	Relevant discipline ⁵	Country	Name of the institution	Year of completion
Qualifications (Professional)				

- 4) I state the effective experience that I possess in banking, finance, business or administration or of any other relevant discipline⁵ is as follows:

Positions	Name of the institution	Designation /position	Nature of appointment (as per item 2.5 as applicable)	Work specialization	Date of appointment (dd/mm/yyyy to dd/mm/yyyy)	Service period (dd/mm/yyyy to dd/mm/yyyy)
Previous positions						
(i) Directorships						
(ii) Other						
Current positions						
(i) Directorships						
(ii) Other						

In this regard, LFC is required to maintain documentary evidence and shall submit such evidence as and when required by the Director.

- 5) In addition to the above information, I state that I possess the following additional qualifications:

Special assignments/ consultancy	Name of the institution	Description	Service period (dd/mm/yyyy to dd/mm/yyyy)
(i)			
(ii)			
Outstanding contributions (publications, seminars conducted, research etc)			
Topic of the research/publication		Institute/place	Year

- 6) I state that I hold/do not hold shares in LFC and the related companies (subsidiaries, associates⁶ and other companies⁷), licensed banks, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the institution/s	Voting/Non-voting	No. of shares		Percentage holding	
		Direct	Indirect	Direct	Indirect

5) Banking/Finance, Business/Administration, Economics, Accounting/Auditing/Financial Analysis, Investment Management/Capital Markets, Information Technology, Strategic Planning, Risk Management, Human Resource Management, Law and Regulation, Marketing and Specific Qualifications and experience according to the Mandate of the LFC

6) In terms of the section 74 of the Finance Business Act, No. 42 of 2011

7) Hold substantial interest in other companies in terms of the section 74 of the Finance Business Act, No. 42 of 2011

7) Business Transactions

7.1. I state that I currently have/had the following business transactions during the two years immediately preceding the appointment, with the LFC and their related companies (subsidiaries, associates and other companies), other related parties of the LFC, licensed bank, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the Institution/s	Date of transaction (dd/mm/yyyy)	Amount as at dd/mm/yyyy (Rs. mn)		Classification (performing/non-performing)	Type and value of collateral (Rs.mn)	% of the LFC's core capital
		Limit	Outstanding			
Loans obtained						
(i) Current						
(ii) Prior to appointment						
Investments⁸						
(i) Current						
(ii) Prior to appointment						
Deposits						
(i) Current						
(ii) Prior to appointment						

8) Appointments, Shareholdings and Business Transactions of Relative

8.1. I state the following details of relatives presently employed as Directors, CEO or senior management of any LFC, its related companies (Subsidiaries, Associates, and Other Companies), licensed banks, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the relatives	Name of the institution	Position held

8.2. I state the following details of direct or indirect share ownership in the LFC, its related companies (Subsidiaries, Associates, and Other Companies), licensed banks, leasing companies & primary dealers registered with/licensed by the Central Bank of Sri Lanka, if any, presently held by any relative.

Name of the relative	Name of the institution/s	No. of shares		Percentage holding	
		Direct	Indirect	Direct	Indirect

8.3. I state that my relative currently has/had the following business transactions with LFC, its related companies (Subsidiaries, Associates and Other Companies), licensed banks, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka, during the two years immediately preceding my appointment.

Name of the institution/s	Date of transaction (dd/mm/yyyy)	Amount as at dd/mm/yyyy (Rs.mn)		Classification (performing/non-performing)	Type and value of collateral (Rs.mn)	% of the LFC's core capital
		Limit	Outstanding			
Loans obtained						
Investments⁸						

8. Investment in debt instruments

- 9) I state that I am subject to/not subject to an investigation or inquiry involving fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or abroad;
- 10) I state that I am found / not found by any court of law, regulatory or supervisory authority, professional association, commission of inquiry, tribunal or any other body established by law in Sri Lanka or abroad, to the effect that such person has committed or has been connected with the commission of, any act which involves fraud, deceit, dishonesty, improper conduct or non-compliances with provisions of any statute or rules, regulations, directions or determinations issued thereunder;
- 11) I state that I have convicted/not been convicted by any court in Sri Lanka or abroad in respect of a crime committed in connection with financial management or of any offence involving moral turpitude.
- 12) I state that I am/am not an undischarged insolvent and have been/not been declared a bankrupt in Sri Lanka or abroad.
- 13) I state that I am/am not able fulfil any of the financial obligations, whether in Sri Lanka or elsewhere.
- 14) I state that I have failed/not failed, to satisfy any judgment or order of any court whether in Sri Lanka or abroad, or to repay a debt.
- 15) I state that I have been/not been declared by a court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind.
- 16) I state that I have been/ not been removed or suspended by an order of a regulatory or supervisory authority from serving as a Director/CEO/officer performing executive functions/senior management or any other officer in a licensed bank or any other financial institution or corporate body, in Sri Lanka or abroad.
- 17) I state that I have been/not been a Director, CEO or have held/not held any other position of authority in any bank or financial institution –
- (i) Whose licence has been suspended or cancelled; or
- (ii) Which has been wound up or is being wound up, or which is being compulsorily liquidated, whether in Sri Lanka or abroad.
- 18) I state that I am aware of the provisions of the Finance Business Act on assessment of fitness and propriety of my position and confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the LFC fully informed, as soon as possible, of all subsequent events, which are relevant to the information provided above.
- 19) I state that I am not prevented by any written law from being appointed to the above post.
- 20) I state that to the best of my knowledge, I am a fit and proper person to be nominated, elected or appointed as (designation) of a LFC in terms of the provisions of the Finance Business Act.

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 at on
this
day of(Month,
Year)

Before me

.....
Affix the stamp as applicable

JUSTICE OF THE PEACE
COMMISSIONER FOR OATHS

Section 2: To be filled by the Company Secretary

1. Corporate Information

Recommendation of the nomination committee/appointing authority for Directors	
Assessment criteria (Please specify the specific knowledge/ skills considered by the nomination committee / appointing authority)	
Recommendation (Please attach minutes of the resolution/decision of the nomination committee/ appointing authority)	

2. Remarks of the Board of Directors

- (i) Any other explanation / information regarding the details furnished above.
- (ii) Submitted to the Board of Directors of the LFC /approval has been granted by the Board of Directors for above nomination, election or appointment, /proposed appointment, nomination or election at the meeting dated.....(dd/mm/yyyy)

Name:

**Signature of the company
secretary and the official stamp**

Date:

Guidance to Duly Complete the Affidavit to be submitted by the Key Responsible Person of LFCs

This guidance is issued to ensure that sufficient and accurate information is provided by an LFC for assessing the fitness and propriety of a key responsible person of LFC in Sri Lanka.

1. Purpose of obtaining the affidavit

- (i) The purpose of obtaining affidavits of key responsible persons of LFC is to enable the Department of Supervision of Non-Bank Financial Institutions to assess their fitness and propriety in terms of the provisions of the Finance Business Act. Accordingly, the Department of Supervision of Non-Bank Financial Institutions requires comprehensive information to evaluate the qualifications, experience, integrity and compliance with other requirements specified in the Finance Business Act, to assess the suitability of the key responsible person. This Affidavit shall be the legally binding document in the event of any dispute.

2. Affidavit

- (i) It is preferable that the Affidavit is prepared as a fresh document, based on the format provided by the Department of Supervision of Non-Bank Financial Institutions, so as to avoid inclusion of unnecessary words. However, if the given format is filled, all alterations, erasures and interlineations should be initiated by the Commissioner for Oaths/Justice of the Peace immediately after all such amendments.
- (ii) All blank spaces should be completed appropriately.
- (iii) Appropriate words should be used based on the religion of the officer. If the officer refrains/objects to disclose his/her religion, a confirmation should be submitted by the officer stating that:
 - a) He/she is an atheist or belongs to a religion not mentioned in this Affidavit; or
 - b) He/she objects to disclosing his/her religion.
- (iv) Strike-out the irrelevant word(s). If the irrelevant words are stricken out, the Commissioner for Oaths/Justice of the Peace should place his initials immediately after all such amendments.
- (v) If the person is a foreigner and signs the Affidavit while overseas:
 - a) Signature of the person should be attested by a Commissioner for Oaths or an equivalent in the country in which he places his signature.
 - b) Attestation should be made in front of the diplomatic or consular officer of Sri Lanka in the country where the key responsible person resides or in terms of the laws applicable in such country.
- (vi) Affix a stamp for the value applicable as at the date of signing the Affidavit, if applicable.
- (vii) Attest by a Commissioner for Oaths/Justice of the Peace immediately after the signature of the person at 'Before me'.
- (viii) Section 2 should be filled by the Company Secretary annexing a copy of the minutes of the Nominations Committee or Approving Authority pertaining to the relevant appointment.
- (ix) In item 2(1) of Sections 2 if there is no comment, it should be stated as Not Applicable/Nil/None.

PART IV

PART IV

MAJOR LEGISLATIVE ENACTMENTS OF 2021 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA^(a)

	Page
1. Colombo Port City Economic Commission Act, No. 11 of 2021	1
2. Fiscal Management (Responsibility) (Amendment) Act, No. 12 of 2021	26
3. Coronavirus Disease 2019 (COVID-19) (Temporary Provisions) Act, No. 17 of 2021	26
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8. Minimum Retirement Age of Workers Act, No. 28 of 2021	93
9. Termination of Employment of Workmen (Special Provisions) (Amendment) Act, No. 29 of 2021	98
10. Appropriation Act, No. 30 of 2021	99

(a) In the event of any inconsistency between the text published in the Central Bank Annual Report and the text printed by the Department of Government Printing, the text of the latter shall prevail.

Colombo Port City Economic Commission Act, No. 11 of 2021

[Certified on 27th of May, 2021]

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF A SPECIAL ECONOMIC ZONE; TO ESTABLISH A COMMISSION EMPOWERED TO GRANT REGISTRATIONS, LICENCES, AUTHORISATIONS AND OTHER APPROVALS TO CARRY ON BUSINESSES AND OTHER ACTIVITIES IN AND FROM SUCH ZONE; TO PROVIDE FOR THE IDENTIFICATION OF A SINGLE WINDOW INVESTMENT FACILITATOR FOR THE PROMOTION OF EASE OF DOING BUSINESS WITHIN SUCH ZONE; TO DETERMINE AND GRANT INCENTIVES AND OTHER EXEMPTIONS FOR THE PROMOTION OF BUSINESSES OF STRATEGIC IMPORTANCE WITHIN SUCH ZONE; TO ENTER INTO TRANSACTIONS AS PROVIDED, OF GOVERNMENT MARKETABLE LAND AND PROJECT COMPANY MARKETABLE LAND AND PREMISES AND CONDOMINIUM PARCELS STANDING THEREON WITHIN SUCH ZONE; TO PROMOTE AND FACILITATE INTERNATIONAL TRADE, SHIPPING LOGISTIC OPERATIONS, OFFSHORE BANKING AND FINANCIAL SERVICES, INFORMATION TECHNOLOGY AND BUSINESS PROCESS OUTSOURCING, CORPORATE HEADQUARTERS OPERATIONS, REGIONAL DISTRIBUTION OPERATIONS, TOURISM, AND OTHER ANCILLARY SERVICES WITHIN SUCH ZONE; TO ESTABLISH AN INTERNATIONAL DISPUTE RESOLUTION CENTRE WITHIN SUCH ZONE; TO PROMOTE URBAN AMENITY OPERATIONS AND THE SETTLEMENT OF A RESIDENTIAL COMMUNITY WITHIN SUCH ZONE; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

WHEREAS in furtherance of the Directive Principles of State Policy enshrined in the Constitution of the Democratic Socialist Republic of Sri Lanka, which requires the State to ensure by means of public and private economic activity, the rapid development of the country, whilst co-ordinating public and private economic activity in the national interest, the Government of Sri Lanka has considered it necessary to establish a Special Economic Zone within which there is ease of doing business that will attract new investments primarily to facilitate the diversification of the service economy, to promote the inflow of foreign exchange into such Zone, to generate new employment opportunities within such Zone whilst facilitating the development of technical, professional, technological and entrepreneurial expertise and to facilitate the promotion of urban amenity operations within such Zone, through the settlement of a residential community:

AND WHEREAS it has become necessary having regard to the national interest or in the advancement of the national economy, to establish a Special Economic Zone to be called "the Colombo Port City Special Economic Zone" which will be an international business and services hub with specialized infrastructure and other facilities within such Zone, for the promotion and facilitation of economic activity including international trade, shipping logistic operations, offshore banking and financial services, information technology and business process outsourcing, corporate headquarters operations, regional distribution operations, tourism, and other ancillary services:

NOW THEREFORE be it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :-

1. This Act may be cited as the Colombo Port City Economic Commission Act, No. 11 of 2021.

PART I

ESTABLISHMENT OF THE COLOMBO PORT CITY SPECIAL ECONOMIC ZONE AND THE COLOMBO PORT CITY ECONOMIC COMMISSION

2. There shall be established a Special Economic Zone to be called the Colombo Port City Special Economic Zone (hereinafter referred to as the "Colombo Port City"). The Area of Authority of the Colombo Port City herein established, shall consist of the boundaries as set out in Schedule I to this Act.
3. (1) There shall be established a Commission called the Colombo Port City Economic Commission (hereinafter referred to as the "Commission") which shall be entrusted, in the manner set out in this Act, with the administration, regulation and control of, all matters connected with businesses and other operations, in and from the Area of Authority of the Colombo Port City.
 (2) The Commission shall, by the name assigned to it under subsection (1), be a body corporate with perpetual succession and a common seal and may sue and be sued in such name.
 (3) The Commission shall have the objectives and the powers, duties and functions as are set out in this Act.
 (4) The Commission shall be responsible to facilitate prepare, develop, amend, update, publish and enforce all Community Rules applicable within the Area of Authority of the Colombo Port City.
 (5) The Commission shall, in the exercise, performance and discharge of its powers, duties and functions, where so required by the respective written laws applicable to any Regulatory Authority, obtain the concurrence of the relevant Regulatory Authority in respect of the subjects vested in or assigned to, such Regulatory Authority and to the extent specifically provided for in this Act: Provided that, the concurrence of the relevant Regulatory Authority sought shall be limited to the implementation by the Commission, within the Area of Authority of the Colombo Port City, of the respective written laws applicable to such Regulatory Authority.
 (6) The relevant Regulatory Authority from whom such concurrence is being sought by the Commission, shall as soon as practicable in the circumstances, as a matter of priority, communicate its decision to the Commission.

4. (1) The Master Plan as approved by the Commission with the concurrence of the President or in the event that the subject of the Colombo Port City is assigned to a Minister, with the concurrence of such Minister, shall be the basis on which all zoning and other physical development activities within the Area of Authority of the Colombo Port City, shall be implemented.
- (2) The Commission shall, in consultation with the Project Company, and with the concurrence of the President or in the event that the subject of the Colombo Port City is assigned to a Minister, with the concurrence of such Minister, identify any amendments to the Master Plan, if such amendments are considered necessary in the national interest or in the advancement of the national economy, to ensure through its viability the enhancement of the businesses carried on, in and from the Area of Authority of the Colombo Port City.
- (3) The Commission shall be vested with the responsibility of ensuring the due implementation of the Master Plan and the Development Control Regulations, which shall be made in terms of this Act.
- (4) The Commission shall submit to the President or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister, an annual progress report, setting out the progress on the implementation of the Master Plan.
- (5) The Commission shall, having consulted the Project Company, submit for the consideration of the President or in the event that the subject of the Colombo Port City is assigned to a Minister, of such Minister, its recommendations on any revision to the Master Plan, along with such annual progress report.
- (6) The President or in the event that the subject of the Colombo Port City is assigned to a Minister, such Minister, may for the purposes of this section, issue such general or special directions in writing to the Commission, if it is so required in the national interest or in the advancement of the national economy.

PART II

OBJECTIVES AND POWERS, DUTIES AND FUNCTIONS OF THE COMMISSION

5. The objectives of the Commission shall be to -
 - (a) promote the Colombo Port City to be a leading Special Economic Zone in the region and an attractive investment destination;
 - (b) attract enhanced foreign direct investments into the country;
 - (c) create a safe and conducive business environment and facilitate ease of doing business in and from the Area of Authority of the Colombo Port City and also endeavour to ensure that the Ease of Doing Business Index in relation to the Area of Authority of the Colombo Port City is maintained at a level similar to other attractive economic zones in the region;
 - (d) ensure ease of transacting its business operations and administration efficiently, reliably and transparently in order to enhance investor confidence;
 - (e) encourage and promote global and regional investments in international trade, shipping logistic operations, offshore banking and finance, information technology and business process outsourcing, corporate headquarters operations, regional distribution operations, tourism and other ancillary services;
 - (f) promote and develop innovation and entrepreneurship;
 - (g) promote tourism and ancillary services by facilitating duty free shopping, entertainment and other similar facilities;
 - (h) generate employment opportunities;
 - (i) promote sustainable development; and
 - (j) promote urban amenity operations with the settlement of a residential community within the Area of Authority of the Colombo Port City.
6. (1) The Commission shall, in furtherance of the national interest or in the advancement of the national economy, exercise, perform and discharge, the powers, duties and functions as are set out below: –
 - (a) to issue or grant a registration, licence, authorisation and other approval to engage in business, in and from the Area of Authority of the Colombo Port City and facilitate businesses and investments in terms of this Act;
 - (b) to facilitate and exercise regulatory supervision and control over all investments and businesses in and from the Area of Authority of the Colombo Port City, in terms of this Act, with the concurrence of the relevant Regulatory Authority: Provided that, the concurrence of the relevant Regulatory Authority sought shall be limited to the implementation by the Commission, within the Area of Authority of the Colombo Port City, of the respective written laws applicable to such authority;

- (c) to lease, subject to the provisions of this Act and other applicable written laws, Government Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act;
- (d) to lease, subject to the provisions of this Act and other applicable written laws, Project Company Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act, together with Project Company which holds Master Leases relating thereto;
- (e) to lease or transfer on freehold basis, subject to the provisions of this Act and other applicable written laws, condominium parcels standing on Government Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act, together with the respective investor or developer, as the case may be;
- (f) to lease or transfer on freehold basis, subject to the provisions of this Act and other applicable written laws, condominium parcels standing on Project Company Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act, together with the Project Company which holds Master Leases relating thereto;
- (g) to be the Single Window Investment Facilitator while being the sole point of contact to investors and promote the ease of doing business through the expeditious facilitation and issuance of all registrations, licences, authorisations and other approvals required for engaging in business in and from the Area of Authority of the Colombo Port City, where so required by the respective written laws applicable to such Regulatory Authority;
- (h) to function as the Single Window Investment Facilitator, and evaluate, make recommendations on or approve or facilitate the approvals as set out in this Act proposals submitted to the Commission for engaging in business in and from the Area of Authority of the Colombo Port City, in terms of Part VI of this Act;
- (i) to plan, issue and monitor compliance, notwithstanding anything to the contrary in any other written law, of all other permits, clearances, work permits and such other approvals as may be required to engage in development activities, operate businesses, shopping, entertainment including gaming activities and such other facilities, to obtain possession of commercial residential facilities, in and from the Area of Authority of the Colombo Port City;
- (j) to develop and approve environmental standards and plan, monitor and execute environmental improvements as may be required within the Area of Authority of the Colombo Port City;
- (k) to ensure that the implementation of development work, (inclusive of the construction, in accordance with the provisions of Part X of this Act, of condominium parcels), activities and services within the Area of Authority of the Colombo Port City, are carried out in compliance with the Master Plan and the Development Control Regulations as may be prescribed, subject to any directions as may be given by the President or in the event that the subject of the Colombo Port City is assigned to a Minister, by such Minister;
- (l) to enter into contracts with any person as may be necessary in the exercise, performance and discharge of its powers, duties and functions;
- (m) to co-operate and enter into agreements with international financial and business centres, regulators and other bodies, institutions, organisations, and persons, for the achievement of its objectives and the exercise, performance and discharge of its powers, duties and functions;
- (n) to charge fees and other charges as may be determined by the Commission for ancillary services and facilities provided directly by the Commission or through the Estate Manager within the Area of Authority of the Colombo Port City;
- (o) to impose conditions or requirements and issue directions in relation to any service or facility provided by the Commission or through the Estate Manager within the Area of Authority of the Colombo Port City;
- (p) to identify local assessment rates and any other levies applicable within the Area of Authority of the Colombo Port City as authorised by this Act, at rates as shall be prescribed;
- (q) to facilitate the establishment and operation, within the Area of Authority of the Colombo Port City, any stock, precious metal or commodity, exchange or market, to be operated by authorised persons, for trade in any designated foreign currency, subject to such terms, conditions and procedures as may be prescribed;
- (r) to call for documents or information as may be required, in respect of any application made by any company or person to the Commission, for registration as an authorised person;
- (s) to amend, transfer, assign, renew or accept the surrender of, any registration, licence, authorisation or other approval, at the request of an authorised person;

- (t) to amend, cancel, suspend or revoke any registration, licence, authorisation or approval granted by the Commission, in the event of a material default or breach by an authorised person;
 - (u) to prepare, develop, amend, update, publish and enforce all Community Rules and, enforce the Development Control Regulations as may be prescribed for applicability within the Area of Authority of the Colombo Port City;
 - (v) to facilitate the formulation of regulations on matters required to be prescribed in terms of this Act;
 - (w) to make rules and codes in respect of matters set out in this Act and specify procedures and standards, issue directions and guidelines as may be required for the due administration and management of the powers, duties and functions of the Commission, which shall be applicable within the Area of Authority of the Colombo Port City;
 - (x) to facilitate the expeditious resolution of any commercial dispute involving an authorised person as provided for in this Act;
 - (y) to make recommendations relating to policy formulation to the President or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister, on any matter pertaining to the Area of Authority of the Colombo Port City;
 - (z) to submit reports on any specific matter relating to the Area of Authority of the Colombo Port City, as may be requested by the President or in the event that the subject of the Colombo Port City is assigned to a Minister, by such Minister;
 - (aa) to submit to the President or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister, and to the Minister assigned the subject of Finance, an annual report on the operations, income and expenditure of the Commission, to be placed before Parliament;
 - (ba) to appoint, remove and exercise disciplinary control over, the Director-General and determine the terms and conditions of his service including the salary, and any other allowances, in consultation with the President or in the event that the subject of the Colombo Port City is assigned to a Minister, with such Minister and to remunerate the Director-General out of the Fund of the Commission;
 - (ca) to appoint and dismiss and exercise disciplinary control over the staff of the Commission and to determine the terms and conditions of their service including their salaries, wages and any other allowances, as may be determined by the Commission;
 - (da) to engage the services of consultants or advisors as may be necessary to assist the Commission in the exercise, performance and discharge of its powers, duties and functions in such manner and at such amounts as may be determined by the Commission in consultation with the President or in the event that the subject of the Colombo Port City is assigned to a Minister, with such Minister and remunerate them out of the Fund of the Commission;
 - (ea) to hold, take on lease or rent in the name of the Commission any office and other space as may be required for operational or administrative purposes of the Commission;
 - (fa) to manage the Fund of the Commission, make investments, operate and maintain bank accounts and borrow funds subject to such regulations as may be prescribed in terms of this Act, and to approve and manage the annual budget of the Commission;
 - (ga) to regulate gaming activities within the Area of Authority of the Colombo Port City and where required, to make regulations for the management of such activities;
 - (ha) to delegate or assign to the company incorporated in terms of the Companies Act, No. 7 of 2007 and designated the Estate Manager in terms of section 59 of this Act, such functions as are connected with the subjects of condominium management and apartment ownership or any other assigned function, which may be prescribed ; and
 - (ia) generally, to do all other acts and things, incidental to or consequential upon, the exercise, performance and discharge of the powers, duties and functions vested in, assigned or delegated to the Commission in terms of this Act.
- (2) In the exercise, performance and discharge of its powers, duties and functions as set out in subsection (1), the Commission shall, when engaging in international promotional activities in relation to the Colombo Port City, ensure to the greatest extent possible, a domestic content in the development of documentaries, preparation of content, designing and information technology support, and a participation of local aptitude and skills in such promotional activities.

PART III

COMPOSITION OF AND THE ADMINISTRATION AND MANAGEMENT OF THE AFFAIRS OF THE COMMISSION

7. (1) The Commission shall consist of not less than five members and not more than seven members, who shall be appointed by the President while ensuring that the majority including the Chairperson of the Commission are Sri Lankans.
- In making such appointments, consideration shall be afforded to ensure that such members possess relevant knowledge, expertise and experience and national or international recognition, in the fields of Investment, Finance, Law, Information Technology, Engineering, Business or Accountancy. The President shall appoint one member from amongst such members, to be the Chairperson of the Commission.
- (2) In appointing the members of the Commission, consideration shall be afforded to ensure that the composition of the Commission is representative, in terms of knowledge, expertise and experience and national or international recognition.
8. The Chairperson and members of the Commission shall hold office for a period of three years from the date of appointment unless such person earlier vacates office by death, resignation or removal under subsection (3) of section 9.
9. (1) The Chairperson or members of the Commission shall be eligible for re-appointment unless any such person has been removed from office under subsection (3) hereunder.
- (2) The Chairperson or a member of the Commission may resign from their office by a written communication addressed to the President or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister, in that regard and such resignation shall take effect on it being accepted by the President or such Minister.
- (3) The President may remove the Chairperson or a member of the Commission, from office,-
- (a) on written notice, if the Chairperson or any member becomes incapable, due to ill-health, of effectively performing the duties of his office;
 - (b) with immediate effect, if the Chairperson or any member has since being so appointed, been declared bankrupt or been convicted of a criminal offence, by a court of competent jurisdiction; or
 - (c) being satisfied, upon consideration of representations made, that the Chairperson or any member is guilty of fraud, grave misconduct or gross negligence, which warrants his removal from office with immediate effect.
- (4) Upon the vacation of office by the Chairperson or a member as the case may be, of the Commission, by death, resignation or removal, the President shall appoint another person to fill such vacancy and such person shall hold office for the unexpired period of the term of office of the Chairperson or the member who so vacated office.
- (5) Where the Chairperson or a member of the Commission is temporarily unable to discharge the functions of his office for a considerable period on account of ill-health, absence from Sri Lanka or any other cause, the President may appoint another member to act in place of such Chairperson or a person as a member, during the absence of the Chairperson or such member as the case may be.
10. (1) The quorum for a meeting of the Commission shall be four members. The meetings of the Commission shall be presided over by the Chairperson of the Commission. In the absence of the Chairperson from any meeting of the Commission, the meeting shall be chaired by a member elected by the members present.
- (2) All questions for decision at any meeting of the Commission shall be decided by the vote of the majority of members present and voting at such meeting. In the case of an equality of votes, the Chairperson shall, in addition to his vote, have a casting vote.
- (3) A meeting of the Commission may be held either-
- (a) by the number of members who constitute a quorum being assembled at the place, date and time appointed for the meeting; or
 - (b) by means of audio-visual communication by which all members participating and constituting a quorum can simultaneously see and hear each participating member for the duration of the meeting.
- (4) The Commission may make rules for the conduct of meetings of the Commission and the procedure to be followed thereat and the Community Rules as required for the guidance of the Commission in its day to day activities within the Area of Authority of the Colombo Port City.

11. No act or proceeding of the Commission shall be, or be deemed to be, invalid by reason only of the existence of any vacancy among its members or any defect in the appointment of a member thereof.
12. The remuneration of the Chairperson and other members of the Commission shall be as may be determined by the President.
13. (1) The Chairperson or any other member of the Commission who, whether directly or indirectly, has any interest in an authorised person, shall forthwith inform the Director-General in writing of the nature and extent of such interest. Such member shall not thereafter participate or vote on any decision directly or indirectly relating to such interest.
 (2) If the Chairperson or any other member of the Commission, who has, whether directly or indirectly, any interest in an authorised person, participates directly or indirectly in any decision, such decision shall be voidable.
14. (1) The Commission shall be charged with the financial management of the affairs of the Commission and the due operation and management of the Fund established in terms of section 23 of this Act.
 (2) In the discharge of the functions under this Act, the Commission may make investments, operate and maintain bank accounts and borrow funds as provided for in terms of this Act and subject to such regulations as may be prescribed and approve and manage the annual budget of the Commission.
 (3) The financial year of the Commission shall be the calendar year.
15. (1) The accounts of the Commission shall be audited annually by a qualified auditor in terms of Article 154 of the Constitution. For the purposes of this section, the qualified auditor so appointed may be an international firm of accountants.
 (2) The final Audit Report shall be submitted to the President, or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister, to be tabled in Parliament.
16. (1) The Commission shall maintain books, registers and records of minutes, accounts, cash securities, vouchers and other documents in compliance with the applicable International Financial Reporting Standards.
 (2) The Commission shall prepare annually a financial statement in compliance with International Financial Reporting Standards. The Commission shall also appoint annually an international firm of accountants to audit and report on its financial statement and state whether in its opinion, the financial statement so audited provides a true and fair view of the financial affairs of the Commission.
17. The Commission may, where so required, call for information and reports as it may deem necessary for the purposes of this Part of this Act.
18. The Commission may delegate such of its powers, duties and functions under this Act, as the Commission may determine, either to the Director-General, to any officer of the Commission or any person holding a position of responsibility employed by the Commission, and the Director-General, officer of the Commission or person holding a position of responsibility employed by the Commission shall exercise, perform and discharge such delegated powers, duties and functions subject to the direction and supervision of the Commission.
19. (1) The Commission shall establish such number of administrative units within the Commission as may be required for the efficient exercise, performance and discharge of its powers, duties and functions in terms of this Act.
 (2) The Director-General may, with the approval of the Commission, delegate in writing to any administrative unit or employee of the Commission, such of the powers, duties or functions of the Director-General as may be considered necessary from time to time, and any such administrative unit or employee to whom any such powers, duties or functions are delegated, shall be responsible for the same, and shall exercise them subject to the direction and supervision of the Commission or the Director-General.
20. The Commission, its officers and employees shall not be liable for any act done or purported to be done or any omission made, in good faith during the exercise, performance or discharge of its or their powers, duties or functions under this Act, provided that such immunity shall not extend to –
 (a) liability for a criminal offence under any written law for the time being in force;
 (b) any act done in contravention of the provisions of this Act, or any other applicable written law, or any regulations made thereunder.
21. Any expense incurred by the Commission in any suit or proceeding brought by or against the Commission before any court or the International Commercial Dispute Resolution Centre established in terms of this Act, or such other body shall be paid out of the Fund of the Commission and any costs paid to, or recovered by the Commission in any such suit or proceeding, shall be credited to the Fund of the Commission.

22. Any expense incurred by any member, officer or employee of the Commission in any suit or proceeding brought against such person before any court or the International Commercial Dispute Resolution Centre established in terms of this Act, or such other body in respect of any act which is done, or is purported to be done, in terms of this Act or on the direction of the Commission shall be paid out of the Fund of the Commission and any costs paid to, or recovered by, the Commission in any such suit or proceeding, shall be credited to the Fund of the Commission:

Provided however, if the court or the International Commercial Dispute Resolution Centre or such other body, holds that such act was not done in good faith, such expense paid out of the Fund of the Commission shall be recovered from such person and be credited to the Fund of the Commission.

PART IV

FUND OF THE COMMISSION

23. (1) The Commission shall have its own Fund.

(2) There shall be paid into the Fund of the Commission –

- (a) a sum of Sri Lanka Rupees four hundred million being the initial contribution payable by the Project Company to the Fund of the Commission, on account of the Commission discharging inter alia, the functions of the investment facilitator of the Colombo Port City, which sum shall be used by the Commission to defray initial setting up and operational expenditure of the Commission, including international promotional expenditure of the Colombo Port City and Sri Lanka and such other expenses as may be incurred by the Commission in terms of this Act;
 - (b) all sums of money equivalent to one percentum of all sums received from any lease of Project Company Marketable Land situated within the Area of Authority of the Colombo Port City, on account of the Commission discharging inter alia, the functions of the investment facilitator in relation to Marketable Land situated within the Area of Authority of the Colombo Port City, executed from the date of commencement of this Act and ending on June 30, 2028, after deducting therefrom, the initial contribution made by the Project Company in terms of paragraph (a) above and any taxes as may be payable thereon which sum shall be used by the Commission to defray expenditure incurred by the Commission in terms of this Act as set out in paragraph (a) (the Commission having remitted the entire balance of all sums so received to the Project Company simultaneous to the execution of indentures of lease of Project Company Marketable Land);
 - (c) all sums of money equivalent to one percentum from all sums received from July 1, 2023 and ending on June 30, 2028, from any lease of Government Marketable Land situated within the Area of Authority of the Colombo Port City, retained by the Commission, as a service fee, to defray expenditure incurred by the Commission for international promotional expenditure of the Colombo Port City and Sri Lanka, (the Commission having remitted the entire balance of all sums so received to the Consolidated Fund, simultaneous to the execution of the respective indentures of lease, which sums will form part of Government Revenue);
 - (d) all sums of money as may be received by the Commission by way of local assessment rates and any other levies imposed by the Commission at such rates as prescribed within the Area of Authority of the Colombo Port City, (which sums shall be credited to the Consolidated Fund on a quarterly basis, and will form part of Government Revenue);
 - (e) all sums of money as may be received by the Commission by way of fees or charges, as the case may be, imposed by the Commission or the Estate Manager, for services or facilities provided within the Area of Authority of the Colombo Port City, as may be decided by the Commission in the exercise, performance and discharge of the powers, duties and functions assigned to the Commission or the Estate Manager, in terms of this Act;
 - (f) all grants, donations, gifts or bequests from any legitimate source whatsoever, whether domestic or foreign as shall be received by the Commission, through the Department of External Resources of the General Treasury;
 - (g) all sums of money borrowed by the Commission in accordance with regulations which shall be made for such purpose; and
 - (h) any other sums of money as may accrue to the Commission, in the exercise, performance and discharge of the powers, duties and functions of the Commission.
- (3) There shall be paid out of the Fund of the Commission, all sums of money as may be required in order to defray any expenditure incurred by the Commission, in the exercise, performance and discharge of its powers, duties and functions in terms of this Act, while ensuring that-

- (a) the limitations set out in paragraph (c) of subsection (2), correlated to the achievement of the objectives of the Commission through international promotional activities, are adhered to;
 - (b) the balance to be remitted to the Project Company under paragraph (b) of subsection (2) are so remitted; and
 - (c) all funds required to be credited to the Consolidated Fund in terms of the provisions of this Act, are so credited.
- (4) The Fund of the Commission shall be audited annually by a qualified auditor in terms of Article 154 of the Constitution. For the purposes of this section, the qualified auditor so appointed may be an international firm of accountants.
- (5) The final audit report shall be submitted to the President, or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister, to be tabled in Parliament.
- (6) It is hereby noted that the Commission shall be estimated to be self-sustainable by July 1, 2028.
- (7) For the purposes of subsection (2), when carrying out international promotional activities of the Colombo Port City and Sri Lanka and incurring related expenditure, the Commission shall ensure the involvement of both international and local expertise and aptitude.

PART V

THE DIRECTOR-GENERAL AND THE STAFF OF THE COMMISSION

24. (1) The Commission shall, in consultation with and with the approval of the President, appoint a suitable person, possessing such qualifications and experience and local or international exposure to be the Director-General of the Commission (in this Act referred to as the "Director-General").
- (2) The Director-General shall be the Chief Executive Officer of the Commission.
- (3) The Director-General shall be appointed for a term of three years from the date of appointment on such terms and conditions as may be determined by the Commission in consultation with and with the approval of the President. The Director-General shall be eligible for reappointment unless removed from office in terms of subsection (6) of this section.
- (4) The Director-General shall, subject to the general direction and control of the Commission, be responsible for the conduct of all affairs of the Commission.
- (5) The Director-General shall be paid such remuneration as may be determined by the Commission, in consultation with the President.
- (6) The Commission may, in consultation with and with the approval of the President, for reasons assigned, remove the Director-General from office.
- (7) The Director-General may resign from his office by a written communication in that regard addressed to the Commission and to the President, and such resignation shall take effect on it being accepted by the President.
- (8) The provisions of subsection (3) of section 9 shall mutatis mutandis, apply in relation to the removal of the Director-General.
25. The powers, duties and functions of the Director-General shall be to-
- (a) establish and manage a dedicated Secretariat for the Commission, and to support and assist the Commission in the exercise, performance and discharge of its powers, duties and functions;
 - (b) conduct the day-to-day management and administration of the affairs of the Commission;
 - (c) manage human resources and related services as may be assigned or delegated by the Commission;
 - (d) prepare the annual budget of the Commission in consultation with the Commission, and forward the same to the President for his approval in consultation with the Minister assigned the subject of Finance;
 - (e) recommend to the Commission the fees and other charges to be imposed for the services and facilities provided by the Commission including for the issue or grant of a registration, licence, authorisation, permit, certificate and such other approval, as may be required;
 - (f) recommend to the Commission the renewal, suspension, revocation, cancellation or termination of any registration, licence, authorisation, permit, certificate and such other approval issued or granted by the Commission in terms of this Act;
 - (g) carry out any act as may be required in the discharge of his functions as the Director-General; and
 - (h) perform such other functions as may be assigned or delegated by the Commission.

PART VI

APPLICATION FOR AND APPROVAL AS AN AUTHORISED PERSON, AGREEMENT REQUIRED TO BE SIGNED, SINGLE WINDOW INVESTMENT FACILITATION, SRI LANKA CITIZENS ENGAGING IN BUSINESS, EMPLOYMENT, PURCHASING, LEASING OR RENTING PROPERTY, OR UTILISING FACILITIES OR SERVICES

26. (1) A person other than an authorised person in terms of this Act, shall not be permitted to engage in business, in and from the Area of Authority of the Colombo Port City.
- (2) In the case of a person intending to engage in business in and from the Area of Authority of the Colombo Port City, a licence issued by the Commission under this Part of this Act, shall be required for an applicant to be qualified as an authorised person and to be permitted to engage in business in and from the Area of Authority of the Colombo Port City.
- (3) In the case of a company intending to engage in business in and from the Area of Authority of the Colombo Port City–
- (a) a license issued by the Commission under this Part of this Act; and
 - (b) a Certificate of Registration issued under Part VII of this Act, shall be required for an applicant to be qualified as an authorised person and be permitted to engage in business in and from the Area of Authority of the Colombo Port City.
- (4) In the case of a company intending to engage in offshore banking business–
- (a) a license issued by the Commission under this Part of this Act;
 - (b) a Certificate of Registration issued under Part VII of this Act; and
 - (c) a license issued under Part VIII of this Act, shall be required for an applicant to be qualified as an authorised person and to be permitted to engage in offshore banking business in and from the Area of Authority of the Colombo Port City.
27. (1) An application for a registration, licence, authorisation or such other approval as may be required to engage in business in and from the Area of Authority of the Colombo Port City in terms of this Act, shall be made to the Commission, in such form and manner, and on payment of the applicable fee for obtaining a registration, licence or authorisation or such other approval, as shall be prescribed.
- (2) Every application shall be accompanied by such information, documents and a non-refundable processing fee, as may be determined by the Commission.
- (3) Every application shall specify the total value of the proposed foreign direct investment, to be made in any designated foreign currency other than Sri Lanka Rupees, which shall also be set out in the relevant agreement to be executed by the Commission and the authorised person in terms of section 32 of this Act.
- (4) No foreign currency deposit in an account maintained or operated in Sri Lanka, in any licensed commercial bank or licensed specialised bank within the meaning of the Banking Act and no foreign currency raised through a foreign currency loan obtained from any such licensed commercial bank or licensed specialised bank, shall be used by an authorised person for the purpose of such investment, within the Area of Authority of the Colombo Port City. As such, subject to the provisions of subsection (5) of this section and section 39 of this Act, all investments made to carry on business in and from the Area of Authority of the Colombo Port City shall, in the interest of national economy, be raised outside Sri Lanka.
- (5) Any person or company, to whom the restrictions specified in the Land (Restrictions on Alienation) Act, No. 38 of 2014 do not apply, and who has leased land as permitted in terms of section 38 or section 39 of this Act, may along with an investor or a consortium of investors, apply to engage in business in and from the Area of Authority of the Colombo Port City in any designated foreign currency other than in Sri Lanka Rupees, on the basis that the value of the land so leased forms part of such investment. The Commission may grant such approval on the basis that dividend or any other financial benefit on such investment shall be made in a designated foreign currency other than in Sri Lanka Rupees, subject to such other conditions as may be prescribed:
- Provided that, in the event a dividend or any other financial benefit accrues to such person or company within a period of five years from the date of the respective lease paid for in Sri Lanka Rupees under section 39 of this Act, such person shall be required to remit such dividend or any other financial benefit to a Resident Foreign Currency Account operated and maintained in the name of the person or company that paid for the lease in Sri Lanka Rupees under section 39, in Sri Lanka outside the Area of Authority of the Colombo Port City.
28. (1) The Commission may call for any further information and documents as may be required with regard to any application made in terms of subsection (1) of section 27 and the applicant shall submit such information and documents within such period of time as may be determined by the Commission and communicated to the applicant.

- (2) Every registration, licence, authorisation or other approval issued or granted by the Commission in terms of this Act shall-
- (a) be in such form as may be determined by the Commission;
 - (b) be granted on payment of a fee in such amount as may be prescribed by taking into consideration inter alia the type of business for which the same is being granted;
 - (c) specify the period of validity, if any, of the registration, licence or authorisation or such other approval;
 - (d) specify the business to be engaged by an authorised person, in and from the Area of Authority of the Colombo Port City; and
 - (e) specify the conditions, if any, to be attached to such registration, licence, authorisation or such other approval.
- (3) The procedure for –
- (a) approval of an applicant as an authorised person;
 - (b) amendment, surrender, transfer, assignment or renewal of a registration, licence or authorisation or other approval at the request of an authorised person; and
 - (c) suspension, revocation or cancellation, for good cause, of a registration, licence or authorisation or other approval, granted by the Commission, in the event of a material default or breach by an authorised person, having informed the authorised person the reasons therefor in writing, shall be as prescribed.
- (4) The Commission shall maintain a Register which shall contain details of all authorised persons and the type of registration, licence, authorisation or other approval issued or granted to each of them, in the form and manner as may be determined by the Commission.
29. No applicant shall make –
- (a) in relation to any application submitted in terms of this Part of this Act; or
 - (b) in relation to any information or particulars that the applicant is required to furnish in terms of this Act, any representation or statement that the applicant knows is false or misleading in any material particular. Any person who contravenes the provisions of this section commits an offence in terms of this Act.
30. (1) Subject to Part VII, Part VIII and section 33 of this Act, the Commission shall be the Single Window Investment Facilitator responsible for the consideration and determination, in an expeditious and coordinated manner, whether to accept or reject for good reason, any application made to the Commission for a registration, licence, authorisation or other approval as may be necessary, to engage in any business in, to invest in, to reside in or to be employed in the Area of Authority of the Colombo Port City.
- (2) The Commission shall, in its capacity as the Single Window Investment Facilitator, determine to either accept or reject an application received by the Commission in terms of section 27 of this Act. If an application is found to be acceptable, the Commission shall inform the applicant in writing, of its decision. In the event of an application being rejected, the Commission shall inform the applicant of the fact of rejection in writing, along with its reasons for such decision. The decision of the Commission shall be final.
- (3) The Commission shall obtain the concurrence of any relevant Regulatory Authority in the process of granting such registration, licence, authorisation or other approval, where so required by the respective written laws applicable to such Authority, in respect of the subjects vested in or assigned to, such Authority and to the extent specifically provided for in this Act:
- Provided that, the concurrence of the relevant Regulatory Authority sought shall be limited to the implementation by the Commission, within the Area of Authority of the Colombo Port City, of the respective written laws applicable to such Authority: Provided further, the relevant Regulatory Authority from whom such concurrence is being sought by the Commission, shall, as soon as practicable in the circumstances, as a matter of priority, communicate its decision to the Commission.
- (4) To ensure that the processing of applications made to the Commission is carried out in an expeditious manner, the Commission shall require any relevant Regulatory Authority to operate an office within the Area of Authority of the Colombo Port City. The relevant Regulatory Authority shall ensure that such office is managed by officers of sufficient seniority and authority, to ensure expeditious processing of such applications and communicating its decision.
31. (1) Where the Commission, after evaluation of an application received in terms of section 27 of this Act, considers such application to be acceptable in the national interest or in the advancement of the national economy, it shall proceed to issue or grant the registration, licence, authorisation or other approval, applied for.

- (2) The registration, licence, authorisation or other approval so issued or granted, may be subject to such terms or conditions as the Commission considers necessary.
- (3) Where a registration, licence, authorisation or other approval is so issued or granted by the Commission, it shall be the responsibility of the Commission to be satisfied after due concurrence obtained from the relevant Regulatory Authorities, where so required by the respective written laws applicable to such Authority, that all legal and regulatory requirements have been duly complied with, in respect of the relevant registration, licence, authorisation or other approval, unless any condition to the contrary is specified in any such document.
32. The Commission shall enter into an agreement with every authorised person setting out inter alia any terms, conditions, restrictions attached, the total value of the foreign direct investment committed to be made (inclusive of any sum paid in terms of section 39), and any concessions or exemptions and the period pertaining to which they are granted under this Act, in relation to the investment to be engaged in within the Area of Authority of the Colombo Port City. Every such agreement shall include a provision whereby the parties agree to the resolution of any dispute concerning thereof or arising therefrom, by way of arbitration in terms of Part XIII of this Act. Any equity contribution made as provided for in subsection (5) of section 27 shall also be separately reflected therein.
33. (1) The Commission, as the Single Window Investment Facilitator, shall accept an application for and facilitate the processing of, any visa, entry permit or work permit, and other approvals as may be required by an authorised person, any consultant of, or any person specially authorised by an authorised person or an employee of an authorised person, and a person who intends to engage in business, to invest in, to reside in or to be employed in the Area of Authority of the Colombo Port City, as may be necessary.
- (2) Where the Commission after evaluation of an application under subsection (1) considers such application to be acceptable in the national interest or in the advancement of the national economy, it may inform the Controller of Immigration and Emigration of such fact and recommend that such visa, entry permit or work permit or other approval, be granted as a matter of priority.
- (3) On the basis of the decision of the Controller of Immigration and Emigration, the Commission shall, if the application is accepted by the Controller of Immigration and Emigration, inform the applicant in writing, and facilitate the issuance of such visa, entry permit, work permit or other approval as the case may be, or if the application is rejected, inform the applicant in writing of the same setting out the reasons therefor as informed by the Controller of Immigration and Emigration. The decision of the Controller of Immigration and Emigration shall be final.
34. Where the Commission subsequent to the facilitation and the issuing or granting-
- (a) of any registration, licence, authorisation or other approval in terms of section 31; or
 - (b) of any visa, entry permit or work permit or other approval as set out in section 33,
- becomes aware of a reason that compels the Commission to recommend to the Controller of Immigration and Emigration to suspend, revoke or cancel the same, as he may deem necessary, the Commission shall inform the Controller of Immigration and Emigration and the authorised person, of the same. The Controller of Immigration and Emigration shall thereupon take action to suspend, revoke, or cancel the registration, licence, authorisation or other approval as the case may be. Upon the taking of action for such suspension, revocation or cancellation as the case may be, the Controller of Immigration and Emigration shall notify the Commission of the same and the Commission shall immediately thereupon notify the relevant authorised person accordingly. The decision of the Controller of Immigration and Emigration shall be final.
35. An authorised person permitted to engage in business in and from the Area of Authority of the Colombo Port City, may employ any person, whether a resident or a non-resident, and such employee shall be remunerated in a designated foreign currency, other than in Sri Lanka Rupees, and –
- (a) any employment income of a resident employee so received shall be exempt from income tax and shall be deemed to be a permissible credit to a personal foreign currency account of such resident employee;
 - (b) any employment income of a non-resident employee so received shall be exempt from income tax and notwithstanding anything to the contrary contained in any other written law, such non-resident employee shall not be liable to income tax in Sri Lanka on any income earned outside Sri Lanka.
36. An authorised person engaged in business in and from the Area of Authority of the Colombo Port City may accept payments in Sri Lanka Rupees in respect of any goods or services provided by such authorized person within the Area of Authority of the Colombo Port City, to a citizen of Sri Lanka or a resident. Any Sri Lanka Rupees so accepted by such authorised person may be converted to a designated foreign currency in such manner and subject to such conditions as shall be prescribed.

37. (1) An authorised person may, subject to the applicability of all written laws for the time being in force and regulations which may be made hereunder, in the national interest and in order to safeguard the interest of the domestic economy, apply to the Commission for an authorisation to engage in business in Sri Lanka, with a citizen of Sri Lanka or a resident, who is engaged in business in Sri Lanka outside the Area of Authority of the Colombo Port City.
- (2) The Commission having considered such request, may in the national interest or in the advancement of the national economy, and while ensuring the interest of the domestic economy, issue such an authorisation in such manner and subject to such conditions as shall be prescribed.
- (3) Where the Commission issues an authorization to an authorized person under subsection (1) to engage in business with a citizen of Sri Lanka or a resident who is engaged in business in Sri Lanka outside the Area of Authority of the Colombo Port City, such authorized person shall not be entitled to claim or receive any exemptions or incentives as provided for in Part IX of this Act or under any other Part of this Act, in relation to engaging in business in Sri Lanka with a citizen of Sri Lanka or a resident outside Area of the Authority of the Colombo Port City.
38. The Commission may, subject to the provisions of this Act, the provisions of the Land (Restrictions on Alienation) Act, No. 38 of 2014 and other applicable written laws-
- (a) lease, Government Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act;
 - (b) lease, Project Company Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act, jointly with the Project Company which holds Master Leases relating thereto;
 - (c) lease or transfer on freehold basis, condominium parcels standing on Government Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act, jointly with the respective investor or developer, as the case may be;
 - (d) lease or transfer on freehold basis, condominium parcels standing on Project Company Marketable Land situated within the Area of Authority of the Colombo Port City and vested in the Commission in terms of this Act, jointly with the Project Company which holds Master Leases relating thereto, to any person, and payment therefor shall be made in any designated foreign currency, other than Sri Lanka Rupees.
39. Notwithstanding the provisions of section 38, the Commission may lease Government Marketable Land or Project Company Marketable Land, or lease or transfer on freehold basis any condominium parcel standing on either Government Marketable Land or Project Company Marketable Land, to any person or company, to whom the restrictions specified in the Land (Restrictions on Alienation) Act, No. 38 of 2014 do not apply, in Sri Lanka Rupees, in accordance with such terms and conditions as may be determined by the Commission:
- Provided that, if such person or company to whom the restrictions specified in the Land (Restrictions on Alienation) Act, No. 38 of 2014 do not apply and who has made payment in Sri Lanka Rupees, and who, within a period of five years from the date of the respective transaction paid for in Sri Lanka Rupees, in turn transfers, leases or rents such property to a third party on payment made in any designated foreign currency other than Sri Lanka Rupees, shall be required to remit the sum so received in a designated foreign currency other than Sri Lanka Rupees, to a Resident Foreign Currency Account operated and maintained in Sri Lanka outside the Area of Authority of the Colombo Port City, in the name of the aforesaid person or company in such manner as shall be prescribed.
40. (1) A citizen of Sri Lanka or a resident may utilise any retail facilities or services within the Area of Authority of the Colombo Port City at restaurants, cinemas, entertainment facilities, shopping facilities or parking facilities, upon making related payments in Sri Lanka Rupees.
- (2) Any levy as may be required to be paid by a citizen of Sri Lanka or a resident on goods purchased at retail facilities as set out in subsection (1), to be taken out of the Area of Authority of the Colombo Port City, shall be as prescribed.
- (3) The amount received by any authorised person when a citizen of Sri Lanka or a resident utilises any retail facilities or services as set out in subsection (1), may be converted by such authorised person into any designated foreign currency in such manner and subject to such conditions as shall be prescribed.

PART VII

OFFSHORE COMPANIES TO OPERATE WITHIN THE AREA OF AUTHORITY OF THE COLOMBO PORT CITY

41. (1) The provisions of this Part of this Act shall, notwithstanding the provisions of Part XI of the Companies Act, No. 7 of 2007, be applicable in relation to offshore companies incorporated to engage in business in and from the Area of Authority of the Colombo Port City.

- (2) On receipt of an application from a company to be registered as an offshore company under this Part of this Act, the Commission shall, if such application is acceptable to the Commission, while having regard to the national interest or in the advancement of the national economy, recommend to the Registrar-General of Companies to proceed to register such company as an offshore company in terms of Part XI of the Companies Act, No. 7 of 2007 and issue a Certificate of Registration to the applicant company as an offshore company permitted to engage in business in and from the Area of Authority of the Colombo Port City.
- (3) An application to the Commission, to be registered as an offshore company shall be accompanied by the following :-
- (a) a certified copy of the charter, statute or articles of association of the company or such other instrument constituting or defining the constitution of the company, and where such instrument is not in an official language or in English, a translation of the instrument in English;
 - (b) a list of the directors or those managing the affairs of the company, containing their full names, addresses, occupations and the office they hold in the company;
 - (c) in the case of a company incorporated overseas, the names and addresses of one or more persons who are resident in and are citizens of Sri Lanka, who is or are authorised to represent the company;
 - (d) in the case of a company incorporated overseas –
 - (i) a statement containing the full address of the registered or principal office of the company in the country of incorporation and of the office of the company in Sri Lanka; and
 - (ii) a copy of the Certificate of Incorporation, certified by the issuing authority within thirty days prior to the submission of the application;
 - (e) a duly authenticated statement issued by the company, to the effect that there are no legal impediments in the country of incorporation of such company, for such company to be registered to carry on business as an offshore company; and
 - (f) the non-refundable processing fee in such amount as may be determined by the Commission.
- (4) The applicant shall, in the event of any change or alteration to the particulars set out in an application so tendered, forthwith inform the Commission of such change or alteration and the Commission shall notify the Registrar-General of Companies of the same, for steps to be taken in that regard as may be necessary.
- (5) A Certificate of Registration issued by the Registrar-General of Companies in the name of an applicant to operate as an offshore company in terms of this Part of this Act, shall be deemed to exempt such company to which a Certificate of Registration is issued to engage in business in and from the Area of Authority of the Colombo Port City, from having to comply with the provisions of the such Companies Act.
- (6) A company to whom a Certificate of Registration has been issued in terms of the preceding provisions of this section, permitting such company to engage in business as an offshore company in and from the Area of Authority of Colombo Port City, shall be deemed to be a non-resident company within the meaning and for the purposes of, the Inland Revenue Act, No. 24 of 2017.
- (7) Any regulation may be made for the purposes of this Part of this Act to be applicable to offshore companies herein incorporated, on the basis that the company that applied to be registered under this Part of this Act is being regulated in the country of its incorporation.
- (8) An offshore company registered under this Part of this Act may carry on business as authorised by the Commission only in and from the area of Authority of the Colombo Port City, in terms of this Act.
- (9) An offshore company which intends to continue its business as an offshore company in terms of this Act shall, at the commencement of that year and no later than the thirtyfirst day of January of every succeeding year, produce in the manner specified, to the Registrar-General of Companies proof of payment of the annual fee, in such amount as shall be determined by the Commission.
- (10) An offshore company so registered may notify the Commission of its intention to cease carrying on business as an offshore company in and from the Area of Authority of the Colombo Port City, by giving notice in writing to the Commission. The Commission shall, with the concurrence of the Registrar-General of Companies, take such steps as may be required.
- (11) The Commission may for good cause, recommend to the Registrar-General of Companies, while stating the reasons therefor, to cancel any Certificate of Registration issued, and the Registrar-General of Companies shall cancel such Certificate of

Registration. Upon such cancellation, the offshore company shall cease to enjoy the privileges and benefits granted under this Act or consequently under any other written law of Sri Lanka. In the event of any such cancellation by the Registrar-General of Companies, the Commission shall inform the applicant of the same in writing, stating the reasons therefor.

PART VIII

OFFSHORE BANKING BUSINESS IN AND FROM THE AREA OF AUTHORITY OF THE COLOMBO PORT CITY

42. (1) The provisions of this Part of this Act shall, notwithstanding the provisions of Part IV of the Banking Act, be applicable in relation to offshore banking business to be engaged in, in and from the Area of Authority of the Colombo Port City.
- (2) A company licensed to engage in banking business in Sri Lanka in terms of the Banking Act or a company licensed to carry on banking business under any law, charter, statute, article of association or other instrument constituting or defining such constitution, in any other country, and intends to engage in offshore banking business in and from the Area of Authority of the Colombo Port City, may make an application to the Commission for a licence to engage in offshore banking business in and from the Area of Authority of the Colombo Port City in terms of this Act.
- (3) The Commission shall, if such application is acceptable to the Commission, while having regard to the national interest or in the advancement of the national economy, with the concurrence of the President or in the event that the subject of the Colombo Port City is assigned to a Minister, with the concurrence of such Minister, recommend to the Minister assigned the subject of Finance to proceed to grant a licence under the Banking Act to engage in offshore banking business in and from the Area of Authority of the Colombo Port City subject to such conditions as may be imposed within the scope of the limitations set out in this Act.
- (4) A licence to carry on offshore banking business in and from the Area of Authority of the Colombo Port City may be issued by the Minister assigned the subject of Finance, with the concurrence of the Monetary Board, upon satisfaction of the requirements set out in this Act.
43. A licence to carry on offshore banking business in and from the Area of Authority of the Colombo Port City in terms of this Part of this Act may be suspended, revoked or cancelled by the Commission with the concurrence of the Monetary Board if it is proved after affording the licensee an opportunity to be heard in his defence, that the offshore banking business so engaged in is not in the national interest or in the advancement of the national economy, or that there appears to be a lack of prudent management and a visible instability of the offshore banking business being carried on.
44. The President or in the event that the subject of the Colombo Port City is assigned to a Minister, such Minister may, in consultation with the Minister assigned the subject of Finance and the Monetary Board, make regulations from time to time as may be required to give effect to the scope of this Act and to ensure prudent management and maintenance of confidence in the offshore banking business engaged in, in and from the Area of Authority of the Colombo Port City.
45. Regulations may be made for the purposes of this Part of this Act, with the concurrence of the Monetary Board, *inter alia*, to provide for the granting, suspension and cancellation of licences, the offshore banking business, reserve and capital requirements, reserve funds, maintenance of liquid assets, management of financial and operational risks, the requirement to submit proof of rating of the company which applied for registration of the offshore company in terms of Part VII of this Act, restrictions and penalties applicable in the event of reasonably established wrong-doing or visible instability of the offshore banking business being carried on, and such other relevant matters.
46. The Commission may, with the concurrence of the President or in the event that the subject of the Colombo Port City is assigned to a Minister, with the concurrence of such Minister, recommend to the Minister assigned the subject of Finance, in the national interest or in the advancement of the national economy, to authorise any company engaged in offshore banking business to carry on all or any of the following businesses: -
- (a) accept savings, time and demand deposits from any authorised person or a non-resident in any designated foreign currency;
 - (b) borrow any sum in a designated foreign currency from any non-resident;
 - (c) extend accommodation to any non-resident in any designated foreign currency;
 - (d) engage in any transaction in any designated foreign currency with any other offshore unit;
 - (e) engage in any other transaction in a designated foreign currency with a non-resident;
 - (f) engage in any other transaction as may be envisaged under this Act; or
 - (g) engage in any other transaction in any designated foreign currency, authorised by the Commission with the concurrence of the Monetary Board.

47. Every company to whom a licence has been issued in terms of this Part of this Act to engage in offshore banking business shall prepare annually a financial statement in compliance with International Financial Reporting Standards.
48. (1) Every offshore company to whom a licence has been issued in terms of this Part of this Act to engage in offshore banking business shall appoint annually an international firm of accountants to audit and report on its financial statement referred to in section 47 and such international firm of accountants shall submit such report and shall inter alia state therein whether in its opinion, the financial statement so audited provides a true and fair view of such offshore company's offshore banking business and whether it remains a going concern.
- (2) A certified copy of such audit report shall be submitted to the Commission, and if the Commission is of the view that such international firm of accountants has not discharged its duties in accordance with International Financial Reporting Standards, the Commission may require a fresh audit report from another international firm of accountants of similar standing and repute.
49. (1) The Commission may require any competent person authorised in that behalf by the Commission to carry out an examination of any offshore company to whom a licence has been issued in terms of this Part of this Act to engage in offshore banking business, and submit a report if it is apparent that-
- (a) the international firm of accountants has failed to submit an audit report;
 - (b) there exists an inadequacy in the audit report referred to above;
 - (c) there are reasonable grounds to doubt the financial stability of the company in question or that the company is engaged in fraudulent, unsafe or unsound banking practices; or
 - (d) the company has failed to comply with the requirements of this Part of this Act in the carrying on of its offshore banking business.
- (2) If on the completion of an examination and the submission of the report in terms of subsection (1), it is established that such authorised person engaged in offshore banking business is engaged in fraudulent, unsafe or unsound banking practices or that its financial stability is in doubt, the Commission may, with the concurrence of the Monetary Board, impose restrictions on carrying on offshore banking business or impose a penalty or such other conditions as deemed appropriate.
50. Every company registered under this Part of this Act shall maintain books, minutes, accounts, cash securities, vouchers, other documents and records, in compliance with the applicable International Financial Reporting Standards.
51. Subject to the provisions of this Part of this Act, the Monetary Board may, from time to time, through the Commission, call for information and reports as it may deem necessary for the purposes of this Part of this Act.

PART IX

DETERMINATION AND GRANT OF EXEMPTIONS OR INCENTIVES FOR THE PROMOTION OF BUSINESSES OF STRATEGIC IMPORTANCE

52. (1) The provisions of this Part of this Act shall, notwithstanding the provisions contained in any other written law, be applicable to any authorised person carrying on a Business of Strategic Importance, as may be approved under this Part of this Act.
- (2) From and after the date of commencement of this Act, the Commission in consultation with the President or in the event that the subject of Colombo Port City is assigned to a Minister, in consultation with such Minister, may identify businesses, which may be designated as "Businesses of Strategic Importance" which would ensure the success of the objectives in establishing the Colombo Port City, having regard to the national interest or in the advancement of the national economy.
- (3) Upon a business being so identified as a Business of Strategic Importance, exemptions or incentives as provided in this Part of this Act may be granted thereto in accordance with the regulations made under this Act, in so far as it relates to its operations in and from the Area of Authority of the Colombo Port City. In the case of tax related exemptions, such exemptions may be granted, either in full or part, and from all or any of the enactments set out in Schedule II hereto.
- (4) The exemptions or incentives granted in terms of subsection (3) shall be embodied into the agreement referred to in section 32 of this Act to be signed by and between the Commission and the authorised person.
- (5) Regulations may be made prescribing guidelines on the grant of exemptions or incentives, as provided for in this Part of this Act.
- (6) The Commission may also extend such other assistance or facilitation as may be necessary as incentives to attract Businesses of Strategic Importance to the Colombo Port City.
- (7) The period of validity of such exemptions or incentives granted in terms of this section shall not exceed forty years.

53. (1) Upon a business being so identified as a Business of Strategic Importance, the Commission shall make recommendations to the President or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister relating to the designation of such business as a Business of Strategic Importance and the grant of any exemptions or incentives in terms of section 52 of this Act.
- (2) The President or in the event that the subject of the Colombo Port City is assigned to a Minister, such Minister may, having considered such recommendations, and having regard to the national interest or in the advancement of the national economy, in consultation with the Minister assigned the subject of Finance, take such steps as are necessary to inform the Cabinet of Ministers, of –
- (a) the rationale for considering such business as a Business of Strategic Importance;
 - (b) the specific exemptions from those enactments listed in Schedule II to this Act, that are proposed to be applicable to such Business of Strategic Importance and any other incentives;
 - (c) the proposed date of commencement and date on which such exemptions or incentives shall cease to be operative, however not exceeding forty years from the date of commencement of such exceptions or incentives;
 - (d) the name of the applicant of the business being identified as a Business of Strategic Importance, in order to obtain the approval of the Cabinet of Ministers for the designation of such business as a Business of Strategic Importance and for the granting of exemptions or incentives to such business, as provided for in section 52 of this Act.
- (3) Within two weeks from the date on which the Cabinet of Ministers approves the designation of a business as a Business of Strategic Importance and the granting of the exemptions or incentives so approved, the President or in the event that the subject of the Colombo Port City is assigned to a Minister, such Minister shall, by Order published in the *Gazette*, specify –
- (a) the rationale for considering such business as a Business of Strategic Importance;
 - (b) the specific exemptions from those enactments listed in Schedule II to this Act that are applicable to such Business of Strategic Importance and any other incentives granted;
 - (c) the date of commencement and date on which such exemptions and incentives shall cease to be operative; and
 - (d) the name of the applicant of the business identified as a Business of Strategic Importance.
- (4) Upon the expiry of thirty days from the date of such Order published in the *Gazette* under subsection (3), such Order along with a written confirmation issued under the hand of the Commission confirming that the exemptions or incentives set out in the notification are compliant with the provisions in terms of Part IX of this Act, shall be placed before Parliament for information.
- (5) For the purposes of this Part of this Act, a “Business of Strategic Importance” shall mean a business that is projected to ensure the success of establishing the Colombo Port City, having regard to the national interest or in the advancement of the national economy, and which is likely to bring economic and social benefit to the country, or is likely to change the landscape of the Colombo Port City, or which will enable global or regional business or service linkages, primarily through-
- (a) the strategic importance attached to the proposed business;
 - (b) the inflow of foreign exchange into the Area of Authority of the Colombo Port City, as a foreign direct investment into such business or expected to be generated through such business;
 - (c) the generation of employment that will enable income earning opportunities in designated foreign currencies other than in Sri Lanka Rupees, to those employed within the Area of Authority of the Colombo Port City;
 - (d) the envisaged transformation of knowledge in terms of the promotion of services, or the development or use of technology, including information technology;
 - (e) the destination promotion envisaged for Sri Lanka, through the promotion of tourism, entertainment and shopping activities, or through the promotion of urban amenity operations with the settlement of a residential community within the Area of Authority of the Colombo Port City; and
 - (f) the impetus envisaged through the promotion of services in and from the Area of Authority of the Colombo Port City, with the setting up of corporate headquarters operations and regional distribution operations.

PART X

APPLICABILITY OF THE CONDOMINIUM MANAGEMENT AUTHORITY LAW AND THE APARTMENT OWNERSHIP LAW

54. (1) From and after the date of commencement of this Act, unless otherwise stated to the contrary herein, the Condominium Management Authority Law and the Apartment Ownership Law shall, for the purpose of the effective implementation of the provisions of this Act, have effect within the Area of Authority of the Colombo Port City in the manner and subject to the modifications set out in subsection (2):

Provided that regulations made under the Condominium Management Authority Law or the Apartment Ownership Law and which are in force on the date of commencement of this Act, shall also be operative within the Area of Authority of the Colombo Port City until regulations are made under this Act:

Provided further, any regulation made under the Condominium Management Authority Law or the Apartment Ownership Law and which is applicable within the Area of Authority of the Colombo Port City shall, upon the making of a corresponding regulation in terms of this Part of this Act, cease to be applicable within the Area of Authority of the Colombo Port City with effect from the date of coming into operation of the regulation made under this Act.

- (2) From and after the date of commencement of this Act, the Commission shall, in any instance where the said Condominium Management Authority Law and the Apartment Ownership Law are applicable within the Area of Authority of the Colombo Port City, mutatis mutandis, exercise, perform and discharge all or any of the powers, duties and functions vested in or assigned to the Condominium Management Authority, in like manner as though a reference in the aforesaid Condominium Management Authority Law and the said Apartment Ownership Law –
- (a) to the “Condominium Management Authority”, were a reference to the “Colombo Port City Economic Commission” established under this Act; and
 - (b) to the “Minister”, were a reference to the “President or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister to whom the subject of Colombo Port City has been assigned”.

55. (1) In the exercise, performance and discharge of its powers, duties and functions under this Part of this Act, the Commission shall obtain the concurrence of Condominium Management Authority, to the extent specifically provided for in this Act.
- (2) The Condominium Management Authority shall, as a matter of priority in the circumstances, communicate its decision to the Commission.
- (3) To ensure that the construction of condominium properties within the Area of Authority of the Colombo Port City is carried out in an expeditious manner, the Commission may require the Condominium Management Authority to operate an office within the Area of Authority of the Colombo Port City. The Condominium Management Authority shall ensure that such office is managed by officers of sufficient seniority and authority to ensure expeditious implementation of the provisions of the Condominium Management Authority Law and the Apartment Ownership Law.

PART XI

APPLICABILITY OF THE SECURITIES AND EXCHANGE COMMISSION ACT

56. (1) Any stock exchange or market operated within the Area of Authority of the Colombo Port City shall regulate the listing and issue of securities in terms of the provisions of the Securities and Exchange Commission Act and regulations made under such Act.
- (2) For the purposes of this section, “securities” means debentures, stocks, shares, funds, bonds, derivatives including futures and options whatever the nature of the underlying asset relied on or notes issued or proposed to be issued, by any government or anybody, whether incorporate or unincorporated, including any rights, options or interests (whether described as units or otherwise) therein or in respect thereof, or any other instruments commonly known as securities, but does not include bills of exchange or promissory notes or certificates of deposits issued by a bank.
57. (1) From and after the date of commencement of this Act, unless otherwise stated to the contrary herein, the Securities and Exchange Commission Act shall, for the purpose of the effective implementation of the provisions of this Act, have effect within the Area of Authority of the Colombo Port City in the manner and subject to the modifications as are hereinafter set out in subsection (2):

Provided that any regulation made under the Securities and Exchange Commission Act, and which is in force on the date of commencement of this Act shall also be operative within the Area of Authority of the Colombo Port City until regulations are made under this Part of this Act:

Provided further that, any regulation made under the Securities and Exchange Commission Act and which is as aforesaid applicable within the Area of Authority of the Colombo Port City shall, upon the making of a corresponding regulation in terms of this Part of this Act, cease to be applicable within the Area of Authority of the Colombo Port City with effect from the date of coming into force of such regulation under this Act.

- (2) The Commission shall, in the exercise, performance and discharge of its powers, duties and functions to the extent provided in terms of this Part of this Act, where required in terms of the Securities and Exchange Commission Act, obtain the concurrence of the Securities and Exchange Commission in respect of the subjects vested in or assigned to, the Securities and Exchange Commission.
 - (3) Such concurrence of the Securities and Exchange Commission sought shall be limited to the implementation within the Area of Authority of the Colombo Port City, and in construing the provisions of the said Securities and Exchange Commission Act, a reference in so far as required for the purposes of this Part of this Act-
 - (a) to the "Securities and Exchange Commission", were a reference to the "Colombo Port City Economic Commission" established under this Act; and
 - (b) to the "Minister" were a reference to the "President or in the event that the subject of the Colombo Port City is assigned to a Minister, to such Minister to whom the subject of Colombo Port City has been assigned".
58. (1) Where the concurrence of the Securities and Exchange Commission is sought by the Commission, the Securities and Exchange Commission shall as soon as practicable in the circumstances, as a matter of priority, communicate its decision to the Commission.
- (2) To ensure that the operation of stock exchanges or markets within the Area of Authority of the Colombo Port City is carried out in an expeditious manner, the Commission may require the Securities and Exchange Commission to operate an office within the Area of Authority of the Colombo Port City. The Securities and Exchange Commission shall ensure that such office is managed by officers of sufficient seniority and authority.

PART XII

ESTATE MANAGER AND PROVISION OF GENERAL SERVICES

59. There shall be a company incorporated in terms of the Companies Act, No. 7 of 2007 which shall be designated as the Estate Manager to provide such services as set out hereunder within the Area of Authority of the Colombo Port City, including such other services as may from time to time be assigned by the Commission to the Estate Manager.
60. The Estate Manager shall act under the direction and supervision of the Commission and exercise, perform and discharge the following powers, duties and functions –
- (a) to assist service providers in providing utility services, such as gas, water, electricity, internet and communication facilities, sewerage and drainage, waste and garbage disposal and such other facilities to authorised persons, residents, occupiers and visitors in the Area of Authority of the Colombo Port City;
 - (b) to manage and maintain all common areas including the maintenance of street lighting and such other facilities;
 - (c) to facilitate the collection of area related rates and levies imposed by the Commission within the Area of Authority of the Colombo Port City as authorised by this Act, and collect fees and charges for services provided within the Area of Authority of the Colombo Port City, including management fees, utility charges, vehicle parking charges, user fees and such other fees or charges from authorised persons, employees of authorised persons, residents, occupiers and visitors within the Area of Authority of the Colombo Port City;
 - (d) to set up, operate and maintain common user facilities such as car parks within the Area of Authority of the Colombo Port City;
 - (e) to be responsible for the maintenance and upkeep of waterfronts, inland canals and such other areas between the offshore breakwater and the beaches of the Colombo Port City;
 - (f) to collect on behalf of the Commission, the local rates, levies and such other charges imposed by the Commission and applicable within the Area of Authority of the Colombo Port City, and credit the total of the sum so collected to a bank account as directed by the Commission;
 - (g) to levy berthing fees as may be necessary, being part of the services provided within the Area of Authority of the Colombo Port City;
 - (h) to be responsible for the operation and maintenance of an efficient and effective garbage collection and disposal system,

while ensuring the daily collection, sorting and removal and disposal of all types of garbage of the authorised persons, employees of authorised persons, residents, occupiers and visitors within the Area of Authority of the Colombo Port City, subject to compliance with such Development Control Regulations, and to enter into any related agreements with any third party, including outsourcing agreements where so required;

- (i) to supervise and administer all matters relating to roads or access ways within the Area of Authority of the Colombo Port City and the protection and promotion of the convenience and welfare of the authorised persons, employees of authorised persons, residents, occupiers and visitors within the Area of Authority of the Colombo Port City; and
 - (ii) to do such other things as may be directed by the Commission for the better management and welfare of the authorised persons, employees of authorised persons, residents, occupiers and visitors within the Area of Authority of the Colombo Port City.
61. The Estate Manager shall be deemed to be an authorised person and shall be entitled to all the benefits and privileges of an authorised person as specified in terms of this Act.

PART XIII

INTERNATIONAL COMMERCIAL DISPUTE RESOLUTION CENTRE

- 62. (1) The Commission shall facilitate the establishment of an International Commercial Dispute Resolution Centre, to be located within the Area of Authority of the Colombo Port City, which shall be incorporated as a company limited by guarantee under the Companies Act, No. 7 of 2007, for the purposes of offering conciliation, mediation, adjudication, arbitration and any other alternate dispute resolution services.
- (2) Any dispute that may arise, within the Area of Authority of the Colombo Port City, between –
 - (a) the Commission and an authorised person or an employee of an authorised person where relevant; and
 - (b) the Commission and a resident or an occupier, provided that there exists in relation thereto, an agreement or other legally binding document as between the Commission and such resident or occupier, shall be resolved by way of arbitration conducted by the International Commercial Dispute Resolution Centre established under subsection (1).
- (3) Every authorised person shall ensure that all agreements entered into by such authorised person in terms of section 32 of this Act, shall contain a provision requiring a mandatory reference of any dispute that may arise within the Area of Authority of the Colombo Port City under such agreement, to arbitration, in terms of this section.
- (4) The International Commercial Dispute Resolution Centre shall be entitled to make or adopt rules of procedure for conciliation, mediation, adjudication, arbitration and any other alternate dispute resolution services which are offered by the International Commercial Dispute Resolution Centre.
- (5) The enforcement or setting aside of any arbitration award made by the International Commercial Dispute Resolution Centre setup under this Act shall be done in accordance with the provisions of the Arbitration Act, No. 11 of 1995.
- (6) A citizen of Sri Lanka or a resident may serve in any capacity in the operations or any activities of the International Commercial Dispute Resolution Centre established under subsection (1), while an internationally reputed professional may also be so involved.

PART XIV

PRIORITY IN HEARING LEGAL PROCEEDINGS

63. In order to foster international confidence in the ease of doing business and in the enforcement of contracts, in the national interest or in the advancement of the national economy, priority shall be given by courts in relation to any legal proceedings instituted in civil or commercial matters, where the cause of action has arisen within, or in relation to any business carried on in or from the Area of Authority of the Colombo Port City, to hear such cases expeditiously on a day-to-day basis, unless in the opinion of the court, exceptional circumstances warrant postponement, commencement or continuation of trial, for reasons which shall be recorded by court.

PART XV

INTERIM PROVISIONS AND INVESTMENT PROTECTION

64. (1) The Commission may, where it considers necessary to do so, as an interim measure, permit an authorised person to engage in business from a designated location in Sri Lanka outside the Area of Authority of the Colombo Port City as may

be approved by the President or in the event that the subject of the Colombo Port City is assigned to a Minister, by such Minister, for a period not exceeding five years from the date of commencement of this Act. Such business shall, for such period of five years, be entitled to all the privileges accorded to, and be deemed for all purposes to be a business situated within and engaged in business, in and from, the Area of Authority of the Colombo Port City.

- (2) Where an authorised person has been permitted to engage in business from a designated location in Sri Lanka outside the Area of Authority of the Colombo Port City in terms of subsection (1), such business shall be subject to the provisions of this Act and any regulations made hereunder.
65. (1) From and after the date of commencement of this Act, all land comprising the Area of Authority of the Colombo Port City shall be vested with the Commission in the manner set out in subsection (3).
- (2) Where any deed of transfer, indenture of lease, agreement or other similar document has been executed in respect of any land situated within the Area of Authority of the Colombo Port City prior to the date of commencement of this Act by the Urban Development Authority established under the Urban Development Authority Law, No. 41 of 1978, such deed of transfer, lease, agreement or other similar document shall, from and after the date of commencement of this Act, be deemed for all purposes to be a document executed by the Commission, in terms of the provisions of this Act and be valid and effectual as if executed hereunder.
- (3) For the avoidance of doubt, it is hereby stated that on the coming into operation of this Act, the President may issue a Land Grant under the Crown Lands Ordinance (Chapter 454) in the name of the Commission, in respect of all land comprising the Area of Authority of the Colombo Port City as set out in Schedule I to this Act.
66. Where, prior to the date of commencement of this Act, any agreement has been entered into, in terms of the Board of Investment Law, No. 4 of 1978 and the Strategic Development Projects Act, No. 14 of 2008 relating to an investment within the Area of Authority of the Colombo Port City by the Board of Investment of Sri Lanka, and any Order published in the Gazette in terms of the Strategic Development Projects Act relating to an investment within the Area of Authority of the Colombo Port City, shall from and after the date of commencement of this Act, be deemed for all purposes to be an agreement executed by the Commission under section 32 of this Act and an Order published under Part IX of this Act, respectively, and be valid and effective as if executed hereunder.
67. Notwithstanding anything to the contrary contained in any other written law, no registration, licence, authorisation, permit or other approval granted in terms of this Act, or any deed of transfer or indenture of lease or agreement executed by the Commission in compliance with the provisions of this Act may be terminated or amended in any manner detrimental to the interests of the respective investor, other than upon the expiry or completion of the period or term as specified in the such registration, licence, authorisation, permit or other approval, or such deed of transfer or indenture of lease or agreement:
- Provided however, an early termination may take place-
- (a) consequent to an agreement between the relevant parties;
 - (b) pursuant to a breach of a term or condition embodied in the relevant document; or
 - (c) consequent to an express provision which provides for termination contained in this Act.

PART XVI

MISCELLANEOUS PROVISIONS

68. (1) Notwithstanding the provisions contained in any other written law, any person who, within the Area of Authority of the Colombo Port City-
- (a) establishes, commences or operates any business which requires a registration, licence, authorisation or such other approval in terms of this Act, without obtaining the same as required hereunder;
 - (b) engages in business as an authorised person in contravention of any provision in any registration, licence, authorisation or such other approval granted in terms of this Act;
 - (c) makes any representation or statement in relation to any application being submitted under this Act that such person knows is false or misleading in any material particular;
 - (d) furnishes false information, documents or particulars when such person is required to furnish any information, documents or particulars in terms of this Act or any other applicable written law; or

- (e) contravenes or fails to comply with any regulation made in terms of this Act, commits an offence and shall be liable on conviction after summary trial before a Magistrate, to a fine of not less than rupees one million and not more than rupees five million or to imprisonment for a term not less than three months and not more than two years, or both such fine and imprisonment and the court may take into consideration the grave nature of the offence committed, in fixing the amount of such fine or the period of such imprisonment.
 - (2) Where any person is convicted of an offence in terms of paragraph (a) of subsection (1), the court may in its discretion, make an additional order to the effect that the person so convicted shall refrain with immediate effect from engaging in, for a period to be specified, the business which he was engaging in without obtaining the required registration licence, authorisation or such other approval as the case may be, and which business he is now prohibited from engaged in until he has obtained a registration, licence, authorisation or such other approval for the same as required.
 - (3) (a) Notwithstanding the provisions contained in any other written law, any person who contravenes or fails to comply with any provision of this Act or any regulation made thereunder commits an offence under this Act and shall be liable on conviction after summary trial before a Magistrate to a fine of not less than rupees five hundred thousand and not more than rupees one million or to imprisonment for a term of not less than three months and not exceeding one year or to both such fine and imprisonment.
 - (b) The court may, in addition, impose a continuing fine not exceeding rupees five hundred thousand in respect of each day on which the fine is so continued.
69. Where an offence in terms of this Act is committed by an authorised person or persons, then-
- (a) if that authorised person or persons is a body corporate, every director, manager or secretary of that body corporate;
 - (b) if that authorised person or persons is a firm, every partner of the firm; or
 - (c) if that authorised person or persons is an unincorporated body other than a firm, every member of such body, shall be deemed to have committed that offence: Provided that, authorised person or persons of such firm or a member of such unincorporated body shall not be deemed to have committed such offence if he proves that such offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.
70. (1) Where any person fails to pay any surcharge or penalty imposed on him by the Commission, the Commission shall cause a certificate to be issued under its hand.
- (2) Such certificate shall contain the particulars of the sum due and the name and address of the defaulter.
- (3) Any person aggrieved by the certificate shall, within a period of fourteen days of the posting of such certificate, make an application to the Magistrate's Court to have such certificate set aside or varied.
- (4) If no application is made in terms of subsection (3), the sum of money so certified shall be deemed to be a debt due from such person to the Commission and may be recovered by the Commission by issuing a certificate to the District Court.
- (5) The provisions of the Civil Procedure Code (Chapter 101) shall be applicable to an application in terms of this section.
71. (1) The President or in the event that the subject of the Colombo Port City is assigned to a Minister, such Minister may, in consultation with the Commission and any relevant Regulatory Authority make regulations in respect of all matters for which regulations are required to be prescribed or authorised by this Act to be made.
- (2) Without prejudice to the generality of powers conferred by subsection (1), regulations may also be made in respect of all or any of the following matters:—
- (a) prescribing the Development Control Regulations which are to be applicable within the Area of Authority of the Colombo Port City;
 - (b) identifying for the purposes of paragraph (p) of subsection (1) of section 6, the categories of local property rates and other levies to be applicable within the Area of Authority of the Colombo Port City and the sums payable as rates and other levies;
 - (c) specifying for the purposes of paragraph (q) of subsection (1) of section 6, the terms and conditions applicable to authorised persons in the establishment and operation of stock, precious metal or commodities exchanges or markets, and the sale of the same in and from the Area of Authority of the Colombo Port City;
 - (d) identifying for the purposes of paragraph (ga) of subsection (1) of section 6, the attributes of gaming locations within the Area of Authority of the Colombo Port City, and specifying the manner in which gaming activities are to be carried

- on or be operated, and the procedure for obtaining a licence and the licence fees, royalties to be paid and any other related matter, as may be necessary;
- (e) specifying the functions which may be delegated or assigned to the Estate Manager in terms of paragraph (ha) of subsection (1) of section 6, as are connected with the subjects of condominium management and apartment ownership or which may be additionally required for the purpose of such section;
 - (f) specifying the form of the application, the procedure to be followed in making the application for a registration, licence, authorisation or other approval in terms of subsection (1) of section 27;
 - (g) specifying for the purposes of subsection (5) of section 27, such conditions as may be applicable;
 - (h) specifying for the purposes of paragraph (b) of subsection (2) of section 28, the fee payable for the grant of the respective registration, licence, authorisation or other approval taking into consideration the type of business to be engaged in, in terms of the same;
 - (i) specifying for the purposes of section 36, the procedure applicable to the conversion of such Sri Lanka Rupees to any designated foreign currency;
 - (j) specifying for the purposes of subsection (2) of section 37, the terms and conditions applicable to an authorised person who intends to do business in Sri Lanka outside the Area of Authority of the Colombo Port City with a citizen of Sri Lanka or a resident of Sri Lanka, and specifying the goods or services which cannot be supplied or provided to a person or company in Sri Lanka outside the Area of Authority of the Colombo Port City, in the interest of the domestic economy;
 - (k) specifying for the purposes of section 39, the procedure to be followed in making a remittance of money received in a designated foreign currency other than Sri Lanka Rupees, to a Resident Foreign Currency Account operated and maintained in Sri Lanka;
 - (l) specifying for the purposes of section 40, any levy as may be required to be paid by a citizen of Sri Lanka or a resident on goods purchased at retail facilities within the Area of Authority of the Colombo Port City and the procedure applicable to the conversion of payments made by a citizen of Sri Lanka or resident when using retail facilities or services at restaurants, cinemas, entertainment facilities, shopping facilities or parking facilities within the Area of Authority of the Colombo Port City, into any other designated foreign currency;
 - (m) specifying for the purposes of subsection (6) of section 41, the procedure, terms and conditions as may be applicable in relation to offshore companies under this Act;
 - (n) specifying guidelines as required by section 44, for ensuring the prudent management and maintenance of confidence of the offshore banking business in and from the Area of Authority of the Colombo Port City;
 - (o) specifying regulations for the purposes of section 45, relating to the granting, suspension and cancellation of licences, the capital requirements, reserve funds, maintenance of liquid assets, management of financial and operational risks, the requirement to submit proof of rating of the company, restrictions and penalties for contraventions, of those engaged in offshore banking;
 - (p) specifying for the purposes of section 52, guidelines on the grant of exemptions or incentives to a Business of Strategic Importance;
 - (q) specifying the procedure and other relevant matters as may be applicable to the construction of condominium parcels for lease or transfer on freehold basis, in terms of Part X of this Act;
 - (r) specifying all matters required for the implementation of the provisions of Part XI of this Act;
 - (s) specifying for the purposes of subsection (2) of section 64, the procedure to be followed in cases where an authorised person is permitted to engage in business in Sri Lanka, outside the Area of Authority of the Colombo Port City and any limitations applicable; and
 - (t) prescribing the amounts required to be paid by any person within the Area of Authority of Colombo Port City, in terms of section 70 of this Act as a surcharge or penalty, to the Commission.
- (3) Every regulation made under this Act shall be published in the Gazette and shall come into force on the date of such publication or on such later date as may be specified in such regulation.
- (4) Every regulation made under this Act shall, within a period of three months from the date of publication thereof in the Gazette, be brought before Parliament for approval, unless prevented due to the Parliament not being in session, in which event it shall be placed before Parliament at its earliest.

- (5) Any such regulation which is not approved by Parliament shall be deemed to be rescinded as from the date of such disapproval but without prejudice to anything previously done thereunder.
- (6) Notification of the date on which any such regulation is deemed to be so rescinded under subsection (5) shall be published in the Gazette.

72. All rules made under this Act shall be published in the Gazette within three months of the formulation.

73. The enactments listed in Schedule III to this Act shall have no application within the Area of Authority of the Colombo Port City, since the subjects dealt with in such enactments have been, mutatis mutandis, set out in this Act or alternate legal arrangements have been specifically set out in this Act, or such enactments are not relevant and are not required to be applicable within the Area of Authority of the Colombo Port City.

74. Nothing in this Act shall, unless otherwise specifically provided for in this Act, be deemed to restrict in any way the powers, duties and functions vested in any Regulatory Authority by any written law in relation to the Area of Authority of the Colombo Port City.

75. In this Act, unless the context otherwise requires-

“Apartment Ownership Law” means the Apartment Ownership Law, No. 11 of 1973;

“applicable written law” means all written laws of Sri Lanka, unless otherwise expressly stated to the contrary in this Act;

“authorised person” means a person to whom a registration, licence, authorisation or such other approval as required in terms of this Act has been issued or granted by the Commission, subject to any condition as may be stipulated therein;

“Banking Act” means the Banking Act, No. 30 of 1988;

“Board of Investment Law” means the Board of Investment of Sri Lanka Law, No. 4 of 1978;

“Board of Investment” means the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No. 4 of 1978;

“business” means any form of lawful business including a business providing financial or non-financial services and offshore business as permitted by this Act;

“citizen of Sri Lanka” means a citizen of Sri Lanka within the meaning of the Citizenship Act (Chapter 451);

“common areas” means -

- (a) the canal and the lagoons;
- (b) parks and civic amenity areas; and
- (c) beaches and landscaping,

situated within the Area of Authority of the Colombo Port City and any other such area as may be decided by the Commission, to be a common area;

“community rules” means rules specifying guidelines and instructions as formulated from time to time by the Commission, which are to be complied with by the owners and occupiers of Condominium Parcels or premises situated within the Area of Authority of the Colombo Port City, with a view to ensuring the maintenance of harmony and the promotion of a cohesive living environment;

“company” includes any company or body corporate established under the Companies Act, No. 7 of 2007 or a company incorporated in any other jurisdiction under any law, charter, statute or other instrument constituting or defining the constitution of a company;

“Condominium Management Authority Law” means the Condominium Management Authority Law, No. 10 of 1973;

“condominium parcel” shall have the same meaning as given in the Apartment Ownership Law, No. 11 of 1973;

“designated foreign currency” means a foreign currency determined to be “designated foreign currency” by the Monetary Board for the purposes of section 25 of the Banking Act, No. 30 of 1988;

“Development Control Regulations” means development control regulations relating to the Area of Authority of the Colombo Port City and which are prescribed by the President or in the event that the subject of the Colombo Port City is assigned to a Minister, by such Minister in consultation with the Commission to facilitate implementation of the development objectives and the framework, required for the implementation of the Master Plan of the Colombo Port City;

“Government Marketable Land” means that proportion of the reclaimed land situated within the Area of Authority of the Colombo Port City, made available for the undertaking of residential, commercial, leisure, educational, cultural, community-based developments and other similar developments by the Government;

“licensed commercial bank” means a licensed commercial bank, to which a licence in terms of section 5 of the Banking Act, No. 30 of 1988 has been issued by the Monetary Board with the approval of the Minister assigned the subject of Finance;

“Master Plan” means the Plan of the Colombo Port City which provides the conceptual layout to guide future development of the Colombo Port City;

“Monetary Board” means the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act (Chapter 422);

“non-resident” means a person other than a resident; “offshore banking business” means the provision of banking or financial services by an authorised person as permitted under this Act, payable in any designated foreign currency, other than Sri Lanka Rupees, unless as provided in terms of this Act or as may be prescribed;

“offshore business” means the provision of services, including financial services, by an authorised person as provided for in terms of this Act, and where remuneration is payable in any designated foreign currency, other than Sri Lanka Rupees, unless as provided in terms of this Act or as may be prescribed; “person” includes a natural person, company, partnership, limited partnership and a foundation, which has been validly established under the laws of Sri Lanka or of any other jurisdiction;

“Project Company” means the developer of the Colombo Port City;

“Project Company Marketable Land” means that proportion of the reclaimed land situated within the Area of Authority of the Colombo Port City, made available to the Project Company by way of Master Leases issued by the Urban Development Authority to the Project Company, for the undertaking of residential, commercial, entertainment and leisure-based developments and other similar developments by the Project Company;

“Regulatory Authority” includes the Monetary Board of the Central Bank of Sri Lanka, the Registrar-General of Companies, the Director-General of the Central Environmental Authority, the Controller of Immigration and Emigration, the Director-General of Customs, and such other regulatory authority or approving authority, and in whom the powers, duties and functions relating to the respective subjects which are dealt with in this Act are vested in or assigned to, in terms of any applicable written law;

“Registrar-General of Companies” means the Registrar-General of Companies or such other officer exercising, performing or discharging, the function of registration of companies, in terms of the Companies Act, No. 7 of 2007;

“resident” means and includes -

- (a) a citizen of Sri Lanka residing in Sri Lanka;
- (b) an individual who is not a citizen of Sri Lanka but who has been in Sri Lanka for at least six months and continues or intends to be in Sri Lanka;
- (c) a company incorporated in Sri Lanka or a body corporate established under any written law or any firm, partnership or other organisation in Sri Lanka;
- (d) a branch, subsidiary, affiliate, extension, office or any other unit of a company or other juristic person established under the laws of any foreign country, operating in Sri Lanka;

“Securities and Exchange Commission Act” means the Securities and Exchange Commission Act, No. 36 of 1987; and

“Urban Development Authority” means the Urban Development Authority of Sri Lanka established under the Urban Development Authority Law, No. 41 of 1978.

76. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

SCHEDULE I

(sections 2 and 65)

BOUNDARIES OF THE AREA OF AUTHORITY OF THE COLOMBO PORT CITY SPECIAL ECONOMIC ZONE

All that allotment of land marked as Lot Nos. 2 to 7 known as the ‘Port City Colombo’ depicted in Tracing No. CO/DSO/2019/370 dated 11.06.2019 prepared by the Surveyor General containing in extent of 446.6153 ha. situated in Colombo in the Western Province at the following connection points and the allotment is bounded as follows:-

Connection Point-Western Boundary of the Colombo Divisional Secretary's Division, Colombo District	East coordinate	North coordinate
Northern Connection Point	396913.476	492847.764
Southern Connection Point	397077.037	492290.222

1. Lot No. 2 : Extent : 155.8376 Ha.
 North : Lot Nos. 6 and 1, Colombo Port and Chaithaya Road;
 East : Lot No. 1, Colombo Port, Chaithaya Road, Indian Ocean and Lot No. 7;
 South : Indian Ocean, Lot Nos. 7, 6 and 3;
 West : Lot Nos. 6, 3 and 6.
2. Lot No. 3 : Extent : 15.0933 Ha.
 North : Lot Nos. 2;
 East : Lot Nos. 2 and 6;
 South : Lot Nos. 6 and 4;
 West : Lot Nos. 4 and 6.
3. Lot No. 4 : Extent : 113.5311 Ha.
 North : Lot Nos. 6 and 3;
 East : Lot Nos. 3 and 6;
 South : Lot Nos. 6, 5 and 6;
 West : Lot Nos. 6, 5 and 6.
4. Lot No. 5 : Extent : 14.7856 Ha.
 North : Lot Nos. 6 and 4;
 East : Lot Nos. 6 and 4;
 South : Lot No. 6;
 West : Lot No. 6.
5. Lot No. 6 : Extent : 101.1038 Ha.
 North : Lot Nos. 7, 1, 2, 3, 4, 5, 4, 3 and 2;
 East : Lot Nos. 1, 2, 3, 4, 5, 2 and 7;
 South : Lot Nos. 2 and 7;
 West : Lot Nos. 2 and 7.
6. Lot No. 7 : Extent : 46.2639 Ha.
 North : Indian Ocean, Lot Nos. 1, 6 and 2;
 East : Lot Nos. 1, 6 and 2 and Indian Ocean;
 South : Indian Ocean;
 West : Indian Ocean.

SCHEDULE II

(sections 52 and 53)

ENACTMENTS FROM, OR UNDER, WHICH EXEMPTIONS OR INCENTIVES MAY BE GRANTED

1. The Inland Revenue Act, No. 24 of 2017
2. The Value Added Tax Act, No. 14 of 2002
3. The Finance Act, No. 11 of 2002
4. The Finance Act, No. 5 of 2005
5. The Excise (Special Provisions) Act, No. 13 of 1989
6. The Customs Ordinance (Chapter 235)
7. The Ports and Airports Development Levy Act, No. 18 of 2011
8. The Sri Lanka Export Development Act, No. 40 of 1979
9. The Betting and Gaming Levy Act, No. 40 of 1988
10. Termination of Employment of Workmen (Special Provisions) Act, No. 45 of 1971
11. The Entertainment Tax Ordinance (Chapter 267)
12. The Foreign Exchange Act, No. 12 of 2017
13. Casino Business (Regulation) Act, No. 17 of 2010

SCHEDULE III

(section 73)

ENACTMENTS WHICH SHALL HAVE NO APPLICATION WITHIN THE AREA OF AUTHORITY OF THE COLOMBO PORT CITY

1. The Urban Development Authority Act, No. 41 of 1978
2. The Municipal Council Ordinance (Chapter 252)
3. The Commercial Mediation Centre of Sri Lanka Act, No. 44 of 2000
4. The Town and Country Planning Ordinance (Chapter 269)
5. The Strategic Development Projects Act, No. 14 of 2008
6. Public Contracts Act, No. 3 of 1987
7. The Board of Investment of Sri Lanka Law, No. 4 of 1978

Fiscal Management (Responsibility) (Amendment) Act, No. 12 of 2021

[Certified on 14th of June, 2021]

**AN ACT TO AMEND THE FISCAL MANAGEMENT (RESPONSIBILITY)
ACT, NO. 3 OF 2003**

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

1. This Act may be cited as the Fiscal Management (Responsibility) (Amendment) Act, No. 12 of 2021 and shall be deemed to have come into operation on January 1, 2021.
2. Section 3 of the Fiscal Management (Responsibility) Act, No. 3 of 2003 is hereby amended as follows:-
 - (a) in paragraph (e) of that section, by the substitution, for the words "ten per centum;" of the words "fifteen per centum;"; and
 - (b) in paragraph (f) of that section, by the substitution, for the words and figures "January 1, 2020" of the words and figures "January 1, 2030".
3. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Coronavirus Disease 2019 (COVID-19) (Temporary Provisions) Act, No. 17 of 2021

[Certified on 23rd of August 2021]

AN ACT TO MAKE TEMPORARY PROVISIONS IN RELATION TO SITUATIONS WHERE PERSONS WERE UNABLE TO PERFORM CERTAIN ACTIONS REQUIRED BY LAW TO BE PERFORMED WITHIN THE PRESCRIBED TIME PERIODS DUE TO COVID-19 CIRCUMSTANCES; TO ASSIGN ALTERNATIVE COURTS WHERE A COURT CANNOT FUNCTION DUE TO COVID-19 CIRCUMSTANCES; TO CONDUCT COURT PROCEEDINGS USING REMOTE COMMUNICATION TECHNOLOGY TO FACILITATE THE CONTROL OF CORONAVIRUS DISEASE 2019 (COVID-19); AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

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

1. (1) This Act may be cited as the Coronavirus Disease 2019 (COVID-19) (Temporary Provisions) Act, No. 17 of 2021. The provisions of this Act shall be in operation for a period of two years commencing from March 1, 2020.
- (2) The Minister may, at any time within one month prior to the expiration of the period of operation of this Act, by Order published in the Gazette, extend for a further period the operation of the Act: Provided however, the aggregate period of any extension shall not exceed two years from the date of such extension.

PART I**RELIEF FOR INABILITY TO COMPLY WITH PRESCRIBED TIME PERIODS**

2. (1) Where any court, tribunal or any other authority established by or under any law is satisfied that, a person was prevented from-
 - (a) instituting or filing any action, application, appeal or other legal proceeding, as the case may be, within the period prescribed by law for such purpose; or
 - (b) performing any act which is required by law to be done or performed within a prescribed time period,

due to any COVID-19 circumstance, it shall be competent for such court, tribunal or any other authority established by or under any law to allow, admit or entertain an action, application, appeal, other proceeding or act, referred to in paragraph (a) or (b), notwithstanding the lapse of the time period prescribed by law for such purpose and subject to the provisions of

section 9, the period within which such person was subject to such COVID-19 circumstance shall be excluded in calculating the said prescribed time period.

(2) Any relief granted under subsection (1) shall not apply in relation to any application or appeal-

(a) to which the following rules apply-

- (i) the Supreme Court (Temporary Provisions) Rules, 2020 published in the Gazette Extraordinary No. 2174/4 of May 6, 2020;
 - (ii) the Supreme Court (Temporary Provisions) Rules, 2021 published in the Gazette Extraordinary No. 2211/56 of January 21, 2021;
 - (iii) the Court of Appeal (Procedure for Appeals from High Courts established by Article 154P of the Constitution) (Temporary Provisions) Rules, 2020 published in the Gazette Extraordinary No. 2175/2 of May 12, 2020; or
 - (iv) the Court of Appeal (Procedure for Appeals from High Courts established by Article 154P of the Constitution) (Temporary Provisions) Rules, 2021 published in the Gazette Extraordinary No. 2211/56 of January 21, 2021;
- (b) to which any Supreme Court Rule or Court of Appeal Rule as may be made under Article 136 of the Constitution within the period of operation of this Act, granting any exclusion of time period as a relief in respect of any COVID-19 circumstance, apply.

PART II

DESIGNATION OF ALTERNATIVE COURTS

3. (1) Subject to the provisions of sections 46 and 47 of the Judicature Act, No. 2 of 1978, where the ordinary functioning of any court of first instance is disrupted due to any COVID-19 circumstance, the Judicial Service Commission may designate the nearest court of concurrent jurisdiction as the alternative court in place of such court, for the period during which such COVID-19 circumstance exists. Any action, prosecution, proceeding or matter filed in or considered by such court of first instance or any new action, prosecution, proceeding or matter filed, shall be considered or heard by the court so designated:

Provided however, no transfer of an action, prosecution, proceeding or matter referred to in this subsection shall be made where-

- (a) any such court of first instance has reserved such action, prosecution, proceeding or matter for judgment, order or other pronouncement; or
 - (b) all hearings in such action, prosecution, proceeding or matter have been concluded before such court of first instance.
- (2) An action, prosecution, proceeding or matter filed in or considered by an alternative court referred to in subsection (1) may, by the presiding Judge of the alternative court, subsequently be transferred to the court of first instance which previously exercised jurisdiction in relation to such action upon the resumption of ordinary functions of such original court:

Provided however, no transfer of an action, prosecution, proceeding or matter referred to in this subsection shall be made where-

- (a) the alternative court has reserved such action, prosecution, proceeding or matter for judgment, order or other pronouncement; or
- (b) all hearings in such action, prosecution, proceeding or matter have been concluded before such alternative court.

PART III

CONDUCTING COURT PROCEEDINGS USING REMOTE COMMUNICATION TECHNOLOGY

4. (1) Notwithstanding anything contained in any other written law, where, in any action, application, appeal or other proceeding before a court of first instance, –

- (a) any person is unable to appear in court; or
- (b) the proceedings of the court cannot be conducted under the ordinary procedure,

due to any COVID-19 circumstance, such action, application, appeal or proceeding before such court may be conducted by means of a live video or live television link created using a remote communication technology.

(2) The provisions of—

- (a) the Supreme Court (Electronic Filing and Urgent Digital Virtual Hearings) (Special Provisions) Rules, 2021 published in the Gazette Extraordinary No. 2212/54 of January 29, 2021;
- (b) the Court of Appeal (Electronic Filing and Urgent Digital Virtual Hearings) (Special Provisions) Rules, 2021 published in the Gazette Extraordinary No. 2216/8 of February 23, 2021; and
- (c) any other Supreme Court Rule or Court of Appeal Rule as may be made under Article 136 of the Constitution within the period of operation of this Act, in relation to conducting of court proceedings using remote communication technology,

shall, mutatis mutandis, apply to the extent possible, in relation to any action, application, appeal or proceeding conducted before any court of first instance under subsection (1).

PART IV**GENERAL**

5. Any period excluded as a relief under section 2 of this Act shall not exceed a period of twelve months:

Provided that, a period exceeding twelve months may be excluded as a relief where the court, tribunal or any other authority established by or under any law is satisfied that it is just and equitable to do so and the period so excluded shall not exceed a period of further six months:

Provided further, that the period excluded as a relief shall not exceed eighteen months in the aggregate.

6. The burden of proof that the inability to comply with the prescribed time periods for the purpose of section 2 is due to any COVID-19 circumstance, shall be on the party making the application for relief under such section.

- 7. (1) Any guideline, direction, circular, notice or decision whether in the printed or electronic form, made by the Government in relation to any COVID-19 circumstance shall be admissible as *prima facie* evidence in any action, application, appeal or other legal proceeding instituted or made under this Act, without further proof.
- (2) Where a party to such action, application, appeal or other legal proceeding disputes the admissibility of such guideline, direction, circular, notice or decision as evidence, the burden of proof shall be on the party who disputes such admissibility.
- (3) For the purpose of this section, “Government” means any proper authority as defined in any regulation made under the Quarantine and Prevention of Diseases Ordinance (Chapter 222) in relation to COVID-19.

8. In this Act, unless the context otherwise requires –

“COVID-19” means the Coronavirus Disease 2019 (COVID-19) declared as a quarantinable disease by Notification published in the Gazette Extraordinary No. 2167/18 of March 20, 2020 under the Quarantine and Prevention of Diseases Ordinance (Chapter 222);

“COVID-19 circumstance” includes—

- (a) COVID-19; or
 - (b) any other circumstance arising out of or consequential to the circumstances referred to in paragraph (a); and
- “Minister” means the Minister assigned this Act under Article 44 or 45 of the Constitution.

9. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Finance Act, No. 18 of 2021

[Certified on 15th of September 2021]

AN ACT TO ENABLE PERSONS TO VOLUNTARILY DISCLOSE UNDISCLOSED TAXABLE SUPPLIES, INCOME AND ASSETS REQUIRED TO BE DISCLOSED UNDER CERTAIN LAWS; TO PROVIDE FOR THE IMPOSITION OF A TAX ON THE TAXABLE SUPPLIES, INCOME AND ASSETS SO DISCLOSED; TO INDEMNIFY THE PERSONS WHO VOLUNTARILY DISCLOSE ANY SUCH TAXABLE SUPPLY, INCOME OR ASSET AGAINST LIABILITY FROM INVESTIGATION, PROSECUTION AND PENALTIES UNDER SPECIFIED LAWS; TO GRANT CERTAIN CONCESSIONS TO PERSONS WHO HAD ALREADY DISCLOSED TAXABLE SUPPLIES, INCOME AND ASSETS UNDER SPECIFIED LAWS; AND FOR MATTERS CONNECTED THEREWITH AND INCIDENTAL THERETO.

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

1. This Act may be cited as the Finance Act, No. 18 of 2021.

PART I

IMPOSING THE TAX ON VOLUNTARY DISCLOSURE

2. (1) The provisions of this Part shall, subject to the provisions of subsection (2), apply to any person who has not disclosed any amount of taxable supply, income or asset which was required to be disclosed under the provisions of any law specified in Schedule I hereto (hereinafter in this Part referred to as "undisclosed taxable supply, income or asset"), in a Value Added Tax Return for any taxable period ended on or prior to March 31, 2020 or in a return of income for any year of assessment ended on or prior to March 31, 2020.
- (2) The provisions of this Part shall not apply to-
- (a) any person in relation to whom investigations or legal proceedings under the provisions of any law specified in Schedule II is pending, in relation to any undisclosed taxable supply, income or asset;
 - (b) any person who has been convicted of an offence under the provisions of any law specified in Schedule II in relation to any undisclosed taxable supply, income or asset; or
 - (c) any amount of undisclosed taxable supply, income or asset held by any person, in respect of which an assessment under the provisions of any respective law specified in Schedule I or Schedule IV has been made:
- Provided however, the provisions of paragraph (c) shall not apply to any amount of undisclosed taxable supply, income or asset which has not been taken into account in making an assessment referred to in that paragraph.
- (3) Every person referred to in subsection (1), not being a person referred to in paragraph (a), (b) or (c) of subsection (2), shall hereinafter in this Part referred to as the "person to whom this Part applies".
3. (1) A person to whom this Part applies, shall invest or deposit an amount equivalent to the undisclosed taxable supply, income or asset, subject to the provisions of subsections (2) and (3).
- (2) If a person to whom this Part applies, intends to invest an amount equivalent to the undisclosed taxable supply, income or asset, he shall –
- (a) where he is able to immediately invest such amount, purchase-
 - (i) shares issued by a resident company;
 - (ii) treasury bills or treasury bonds issued by the Central Bank on behalf of the Government of Sri Lanka;
 - (iii) any quoted debt securities issued by a resident company in Sri Lanka; or
 - (iv) any movable or immovable property in Sri Lanka,
- on or after the date of commencement of this Act but prior to March 31, 2022; or
- (b) where he is unable to immediately invest such amount available in cash whether in Sri Lankan rupees or in foreign currency, he shall deposit such amount in a bank account, on or after the date of commencement of this Act but prior to March 31, 2022.
- (3) Notwithstanding the provisions of subsection (1), the provisions of subsection (2) shall not apply to a person to whom this Part applies who, prior to the date of commencement of this Act –
- (a) has utilized an amount equivalent to the undisclosed taxable supply, income or asset, to purchase-
 - (i) shares issued by a resident company;
 - (ii) treasury bills or treasury bonds issued by the Central Bank on behalf of the Government of Sri Lanka;
 - (iii) any quoted debt securities issued by a resident company in Sri Lanka; or
 - (iv) any movable or immovable property; or
 - (b) has deposited an amount equivalent to the undisclosed taxable supply, income or asset in a bank account.
4. (1) A person to whom this Part applies shall be liable to pay a tax to be called the "Tax on Voluntary Disclosure" to the Commissioner-General prior to making the declaration under section 5 subject to the provisions of subsection (2).
- (2) Where a person to whom this Part applies intends to disclose –
- (a) any undisclosed taxable supply, income or asset other than immovable or movable property in the declaration made under subsection (1) of section 5, he is liable to pay the Tax on Voluntary Disclosure at the rate of one per centum of such amount or income, or on the cost of such asset invested or deposited under section 3; or

- (b) any immovable or movable property in the declaration made under subsection (1) of section 5, he is liable to pay Tax on Voluntary Disclosure at the rate of one per centum on the market value of such property on the date of the declaration.
 - (3) Any amount of the Tax on Voluntary Disclosure paid by a person to whom this Part applies shall not be deemed to be a tax credit or an expenditure within the meaning of the Inland Revenue Act, No. 24 of 2017 and shall not be refundable.
5. (1) Any person to whom this Part applies who has invested or deposited any undisclosed taxable supply, income or asset as specified in section 3 and has paid the Tax on Voluntary Disclosure as specified in section 4, shall on or prior to March 31, 2022, submit to the Commissioner-General a declaration (hereinafter in this Part referred to as the "declarant") in relation to any undisclosed taxable supply, income or asset, substantially in the relevant form specified in Part I or Part II of Schedule V hereto along with the documents to prove the ownership, date of acquisition and cost or market value of the asset, subject to the guidelines issued by the Commissioner-General under subsection (2).
- (2) For the effective implementation of the provisions of this Act, the Commissioner-General may issue necessary guidelines specifying the manner of payment and filing the declaration within one week of the date of coming into operation of this Act.
- (3) (a) Upon receipt of a declaration made under subsection (1), the Commissioner-General shall verify whether such declaration is in accordance with this Act.
- (b) Where the declaration is in accordance with this Act, the Commissioner-General shall accept the declaration in writing and inform of such acceptance to the declarant within thirty days of the date of receipt of the declaration.
- (c) If the declaration is not in accordance with the provisions of this Act, the Commissioner-General shall reject the declaration and inform the declarant in writing the reasons for his rejection within thirty days of the date of receipt of such declaration.
- (d) If the Commissioner-General fails to inform the declarant as specified in paragraph (b) and (c) within thirty days the declaration shall be deemed to have been accepted.
- (4) Any declarant whose declaration is rejected in terms of subsection (3), shall be entitled to submit a fresh declaration remedying any defects specified in the Commissioner-General's decision under subsection (3) within thirty days of the receipt of the Commissioner-General's decision.
- (5) Any declarant who provides false or incorrect information in the declaration made under subsection (1) shall not be entitled to the immunity granted under section 6, notwithstanding the acceptance of such declaration by the Commissioner-General under subsection (3).
6. (1) A declarant whose declaration has been accepted by the Commissioner-General under subsection (3) of section 5 and, who has paid the Tax on Voluntary Disclosure as specified in section 4, shall be entitled to enjoy the full immunity from liability to pay any tax, penalty or interest or from any investigation or prosecution –
- (a) under the provisions of any law specified in Schedule I hereto, other than the Value Added Tax Act, No. 14 of 2002, in relation to any year of assessment ending on or prior to March 31, 2020 in relation to the income or asset disclosed in the declaration made under subsection (1) of section 5;
 - (b) under the provisions of the Value Added Tax Act, No. 14 of 2002 in relation to any year of any period ending on or prior to March 31, 2020 in relation to the amount of taxable supplies disclosed in the declaration made under subsection (1) of section 5, unless such tax has been collected by such declarant.
- (2) Subject to the provisions of subsection (5) of section 5, the Commissioner-General shall ensure that full immunity as specified above, be granted to any declarant referred to in subsection (1).
7. (1) The Commissioner-General or any officer of the Department of Inland Revenue, shall preserve and aid in preserving official secrecy in respect of the identity of a declarant and any matter or thing contained in a declaration made under subsection (1) of section 5 of this Act.
- (2) All provisions of the Inland Revenue Act, No. 24 of 2017 applicable to the maintenance of official secrecy including punishment for the breach of such secrecy under section 100 of such Act, shall mutatis mutandis be applicable to a declaration made under this Act.
8. Where any person to whom this Part applies fails to comply with the provisions of this Act, he shall be liable to be dealt with in terms of the provisions of the respective law specified in Schedule I or Schedule IV hereto.

9. For the avoidance of doubt it is hereby declared that the provisions of this Part shall apply to any person to whom this Part applies, notwithstanding anything done or any amnesty granted under the provisions of Inland Revenue (Regulation of Amnesty) Act, No. 10 of 2004.

PART II

PROVISIONS TO WRITE OFF TAX ARREARS UNDER CERTAIN LAWS

10. The provisions of this Part shall apply to any person who, is liable to pay any tax arrears under the provisions of any law specified in Schedule I, Schedule III or Schedule IV or, is liable to pay any penalty imposed under the provisions of any such law, for any year of assessment commencing prior to April 1, 2020 or for any period commencing prior to December 31, 2020 (hereinafter in this Part referred to as the "taxpayer").
11. Notwithstanding anything to the contrary in any law or any provision of any law specified in Schedule III hereto or Value Added Tax Act, No.14 of 2002, the Commissioner- General shall write off, subject to sections 14 and 15, any tax arrears under any law in Part A of Schedule III hereto or under the specific provisions of the Value Added Tax Act, No.14 of 2002 specified in Part B of Schedule III hereto, in respect of any period ending on or prior to December 31, 2020, in relation to a taxpayer.
12. The Commissioner-General shall write off, subject to sections 14 and 15, any tax arrears payable under the provisions of any law specified in Schedule I other than Value Added Tax Act, No.14 of 2002, as at December 31, 2020, by any individual whose assessable income, calculated in terms of the provisions of the Inland Revenue Act, No. 24 of 2017, for the year of assessment ending on March 31, 2020, does not exceed rupees three million:

Provided however, the provisions of this section shall not apply to any such individual, under the following circumstances: -

- (a) where the assessable income of the relevant individual exceeds rupees three million without deducting any loss including an unrelieved loss, in terms of the provisions of the Inland Revenue Act, No. 24 of 2017;
- (b) where the assessable income of the relevant individual exceeds rupees three million in aggregate with the income from final withholding payments, gains and profits exempted from income tax in terms of the provisions of the Inland Revenue Act, No. 24 of 2017;
- (c) where the annual gross turnover for the year of assessment ending on March 31, 2020, of a business or partnership of which the relevant individual is a partner, is not less than rupees five hundred million; or
- (d) where the assessable income of the relevant individual includes an income earned from conducting a business of betting and gaming or any business of liquor excluding such income which is merely incidental to another business.

13. (1) The Commissioner-General shall write off any penalty or interest, calculated in terms of the provisions of any law specified in Schedule I or Schedule IV hereto, in relation to a taxpayer, in respect of which the payment due date was December 31, 2020 or a date prior to that date, if the taxpayer pays the full amount of the tax outstanding, under the provisions of said laws, on or prior to March 31, 2022.
- (2) Nothing in subsection (1) shall be read and construed as imposing a liability on the taxpayer to pay any tax, interest or penalty thereon, in respect of any tax arrears written off in terms of the provisions of the Inland Revenue Act, No. 24 of 2017 or the provisions of section 11 or 12 of this Act.

14. Where there is any dispute in relation to any tax arrears referred to in section 11 or 12, in respect of which a decision is pending before or has been made by the Tax Appeals Commission or any court of law, before the commencement of this Act, under the provisions of any respective law specified in Schedule I or Schedule III hereto, on an assessment made in relation to a taxpayer, shall not be written off under the provisions of section 11 and 12, as the case may be.

15. Any tax refund pending payment on the date of commencement of this Act duly claimed by a taxpayer, under the provisions of any law specified in Schedule I, Schedule III or Schedule IV hereto, for any period ending prior to December 31, 2020 shall be set off against any tax arrears written off under the provisions of section 11 or 12:

Provided however, the provisions of this section shall have no application to any penalty imposed by law in a period subsequent to the period in which the refund is due.

16. (1) The Commissioner-General shall communicate in writing, to every taxpayer, the amount of refund to be set off against the tax arrears in terms of section 15.
- (2) If such person is dissatisfied with the amounts of the refund to be set off against the tax arrears so written off, he shall within a period of fourteen days from the date of the communication of the Commissioner-General, make a written request to

the Commissioner-General to not to set off the refunds against the tax arrears as specified by the Commissioner-General and shall settle the full amount of the tax arrears on or prior to March 31, 2022.

- (3) (a) The Commissioner-General may, upon a request made by the taxpayer under subsection (2), grant approval to such taxpayer to settle the tax arrears referred to in subsection (1) on or prior to March 31, 2022, in accordance with a suitable payment plan submitted along with the request under subsection (2).
- (b) The Commissioner-General shall write off any interest or penalty on such tax arrears, if the taxpayer acts in compliance with the payment plan approved under paragraph (a) on or prior to the dates approved by the Commissioner-General in such payment plan.
- (4) Where the taxpayer does not make a request under subsection (2) or does not settle the tax arrears according to the payment plan accepted by the Commissioner-General, the Commissioner-General shall proceed to set off the refunds against the tax arrears as specified in his communication under subsection (1).
17. The Commissioner-General shall maintain proper records with regard to the tax arrears and penalties written off under the provisions of sections 11, 12 and 13.
18. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.
19. In this Act unless the context otherwise requires-

“asset” means money or any immovable or movable property, including bank balances, financial instruments, shares, derivatives, treasury bills, fixed deposits, time deposits, bonds or other forms of deposits, money given by way of security or loans, cash, gem or gold in hand, any other monetary right but excluding any intangible asset unless such intangible asset has been purchased by the taxpayer from any other person;

“bank account” means any bank account opened and maintained by a declarant in a bank licensed under the Banking Act, No. 30 of 1988;

“Commissioner-General” shall have the same meaning as in the Inland Revenue Act, No. 24 of 2017;

“Central Bank” means the Central Bank of Sri Lanka established under the Monetary Law Act (Chapter 422);

“Final withholding payments” shall have the same meaning assigned to such payment as provided in section 88 of the Inland Revenue Act, No. 24 of 2017;

“immovable property” includes any building in Sri Lanka or abroad whether constructed or under construction;

“income” means any gain, profit or receipt derived from any source whether in Sri Lanka or abroad;

“loss” shall have the same meaning assigned to such expression under section 19 of the Inland Revenue Act, No. 24 of 2017;

“money” includes local currency and foreign currency whether retained in Sri Lanka or abroad;

“movable property” includes all forms of movable property in Sri Lanka or abroad including gold but does not include money;

“person” shall have the same meaning assigned to such expression under the Inland Revenue Act, No. 24 of 2017;

“return” means a return of income or Value Added Tax return that a person is required to file with the Department of Inland Revenue in terms of the respective law specified in Schedule I, including any certificate, declaration or any other attachment required to be furnished with the return;

“resident company” means a company within the meaning of subsection (4) of section 69 of the Inland Revenue Act, No. 24 of 2017;

“tax” in part II shall include any tax, surcharge, levy, duty, charge or contribution payable or levied under the respective law specified in Schedule I, III or IV;

“taxable supply” shall have the same meaning assigned to such expression under section 83 of the Value Added Tax Act, No. 14 of 2002;

“tax arrears” means a tax that remain unpaid after the payment due date in compliance with the respective law and includes a tax in default or other penalty imposed under any such law and withholding tax or tax deducted on employment income by an employer, that remain unpaid in accordance with the records of the Commissioner-General;

“Tax Appeals Commission” means Tax Appeals Commission established under the Tax Appeals Commission Act, No. 23 of 2011;

- “unrelieved loss” shall have the same meaning assigned to such expression under section 19 of the Inland Revenue Act, No. 24 of 2017;
- “year of assessment” shall have the same meaning assigned to such expression under section 20 of the Inland Revenue Act, No. 24 of 2017.

SCHEDULE I

(sections 2,6,8,10,12,13,14 and 15)

1. Inland Revenue Act, No. 28 of 1979
2. Inland Revenue Act, No. 38 of 2000
3. Inland Revenue Act, No. 10 of 2006
4. Inland Revenue Act, No. 24 of 2017
5. Value Added Tax Act, No. 14 of 2002

SCHEDULE II

(section 2)

1. Prevention of Money Laundering Act, No. 5 of 2006
2. Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005
3. Bribery Act (Chapter 26)
4. Conventions Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, No. 1 of 2008

SCHEDULE III

(sections 10,11,14 and 15)

PART A

1. Wealth Tax and Gifts Tax imposed under Inland Revenue Act, No. 28 of 1979
2. Turnover Tax Act, No. 69 of 1981
3. Surcharge on Wealth Tax Act, No. 25 of 1982
4. Surcharge on Wealth Tax Act, No. 8 of 1989
5. Surcharge on Income Tax Act, No. 26 of 1982
6. Surcharge on Income Tax Act, No. 12 of 1984
7. Surcharge on Income Tax Act, No. 7 of 1989
8. National Security Levy Act, No. 52 of 1991
9. Save the Nation Contribution Act, No. 5 of 1996
10. Goods and Services Tax Act, No. 34 of 1996
11. Surcharge on Income Tax Act, No. 6 of 2001
12. Debits Tax Act, No. 16 of 2002
13. Social Responsibility Levy imposed under Finance Act, No. 5 of 2005
14. Economic Service Charge Act, No. 13 of 2006
15. Nation Building Tax Act, No. 9 of 2009
16. Economic Service Charge imposed under Finance Act, No. 11 of 2004

PART B

1. Optional Value Added Tax imposed under section 25h of the Value Added Tax Act, No. 14 of 2002
2. VAT Advance Payment deducted under section 26a of the Value Added Tax Act, No. 14 of 2002

SCHEDULE IV

(sections 2,8,10,13 and 15)

1. Betting and Gaming Levy Act, No. 40 of 1988
2. Finance Act, No. 11 of 2002
3. Stamp Duty Act, No. 43 of 1982
4. Stamp Duty (Special Provisions) Act, No. 12 of 2006

SCHEDULE V

(section 5)

PART I

Tax on Voluntary Disclosure

Finance Act, No. 18 of 2021

DECLARATION UNDER SECTION 5

To be furnished by an Individual

National Identity Card No.

Passport No.

- I, Rev./ Mr./ Mrs./ Miss/.....(full name) holder of NIC No./ Passport No. of(address) make a declaration with respect to the taxable supply, income or asset in terms of Part I of the Finance Act, No. 18 of 2021.
- I do hereby declare following taxable supply, income or asset which were held by me as at March 31, 2020 in Sri Lanka or any other country.

Serial No.	Type of taxable supply, income or asset	Place of the taxable supply, income or asset held / Entity/ Bank invested	Quantity/ Account No.	Amount/ Market Value
Total Amount / Market Value				

- Money declared as above are-

(i) invested on -

- (quantity) shares/ debt securities of (name of the company), amounting to Rs. on(date).
- treasury bills / treasury bonds issued by the Central Bank of Sri Lanka Rs. on(date).
- (movable or immovable property such as land, building, motor vehicle, gold etc. please specify) in Sri Lanka Rs. on(date).

(ii) deposited in my account bearing No. at the branch of..... on(date).

- I have paid the tax on aggregate amount/ market value referred to in paragraph 2, at the rate of 1% in terms of section 4 of the finance Act, No. 18 of 2021 amounting to Rs. on(date of payment) under the reference No.to the account of Commissioner-General of Inland Revenue.
- In relation to the amount of taxable supply, income or asset declared-

(a) I have no investigations or pending cases or, I have not been convicted of an offence, under the provisions of Prevention of Money Laundering Act, No. 5 of 2006, Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005, Bribery Act (Chapter 26), or Conventions Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, No. 1 of 2008; or

(b) No assessment has been made under any law referred to in Schedule I or Schedule IV of the Finance Act, No. 18 of 2021. I do solemnly and sincerely declare that the above particulars given by me herein are, true and correct to the best of my knowledge and belief.

Date:

Signature of the declarant

Note: Where the space in this form is inadequate, a separate sheet of paper may be used and signed by the declarant.

(The declaration shall be submitted, on or prior to March 31, 2022, to the Commissioner-General of Inland Revenue)

PART II

(section 5)

Tax on Voluntary Disclosure

Finance Act, No. 18 of 2021

DECLARATION UNDER SECTION 5

To be furnished by an entity

(*company, partnership, fund, society, NGO etc.)

Taxpayer Identification No.

Type of the Entity :

Entity Registration No.

1. I, Mr./ Mrs./ Miss/(full name) holder of NIC No. of(address) being(designation) of(name of the entity) is the authorized person to make a declaration with respect to the amount of taxable supply, income or asset of the above(type of entity) in terms of Part I of the Finance Act, No.18 of 2021.
2. I do hereby declare following taxable supply, income or asset which were held as at March 31, 2020 in Sri Lanka or any other country by(name of the entity).

Serial No.	Type of taxable supply, income or asset	Place of the taxable supply, income or asset held / Entity/ Bank invested	Quantity/ Account No.	Amount/ Market Value
	Total Amount / Market Value			

3. Money declared as above are -

(i) invested on -

- (a)(quantity) shares/ debt securities of(name of the company), amounting to Rs.on(date).
- (b) treasury bills / treasury bonds issued by the Central Bank of Sri Lanka Rs.on(date).
- (c)(movable or immovable property such as land, building, motor vehicle, gold etc. please specify) in Sri Lanka Rs.on(date).

(ii) deposited in (type of entity) account bearing No. at thebranch of on(date).

4. I have paid the tax on aggregate amount/ market value referred to in paragraph 2 on behalf of the* at the rate of 1% in terms of section 4 of the Finance Act, No. 18 of 2021 amounting to Rs. on(date of payment) under the reference No. to the account of Commissioner-General of Inland Revenue.

5. In relation to the amount of taxable supply, income or asset declared-

(a) the(name of the company, partnership, fund, society, NGO etc.) has no investigations or pending cases or(the name of the company, partnership, fund, society, NGO etc.) has not been convicted of an offence, under the provisions of Prevention of Money Laundering Act, No. 5 of 2006, Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005, Bribery Act (Chapter 26), or Conventions Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, No. 1 of 2008; or

(b) No assessment has been made under any law referred to in Schedule I or Schedule IV of the Finance Act, No. 18 of 2021.

I do solemnly and sincerely declare that the above particulars given by me on behalf of

(name of the entity) in the capacity of (designation) herein are, true and correct to the best of my knowledge and belief.

Date:
 Signature of the Chairman/Managing Director/
 Partner/President

Note: Where the space in this form is inadequate, a separate sheet of paper may be used and signed by the declarant.

(The declaration shall be submitted, on or prior to March 31, 2022 to the Commissioner-General of Inland Revenue)

Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021

[Certified on 21st of September, 2021]

AN ACT TO ESTABLISH THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA; TO REGULATE MARKET INSTITUTIONS, CERTAIN PUBLIC OFFERS OF SECURITIES, MARKET INTERMEDIARIES; TO PROTECT INVESTORS AND TO PROVIDE FOR ENFORCEMENT MEASURES; TO DEAL WITH MARKET MISCONDUCT; AND TO OVERCOME THE CHALLENGES ENCOUNTERED BY SECURITIES MARKET REGULATORS AND TO REPEAL THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT, NO. 36 OF 1987 AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

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

1. This Act may be cited as the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021.

PART I

CHAPTER 1

PRELIMINARY

2. This Act applies to securities, securities markets and related matters except as otherwise provided in this Act.
3. The object and purpose of this Act shall be –
 - (a) to establish the Securities and Exchange Commission of Sri Lanka;
 - (b) to create, maintain and regulate a fair, orderly, efficient and transparent securities market;
 - (c) to protect the interests of local and foreign investors; and
 - (d) to ensure the maintenance of high professional standards in the provision of services in relation to securities markets.

CHAPTER 2

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

4. (1) There shall be established a Commission which shall be called the Securities and Exchange Commission of Sri Lanka (hereinafter referred to as the "Commission") to administer the provisions of this Act.
- (2) The Commission shall, by the name assigned to it by subsection (1), be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.
5. (1) The Commission shall consist of –
 - (a) six persons possessing professional expertise and standing in respect of matters relating to the securities market, and possessing special knowledge or wide experience and proven competency in the fields of law, finance, accounting, economics, banking or business to be appointed by the Minister as members (hereinafter referred to as "appointed members") in order to reflect the multidisciplinary character of the Commission, of whom at least five persons shall be from the private sector;
 - (b) two nominated members, -
 - (i) a Deputy Secretary to the Treasury nominated by the Secretary to the Treasury; and
 - (ii) a Deputy Governor of the Central Bank of Sri Lanka nominated by the Monetary Board of Sri Lanka; and
 - (c) two ex-officio members, -
 - (i) the Registrar-General of Companies, appointed under the Companies Act, No. 7 of 2007; and

- (ii) the President of the Institute of Chartered Accountants of Sri Lanka established by the Institute of Chartered Accountants Act, No. 23 of 1959.
- (2) The Minister shall nominate from amongst the appointed members of the Commission, one member to be the Chairman of the Commission.
- (3) In appointing persons under subsection (1), the Minister shall have regard to-
- (a) that person's integrity and standing; and
 - (b) the likelihood of any conflict between the interests of the Commission and any interest which that person has or represents.
6. Every appointed or nominated member of the Commission when being appointed shall be required to make a declaration to the Minister on any conflict of interests he may have at the time of his appointment.
7. Every appointed or nominated member of the Commission, unless he vacates office earlier by death, by operation of law, resignation or removal, shall hold office for a term of three years and shall be eligible for reappointment subject to a maximum period of any two terms of office whether consecutive or otherwise.
8. (1) Any appointed or nominated member of the Commission may at any time resign his office by letter addressed to the Minister and such resignation shall take effect upon it being accepted by the Minister.
- (2) In the event of vacation of office of any member other than an ex-officio member by reason of death, resignation, removal or the operation of provisions of subsection (4) or (5), the Minister may appoint another person having regard to the provisions of subsection (3) of section 5 to hold office for the unexpired period of the term of office of the member whom he succeeds.
- (3) If any member of the Commission other than the Chairman is temporarily unable to perform the duties of his office for a period exceeding three months due to ill health or absence from Sri Lanka or for any other cause, the Minister may appoint some other person to act in his place during such period having regard to the provisions of subsection (3) of section 5.
- (4) An appointed or nominated member of the Commission who, without leave of the Commission first being obtained, absents himself from three consecutive meetings of the Commission shall be deemed to have vacated his office.
- (5) A member of the Commission being the Chairman, is absent for three consecutive meetings of the Commission shall be deemed to have vacated his office.
9. (1) A person shall be disqualified from being appointed or nominated or from continuing as a member of the Commission if he -
- (a) is or becomes a member of Parliament, or a member of any Provincial Council or any local authority;
 - (b) is or becomes a director, partner or employee of an entity licensed or registered by the Commission;
 - (c) is or becomes of unsound mind or incapable of carrying out his duties;
 - (d) is or has become an undischarged bankrupt;
 - (e) is or has been convicted of an offence which involves moral turpitude;
 - (f) has been previously removed from office.
- (2) The Minister may by Order published in the Gazette remove a member of the Commission from continuing as a member if his continuation in the office is detrimental to the interests of the Commission.
10. (1) The Chairman of the Commission shall, if present, preside at all meetings of the Commission. In the absence of the Chairman from any such meetings, the members present shall elect one amongst themselves to preside at such meeting.
- (2) The quorum for any meeting of the Commission shall be five members.
- (3) The Commission may regulate the procedure in regard to the meetings of the Commission and the transaction of business at such meetings.
- (4) All questions for decision at any meeting of the Commission shall be decided by the vote of the majority of the members present. In the case of an equality of votes the member presiding shall have a casting vote.
11. The members of the Commission may be paid such remuneration out of the Fund of the Commission as may be determined by the Minister, in consultation with the Minister assigned the subject of finance.
12. (1) If the Chairman of the Commission is, by reason of illness or absence from Sri Lanka temporarily unable to perform the duties of his office the Minister shall nominate another member of the Commission to act in his place.

- (2) The Chairman may at any time resign from the office of Chairman by a letter addressed to the Minister.
 - (3) Subject to the provisions of subsection (2), the term of office of the Chairman shall be his period of membership of the Commission.
13. A member who is directly or indirectly interested in any decision that is to be taken on any matter by the Commission shall disclose the nature of such interest at the meeting of the Commission where such decision is being taken, and such disclosure shall be recorded in the minutes of the meetings of the Commission and such member shall not take part in any deliberation or decision of the Commission with regard to that matter, and shall withdraw from such meeting while such deliberation is in progress or such decision is being made.
14. No proceeding, act or decision of the Commission shall be invalidated by reason only of the existence of a vacancy among its members or of any defect in the appointment of a member thereof.
15. (1) The seal of the Commission shall be in the custody of the Commission.
- (2) The seal of the Commission may be altered in such manner as may be determined by the Commission.
 - (3) The seal of the Commission shall not be affixed to any instrument or document except in the presence of one member of the Commission and the Director-General of the Commission or in the absence of the Director-General, in the presence of any two members of the Commission, who shall sign the instrument or document in token of their presence.

CHAPTER 3

POWERS, DUTIES AND FUNCTIONS OF THE COMMISSION

16. The powers, duties and functions of the Commission shall be-
- (a) to advise the Government on the development of the securities market and to assist in the effective implementation of the policies and programmes of the Government with respect to the securities market;
 - (b) to encourage and promote the development of securities markets in Sri Lanka including research and training in connection therewith;
 - (c) to give general or specific directives or instructions to market institutions, market intermediaries, registered persons, clearing members, trading participants, depository participants, issuers, investors, recognized market operators or such other person or persons as may be necessary to give effect to the provisions of this Act from time to time;
 - (d) to give general or specific directives or instructions to supplementary service providers of market institutions, market intermediaries, collective investment schemes or listed public companies from time to time;
 - (e) to grant a licence to a body corporate to operate as a market institution and to ensure its proper conduct;
 - (f) to grant a licence to any person to operate as a market intermediary and to ensure its proper conduct;
 - (g) to register a person advising clients on sale or purchase of securities for and on behalf of a market intermediary as a registered person and to regulate their conduct in the discharge of their duties;
 - (h) to register any person as a market operator;
 - (i) to issue general or specific directives to listed public companies or listed foreign entities from time to time;
 - (j) to issue general or specific directives to an acquirer, an offeror or persons acting in concert with an offeror or an offeree or a target company in relation to a takeover or a merger of a listed public company;
 - (k) to issue specific directives to any person to prevent the imminent infringement of this Act, regulations or rules and to restrain infringement;
 - (l) to regulate the listing and trading of securities in an exchange;
 - (m) to regulate the issuance of securities;
 - (n) to prohibit or suspend the listing of any securities or to delist the listed securities or to prohibit or suspend the trading of any securities or to take such steps as the Commission considers necessary or expedient for the protection of investors or for ensuring fair and orderly securities market or for ensuring the integrity of the securities market;
 - (o) to employ such officers and servants as the Commission may consider necessary and to fix the salaries and wages or other remuneration and benefits of such officers and servants for the purposes of carrying out the objectives and functions of the Commission;

- (p) to acquire in any manner whatsoever and hold, take or give on lease or hire, mortgage, pledge, sell or otherwise dispose of any immovable or movable property;
- (q) to regulate a takeover or merger of a listed public company or any matter connected therewith or incidental thereto;
- (r) to inquire and conduct investigations into any activity of a market institution, market intermediary, a registered person, a listed public company or a listed foreign entity;
- (s) to conduct investigations into any alleged violation or contravention of the provisions of this Act or any regulation or any rule or directive made or any instruction given thereunder or by any person and to take any enforcement measures provided under this Act as considered necessary by the Commission;
- (t) to enter into agreements or memoranda of understanding with any organization or a foreign regulatory authority in relation to any matter which comes within the purview of this Act;
- (u) to publish findings of wrongdoing by any market institution, market intermediary or registered person, supplementary service provider, any listed public company or any listed foreign entity;
- (v) to carry out surveillance of securities transactions;
- (w) to levy fees or charges, for any services rendered by the Commission;
- (x) to take such steps as the Commission may deem necessary to mitigate systemic risk to the financial system;
- (y) to give specific or general directions to companies that have made an offer to the public to subscribe for securities;
- (z) to exempt certain public offers or issues from the provisions of this Act;
- (aa) to appoint experts as the Commission deems expedient for the purposes of this Act; and
- (ba) to do all such other acts as may be considered necessary, incidental and ancillary to the performance of the Commission's objects, duties and functions under this Act.

17. The Commission shall in addition to the powers specified in section 16 also have the power to –

- (a) carry out supervision or inspections of the activities of market institutions or market intermediaries or registered persons or trustees of collective investment schemes in order to ascertain and determine whether they are operating in conformity with the provisions of this Act, regulations, rules or directives made thereunder and to charge the costs incurred in carrying out such inspections from the market institution or a market intermediary or a registered person or a trustee of a collective investment scheme as the case may be;
- (b) require market institutions or market intermediaries to file with the Commission, audited financial statements and the interim financial statements, certified by a qualified auditor in the form and manner specified by the Commission; and
- (c) require the licensed managing company of a collective investment scheme to file reports with the Commission, in respect of every year and at least two reports of the activities of that collective investment scheme for that year. Every such report shall contain such particulars as may from time to time be determined by the Commission. The first report shall be filed not later than the thirtieth of September of that year and the second report shall be filed not later than the thirty-first of March of the subsequent year.

18. The Chairman of the Commission may authorise any officer of the Commission who is an Attorney-at-Law or any officer of the Attorney-General's Department to appear on behalf of the Commission in any legal proceedings by or against the Commission or in any proceedings in which the Commission has a substantial interest.

CHAPTER 4

DIRECTOR-GENERAL AND THE STAFF OF THE COMMISSION

19. (1) The Minister shall on the recommendation of the Commission, appoint a Director-General of the Commission, who shall be its chief executive officer. The conditions of employment including remuneration of the Director-General shall be determined by the Commission.
- (2) The Commission shall not recommend the appointment of any person as the Director-General of the Commission, if such person-
- (a) has been previously found guilty of serious misconduct by a court or tribunal or has been subject to a disciplinary action by a regulatory body;
 - (b) has been previously dismissed from office; or

- (c) has committed a breach of the provisions of this Act, regulations, rules or directives made thereunder.
- (3) The Director-General shall, subject to the general direction and control of the Commission, be charged with the direction of the affairs and transactions of the Commission, the exercise, discharge and performance of its powers, functions and duties, and the administration and control of the officers and servants of the Commission.
- (4) The Director-General may, with the approval of the Commission, whenever he considers it necessary to do so, delegate to any officer and servant any power, function or duty conferred or imposed on or assigned to him by this Act and such officer or servant shall exercise, discharge and perform such power, function or duty subject to the general or special directions of the Director-General.
- (5) The Minister may on the recommendation of the Commission remove the Director-General appointed under subsection (1), from office if his continuation in office is detrimental to the interests of the Commission:
- Provided, that the Commission shall grant an opportunity to the Director-General of being heard, prior to such removal.
20. (1) Notwithstanding anything to the contrary in any other written law, the Commission may create cadre positions and employ officers and servants as it considers necessary for the efficient discharge of its functions and may fix their salaries and wages or other remuneration, benefits and pensions of such servants and officers for the purposes of carrying out its functions and duties under the provisions of this Act.
- (2) The Commission may establish and regulate pension and provident funds and schemes for the benefit of the Director-General and its officers and servants and their dependents and nominees with the concurrence of the Minister assigned the subject of finance and may make contributions to any such fund or scheme.
- (3) The Commission shall promote and sponsor the training of technical personnel on the subjects of securities markets, finance, law, money economics and other subjects and for this purpose, the Commission shall be authorised to defray the costs of study, in Sri Lanka or abroad of the officers and servants of the Commission who are of proven merit as determined by the Commission.
- (4) The Commission shall establish a code of conduct which shall be applicable to the officers and servants of the Commission.
- (5) The Commission shall not appoint any person to the staff of the Commission where such person-
- (a) has been previously found guilty of serious misconduct by a court or tribunal or has been subject to a disciplinary action by a regulatory body;
 - (b) has been previously dismissed from office; or
 - (c) has committed a breach of the provisions of this Act, regulations, rules or directives made thereunder.
- (6) At the request of the Commission any officer in the public service may, with the consent of the officer and the Public Service Commission established by the Constitution be temporarily appointed to the Commission for such period as may be determined by the Commission or with like consent, be permanently appointed to such staff.
- (7) Where any officer in the public service is temporarily appointed to the staff of the Commission, the provisions of subsection (2) of section 14 of the National Transport Commission Act, No. 37 of 1991, shall mutatis mutandis, apply to and in relation to such officer.
- (8) Where any officer in the public service is permanently appointed to the staff of the Commission, the provisions of subsection (3) of section 14 of the National Transport Commission Act, No. 37 of 1991, shall mutatis mutandis, apply to and in relation to such officer.
- (9) Where the Commission employs any person who has agreed to serve the Government for a specified period, any period of service to the Commission by that person shall be regarded as service to the Government for the purpose of discharging the obligations of such agreement.
- (10) The Commission may with the consent of such officer or servant propose seconement of its officers or servants to other state institutions or regulatory authorities in Sri Lanka or abroad for a period not exceeding three years on an assignment agreed upon between such institution or the authority and the Commission. The period of seconement shall be deemed to be considered as service to the Commission.
21. (1) At the request of the Commission any officer or servant of a public corporation may, with the consent of such officer or servant and the governing board of such corporation, be temporarily appointed to the staff of the Commission for such period as may be determined by the Commission or with like consent be permanently appointed to the staff of the

Commission on such terms and conditions, including those relating to pension or provident fund rights, as may be agreed upon by the Commission and the governing board of such corporation.

- (2) Where any person is appointed whether temporarily or permanently under subsection (1) to the staff of the Commission he shall be subject to the same disciplinary control as any other officers or servants of the Commission.
- 22. All members, the Director General, officers and servants of the Commission shall be deemed to be public servants within the meaning and for the purposes of the Penal Code (Chapter 19) and of the Code of Criminal Procedure Act, No.15 of 1979.
- 23. The Commission shall be deemed to be a Scheduled Institution within the meaning of the Bribery Act (Chapter 26), and the provisions of that Act shall be construed accordingly.

PART II

MARKETS AND MARKET INSTITUTIONS

24. The object and purpose of this Part shall be –

- (a) to promote a fair, orderly, transparent and efficient securities market in Sri Lanka through the establishment of market institutions;
- (b) to enhance effective and efficient functioning of a securities market; and
- (c) to mitigate systemic risk associated with securities markets.

CHAPTER 1

EXCHANGES

25. (1) A person shall not establish, operate or maintain an exchange except by authority of a licence granted by the Commission.

- (2) A person who contravenes subsection (1) commits an offence and shall, on conviction, after summary trial before a Magistrate be liable to a fine not exceeding twenty-five million rupees or to imprisonment for a term not exceeding five years or to both such fine and imprisonment.

26. (1) An application for a licence to operate as an exchange shall be made to the Commission in such manner and form together with such documents as may be specified by rules made by the Commission accompanied by such fees as may be prescribed.

- (2) For the purpose of subsection (1), an application shall be made by a body corporate only.
- (3) The Commission may grant a licence to the applicant to operate as an exchange, subject to such terms and conditions as it thinks fit, where it is satisfied that –
 - (a) the applicant has the capacity to operate an orderly and fair market in relation to securities that are traded through its facilities;
 - (b) the applicant has the necessary infrastructure to manage any risks associated with its business and operations prudently;
 - (c) the applicant, in discharging its obligations under paragraph (a), shall have the necessary governance structures to ensure that the exchange shall not act contrary to public interest;
 - (d) the applicant has sufficient financial, human, automated systems and other resources to ensure the provision of –
 - (i) an orderly and fair market in relation to securities that are traded through its facilities;
 - (ii) adequate and properly equipped premises for the conduct of its business;
 - (iii) competent personnel for the conduct of its business; and
 - (iv) automated systems with adequate capacity, security arrangements and facilities to manage risks and to meet emergencies;
 - (e) that the applicant, by rules provide-
 - (i) for an orderly and fair market in relation to the securities that are traded through its facilities;
 - (ii) for the admission of trading participants;
 - (iii) for the proper regulation and supervision of the business conduct of its trading participants when dealing with clients;

- (iv) for the exclusion of persons who are not of good character and high business integrity from being recognized as trading participants;
 - (v) for the expulsion, suspension or disciplining including the imposition of fines on a trading participant and any person acting on behalf of such trading participant, for conduct that is inconsistent with just and equitable principles in the transaction of business or for a contravention of or failure to comply with the rules of the exchange or any provisions of this Act, regulations, rules or directives made thereunder;
 - (vi) for the conditions under which securities may be listed or delisted;
 - (vii) for the conditions governing trading of such listed securities and rules to be followed by companies or other entities that have listed their securities on the exchange;
 - (viii) for the class or classes of securities that may be dealt in or traded on its facilities;
 - (ix) for the prohibition of market misconduct and the manner in which investigations are conducted;
 - (x) for the conduct of inquiries or investigations into the business conduct of its trading participants;
 - (xi) for the suspension of trading of any given security for the protection of investors or for the conduct of orderly and fair trading;
 - (xii) for the appointment of a disciplinary committee of which the majority of its members are independent of the trading participants or the exchange, to hear and determine disputes-
 - (A) between trading participants and their clients;
 - (B) between trading participants;
 - (C) between trading participants and an exchange, a central depository or a licensed clearing house;
 - (D) between entities listed on the exchange and the exchange;
 - (xiii) generally for the carrying on of the business of the exchange with due regard to the need for the protection of investors; and
- (f) the interests of the public or the proper regulation of the market shall be served by the granting of the licence.

- (4) An applicant under subsection (1) shall provide such additional information as the Commission may require in relation to the application.
 - (5) Notwithstanding the provisions of subsection (3), the Commission may amend, revoke or impose additional terms or conditions, if the Commission is satisfied that it is appropriate to do so for the protection of investors or for the proper regulation of the securities market.
27. (1) It shall be the duty of an exchange to ensure, an orderly and fair market in securities that are traded through its facilities.
- (2) In performing its duty under subsection (1), the exchange shall-
- (a) act in the public interest having particular regard to the need for the protection of investors;
 - (b) ensure that where any interest that is required to be served under any law relating to companies conflict with the interest referred to in paragraph (a), the interest referred to in paragraph (a) shall prevail; and
 - (c) manage any risks associated with its business and operations prudently.
- (3) Notwithstanding the provisions of any other law, a director of an exchange has a duty to act at all times in the public interest having particular regard to the need to protect investors and where there is a conflict between the duty under this Act and a director's duty under any other law, the duty under this Act shall prevail.
- (4) It shall be the duty of the exchange to take appropriate action as may be provided for under its rules for the purpose of monitoring or securing compliance with its rules.
- (5) An exchange shall immediately notify the Commission if it becomes aware of -
- (a) any matter which adversely affects, or is likely to adversely affect the ability of any trading participant to meet its obligations in respect of its licensed business, including the ability of any trading participant to comply with the minimum financial requirements as may be specified under this Act or regulations, rules or directives made thereunder; or
 - (b) any irregularity, breach of any provision of this Act, regulations, rules, directives or any other matter which, in the opinion of the exchange, indicates or may indicate that the financial standing or financial integrity of any trading

participant or of the chief executive officer or directors or the key management personnel of the trading participant in question may reasonably be affected.

(6) Where an exchange issues a warning, imposes a penalty, suspends, expels or imposes any other disciplinary measure against any of its trading participants, on the occurrence of activities referred to in subsection (5), it shall, within seven days, give to the Commission in writing the following particulars :-

- (a) the name and address of the business of the trading participant;
- (b) the reason for and the nature of the action taken;
- (c) the period of suspension and the quantum of the penalty, if any; and
- (d) any other disciplinary measure taken.

28. (1) The Commission may, -

- (a) by notice in writing cancel the licence granted under section 26 with effect from the date specified in such notice; or
- (b) by notice in writing direct the exchange to cease to provide or operate such facilities, or to cease to provide such services, with effect from the date specified in the notice.

(2) The Commission shall not cancel the licence or issue a directive under subsection (1) unless the Commission is satisfied that it is appropriate to do so for the protection of investors, in the public interest or for the proper regulation of the securities market, where any of the following circumstances occur :-

- (a) the exchange ceases to operate its securities market;
- (b) the exchange is being wound up or otherwise dissolved, whether within or outside Sri Lanka;
- (c) the exchange has contravened any term or condition of its licence or is charged with any offence under this Act;
- (d) the exchange has failed to comply with a term or condition of its license or directive issued under this Act or otherwise fails to comply with any provision or requirement under this Act;
- (e) any information provided for the purposes of section 26, was false or misleading in a material particular or from which there is a material omission;
- (f) a judgment debt against the exchange has not been satisfied in whole or in part;
- (g) a receiver, a receiver and manager, liquidator or equivalent person has been appointed, whether within or outside Sri Lanka in relation to or in respect of any property of the exchange;
- (h) the exchange has, whether within or outside Sri Lanka, entered into a compromise or scheme of arrangement with its creditors which has not been satisfied; or
- (i) the exchange on its own accord applies to the Commission to cancel its licence as an exchange, and the Commission thinks it fit to do so.

(3) For the purposes of paragraph (a) of subsection (2) where an exchange has ceased to operate its securities market for a period exceeding two weeks, it shall be deemed to have ceased to operate its securities market without obtaining the prior written approval of the Commission.

(4) Notwithstanding the cancellation of a licence or the issuance of a directive under subsection (1), the Commission may permit the exchange to continue, on or after the date on which the cancellation or directive is to take effect, to carry on such activities affected by the cancellation or directive as the Commission may specify in the notice-

- (a) for the purpose of closing down the operations of the exchange or ceasing to provide the services specified in the notice;
- (b) for the purpose of protecting the interest of investors; or
- (c) in the interest of the public.

(5) Where the Commission has granted permission to an exchange to continue under subsection (4), the exchange shall not, by reason of its carrying on the activities in accordance with such permission, be regarded as having contravened subsection (1).

(6) Where the Commission acts under paragraph (a) of subsection (1), the Commission may, take any steps deemed necessary to ensure the protection of investors or to uphold the interests of the public with notice to the Minister.

(7) The Commission shall not take any action under subsection (1) without giving the exchange an opportunity of being heard.

- (8) An exchange which is aggrieved by the decision of the Commission made under subsection (1) may, within fourteen days of receipt of such notice, appeal to the Minister.
- (9) Notwithstanding the making of an appeal under subsection (8), any action taken by the Commission under this section shall continue to have effect pending the decision of the Minister.
- (10) The Minister may, on an appeal made under subsection (8) after hearing the Commission and the exchange within a period of three months after the receipt of such appeal -
- allow the appeal and direct the Commission to revoke the cancellation of the licence or the directive; or
 - disallow the appeal.
- (11) The Commission shall give effect to the decision of the Minister.
- (12) Subject to subsection (11), the Commission shall give public notice of any cancellation of licence or any directive issued under this section.
29. Any cancellation of a licence or the issuance of a directive under subsection (1) of section 28 shall not operate so as to -
- avoid or affect any agreement, transaction or arrangement entered into on the securities market operated by the exchange, whether the agreement, transaction or arrangement was entered into before or, where subsection (4) of section 28 applies, after the cancellation of the licence or the issuance of the directive under section 28; or
 - affect any right, obligation or liability arising under such agreement, transaction or arrangement.
30. (1) The Commission may, after consultation with the exchange, direct the exchange to close its securities market for a period not exceeding five business days if the Commission is of the opinion that an orderly and fair market for trading in securities on the securities market is being or is likely to be prevented because -
- an emergency or natural disaster has occurred within Sri Lanka; or
 - there exists an economic or financial crisis or any other similar circumstance within or outside Sri Lanka.
- (2) The Commission may extend the closure of the securities market under subsection (1) for any further periods, each not exceeding five business days at a time.
- (3) The Commission shall specify the grounds for the closure in the directive given under subsection (1) and the grounds for any extension of closure under subsection (2).
- (4) The Commission shall, as soon as may be practicable, give a copy of the directive under subsection (1) or extension under subsection (2) to the exchange and direct the exchange to do all that it is reasonably capable of doing to give effect to the directive under subsection (1) or extension under subsection (2) while the directive or extension remains in force.
- (5) Where the Commission exercises its power under this section it shall notify the Minister setting out the reasons for the exercise of the power under this section.
- (6) In this section –
- “business day” means any day on which there is official trading on the exchange but for the closure;
- “fair market” includes a market that reflects the forces of supply and demand.
31. (1) Where an exchange decides to list its own securities on such exchange, it shall obtain the prior approval of the Commission and the Ministry of Finance.
- (2) The Commission shall grant approval to the exchange to list its securities on such exchange on being satisfied that the exchange has complied with all the necessary listing requirements of the exchange.
- (3) On such approval being granted, such exchange shall enter into an arrangement as the Commission may require-
- for dealing with possible conflicts of interest that may arise from the listing on such exchange;
 - for the purpose of ensuring the integrity of trading of securities of such exchange; and
 - for compliance with obligations as a listed company if such exchange was to become a listed company, and such exchange shall comply with such requirements.
- (4) The listing requirements of such exchange shall be deemed to allow the Commission, instead of such exchange to make decisions and to take action, relating to-
- the admission to or removal of the exchange from the official list of such exchange;

- (b) the stopping or suspension of the securities of the exchange from being listed or traded on such exchange; or
 - (c) the continuing listing requirements or such other matters as the Commission deems fit for the purpose of subsection (1).
- (5) An arrangement under subsection (3) may provide for the exchange to pay such fees to the Commission as the Commission may determine for services provided by the Commission under the arrangement or otherwise.
- (6) Without prejudice to the powers of the Commission to approve or amend the rules of an exchange, the Commission may by notice in writing-
- (a) modify the listing requirements of such exchange for the purpose of applying for a listing or trading of the securities of such exchange; or
 - (b) exempt such exchange from any listing requirement.

CHAPTER 2

CLEARING HOUSE

32. In this Chapter, unless the context otherwise requires –

“central counterparty” means a legal person who engages in clearing and settlement of trades on a securities market by becoming the buyer to every seller and the seller to every buyer by guaranteeing each trade;

“default proceedings” mean any proceedings or other action taken by a licensed clearing house under its default rules;

“default rules”, in relation to a licensed clearing house, mean such rules of the licensed clearing house which provide for the initiation of default proceedings if a clearing member has failed to meet its obligations in respect of all or any unsettled market contracts to which the clearing member is a party;

“defaulter” means a clearing member who is the subject of any default proceedings;

“market charge” means a charge, whether fixed or floating, granted in favour of a licensed clearing house -

- (a) over any property as specified in the rules of a clearing house which is held by or deposited with the licensed clearing house; and
- (b) for the purpose of securing liabilities arising directly in connection with the licensed clearing house ensuring the settlement of a market contract;

“market collateral” means any property or guarantees given in any other form of collateral as specified in the rules of a licensed clearing house held by or deposited with a licensed clearing house for the purpose of securing liabilities arising directly in connection with the clearing house ensuring the performance of market contracts by the licensed clearing house;

“market contract” means -

- (a) a contract which is subject to the rules of a licensed clearing house and entered into by the licensed clearing house with a clearing member pursuant to a novation for the purpose of clearing and settlement of transactions using the clearing facility of a licensed clearing house; or
- (b) a transaction which is or is to be cleared or settled using the clearing facility of a licensed clearing house and in accordance with the rules of the licensed clearing house, whether or not a novation referred to in paragraph (a) is to take place;

“relevant office holder” means –

- (a) any person acting in relation to a company as its liquidator, provisional liquidator, receiver or manager or an equivalent person; or
- (b) any person appointed pursuant to a bankruptcy proceedings.

33. There may be established a licensed clearing house to clear and settle securities transactions which take place in an exchange.

34. (1) A person shall not establish, operate or maintain a clearing facility for the purpose of clearing or settlement of securities transactions in a licensed exchange or with a market operator unless the person has been licensed by the Commission to establish or operate a clearing house under this Chapter.
- (2) Any person who contravenes subsection (1) commits an offence and shall, on conviction after a summary trial before a Magistrate, be liable to a fine not exceeding twenty five million rupees or to imprisonment for a term not exceeding five years or to both such fine and imprisonment.

- (3) Subsection (1) shall not apply to any person providing clearing facilities for securities exempted under this Act or any clearing facility provided exclusively by the Central Bank of Sri Lanka or a clearing facility acting as an integrated central counterparty which provides for the settlement and clearing of securities as defined in this Act and securities issued by the Government of Sri Lanka or the Central Bank of Sri Lanka.
35. (1) The Commission may grant a licence to an applicant to establish and operate as a clearing house subject to such terms and conditions as may be specified therein.
- (2) The Commission may amend, revoke or impose new terms and conditions to the licence, if the Commission is satisfied that it is appropriate to do so for the protection of investors, or for the proper regulation of a licensed clearing house.
36. (1) An application for a licence to establish or operate a clearing house, acting as a central counterparty or otherwise to guarantee clearing and settlement of securities transactions in a licensed exchange or a recognized market operator, shall be made to the Commission in such manner and form as may be specified by the Commission by rules and shall be accompanied by such fee as may be prescribed.
- (2) An application for a licence to establish or operate a licensed clearing house shall only be made by a body corporate.
- (3) An applicant shall provide all information necessary to satisfy the Commission that the applicant has established, at the time of submitting the application, the necessary arrangements to comply with the requirements of this Act, or regulation or rules made thereunder.
- (4) The rules of such clearing house (hereinafter referred to as the "clearing rules") may provide for -
- (a) the efficient provision of clearing facilities in relation to securities that are cleared through its clearing facilities;
 - (b) the requirement for entering into contracts with clearing members under which they would agree to be bound by the rules of the licensed clearing house;
 - (c) the admission of clearing members to the clearing house including transparent and non discriminatory criteria for such admission;
 - (d) the effective regulation and supervision of its clearing members that use its clearing facilities;
 - (e) conditions relating to the acceptance of guarantees or collateral, from clearing members and for the efficient management of such guarantees or collateral;
 - (f) the establishment of a Settlement Guarantee Fund and the implementation of a prudent risk management system;
 - (g) the obligations of clearing members and minimum requirements with regard to capital, internal audit and risk management;
 - (h) the fair and efficient settlement of disputes -
 - (i) between the clearing house and its clearing members; and
 - (ii) between clearing members;
 - (i) the expulsion, suspension, and disciplining of clearing members including the power or authority of the licensed clearing house to impose penalties for the failure of clearing members to comply with the rules of the licensed clearing house;
 - (j) the specification of the class or the classes of securities that may be cleared and settled using its facilities;
 - (k) the inclusion of default rules to facilitate-
 - (i) the initiation of default proceedings if a clearing member has failed to meet its obligations under the clearing rules and the risk management procedures to deal with a clearing member who appears to be unable, or is likely to become unable to meet its obligations;
 - (ii) the governing of collateral including the depositing and efficient creation and realization of guarantees or collateral provided by a defaulting clearing member in the event of default or bankruptcy of such member; and
 - (iii) the uninterrupted services of the clearing house under circumstances relating to subparagraphs (i) and (ii) above or any other circumstances that threatens the solvency of a clearing house;
 - (l) the time for entering settlement orders into the settlement system and the time when such orders become final and irrevocable;
 - (m) the time of counterparty substitution;
 - (n) the netting arrangements, the finality of settlements and any other obligations relevant to a licensed clearing house which acts as a central counterparty or otherwise.

37. (1) A clearing house to which a licence has been granted under section 35 shall –
- (a) operate a safe, efficient and effective clearing facility for the purposes of clearing or settlement of securities transactions;
 - (b) manage any risks associated with its business and operations prudently;
 - (c) maintain an adequate level of capital in accordance with the financial risks undertaken with regard to the securities transactions that are to be cleared and settled using its services;
 - (d) undertake financial liability within the limits established in its rules and within the framework of the guarantees to be taken from its clearing members in the form of margins, charges and collateral;
 - (e) establish and maintain a data processing infrastructure and other internal controls including internal audit systems for risk management;
 - (f) segregate the guarantees and the assets of account holders from the assets of the licensed clearing house;
 - (g) not use the guarantees or assets taken from its clearing members for purposes other than those for which they were deposited; and
 - (h) act in the public interest having particular regard to the need to protect investors.
- (2) Notwithstanding the provisions of any other law, a director of a licensed clearing house has a duty to act at all times in the public interest having particular regard to mitigation of systemic risk and where there is a conflict between the duty under this Act and a director's duty under any other law, the duty under this Act shall prevail.
- (3) A licensed clearing house shall at all times –
- (a) have robust governance arrangements, which include a clear organizational structure with well-defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, and adequate internal control mechanisms, including sound administrative and accounting procedures;
 - (b) adopt policies and procedures which are sufficiently effective so as to ensure compliance with this Act, regulations, rules or directives made thereunder;
 - (c) maintain and operate an organizational structure that ensures continuity and orderly functioning in the performance of its services and activities, and shall employ appropriate and proportionate systems, resources and procedures;
 - (d) maintain a clear separation between the reporting lines for risk management and those for the other operations of the clearing house;
 - (e) maintain information technology systems adequate to deal with the complexity, variety and type of services and activities performed in order to ensure high standards of security to ensure the integrity and confidentiality of the information maintained; and
 - (f) make its governance arrangements, the rules governing the licensed clearing house, and its admission criteria for licensed clearing house membership, available to the public free of charge.
38. Without prejudice to the generality of the powers conferred on the Commission under this Act, the Commission shall have the power to regulate and supervise a licensed clearing house in order to satisfy itself that the licensed clearing house carries on its functions in accordance with the provisions of this Act, rules made thereunder and the terms and conditions of the licensed clearing house.
39. (1) The Commission may by notice in writing –
- (a) cancel the licence granted under section 35 to a clearing house with effect from the date specified in the notice; or
 - (b) direct the licensed clearing house to cease to provide or operate such facilities or to cease to provide such services, with effect from the date specified in the notice.
- (2) The Commission shall not cancel a licence or issue a directive under subsection (1) unless the Commission is satisfied that it is appropriate to do so for the protection of investors, in the public interest or for the proper regulation of the clearing and settlement of transactions in securities, if any of the following circumstances occur:-
- (a) the licensed clearing house ceases to provide clearing facilities;
 - (b) the licensed clearing house is being wound up or otherwise dissolved, whether within or outside Sri Lanka;
 - (c) the licensed clearing house has contravened any term or condition of its licence or is charged with any offence under this Act;

- (d) the licensed clearing house has failed to comply with a term or condition of its license requirement or directive issued under this Act or otherwise fails to comply with any provision or requirement under this Act;
 - (e) any information provided for the purposes of section 36 was false or misleading in a material particular or from which there is a material omission;
 - (f) a judgment debt against the clearing house has not been satisfied in whole or in part;
 - (g) a receiver, a receiver and manager, liquidator or an equivalent person has been appointed, whether within or outside Sri Lanka, in relation to or in respect of any property of the licensed clearing house;
 - (h) the licensed clearing house has, whether within or outside Sri Lanka, entered into a compromise or scheme of arrangement with its creditors; or
 - (i) the licensed clearing house has on its own accord applied to the Commission to cancel the licence granted to it.
- (3) For the purposes of paragraph (a) of subsection (2), the clearing house shall be deemed to have ceased to provide clearing facilities if it has ceased to provide such facilities for a period exceeding two weeks without obtaining the prior written approval of the Commission to do so.
- (4) Notwithstanding the cancellation of a licence or the issuance of a directive under subsection (1), the Commission may permit the clearing house to continue, on or after the date on which the cancellation or directive is to take effect, to carry on such activities affected by the cancellation or directive as the Commission may specify in the notice for the purpose of –
- (a) closing down the operations of the clearing house or ceasing to provide the services specified in the notice; or
 - (b) protecting investors or the public interest.
- (5) Where the Commission acts under subsection (1), the Commission may, where it considers necessary, appoint an interim board of directors for a period of six months which may be extended up to a period of one year to manage the affairs of the licensed clearing house until a new board of directors is appointed.
- (6) The Commission shall not take any action under subsection (1) without giving the clearing house an opportunity of being heard.
40. (1) A licensed clearing house which is aggrieved by the decision of the Commission made under subsection (1) of section 39, may, within fourteen days after the clearing house is notified of the decision, appeal to the Minister.
- (2) Notwithstanding the lodging of an appeal under subsection (1), any action taken by the Commission under this section shall continue to have effect pending the decision of the Minister.
- (3) The Minister may, on an appeal made under subsection (1)–
- (a) allow the appeal and direct the Commission to revoke the cancellation of the licence or the directive; or
 - (b) disallow the appeal.
- (4) The Commission shall give effect to the decision of the Minister under subsection (3).
- (5) Subject to subsection (4), the Commission shall give public notice of any cancellation of a licence or any directive issued under this section.
41. Any cancellation of a licence or the issuance of a directive under subsection (1) of section 39 shall not operate so as to –
- (a) avoid or affect any agreement, transaction or arrangement entered into through the licensed clearing house whether the agreement, transaction or arrangement was entered into before, or where subsection (4) of section 39 applies, after the cancellation of the licence or issuance of the directive under section 39; or
 - (b) affect any right, obligation or liability arising under such agreement, transaction or arrangement.
42. (1) A licensed clearing house shall, for the purpose of risk management, initiate default proceedings under default rules if a clearing member is unable or is likely to become unable to meet the obligations in respect of all or any unsettled market contracts to which the clearing member is a party.
- (2) Where a licensed clearing house initiates any default proceedings, all subsequent proceedings or other action taken under its clearing rules for the purposes of the settlement of market contracts of which the defaulter is a party shall be deemed to have been carried out under the default rules of the licensed clearing house.
43. (1) Notwithstanding only of an inconsistency with the provisions of any written law relating to the assets of a person subject

to insolvency, bankruptcy or winding up, or on the appointment of a receiver, a receiver and a manager, a liquidator or a person in an equivalent capacity, none of the following shall be invalid to any extent in law :–

- (a) a market contract;
 - (b) the rules of a clearing house relating to the settlement of a market contract;
 - (c) any proceedings or other action taken under the rules of a clearing house relating to the settlement of a market contract;
 - (d) a market charge;
 - (e) market collateral;
 - (f) the default rules of a clearing house; or
 - (g) any default proceedings.
- (2) Subject to subsection (1), the powers of a relevant office holder in his capacity as such and the powers of any court under the law of insolvency or the Companies Act, No.7 of 2007 shall not be exercised in such a way as to prevent or interfere with –
- (a) the settlement of a market contract in accordance with the rules of a clearing house; or
 - (b) any default proceedings.
44. Nothing in the Companies Act, No. 7 of 2007 nor any other written law, shall prevent or interfere with the default proceedings instituted by a licensed clearing house in the realization and disposition of any market collateral by the licensed clearing house.
45. (1) Upon completion of any default proceedings, a licensed clearing house shall provide a report in respect of each defaulter to the person or entity referred to in subsection (2) in respect of the following: -
- (a) the net sum, if any, certified by the licensed clearing house to be payable by or to the defaulter;
 - (b) the fact that no sum is so payable to the defaulter; and
 - (c) such other particulars in respect of such default proceedings as it thinks fit.
- (2) A certified copy of the report prepared under subsection (1) shall be provided forthwith-
- (a) to the Commission;
 - (b) to the defaulter to whom the report relates or to the relevant office holder acting for the defaulter to whom the report relates or to the defaulter's estate; and
 - (c) to such other person as the Commission deems fit.
- (3) Where the licensed clearing house has made a report pursuant to subsection (1), relevant office holder of the defaulter shall publish a notice of that fact to bring it to the attention of creditors of the defaulter to whom the report relates.
- (4) Where a relevant office holder or defaulter receives a report pursuant to subsection (1), it shall, at the request of any of his creditors-
- (a) make the report available for inspection by the creditor within two days from the receipt of such request; or
 - (b) on payment of a relevant fee as determined by the relevant office holder or the defaulter, provide to the creditor a certified copy of such report or any part of that report as requested.
46. (1) Upon the completion of default proceedings, the net sum certified under paragraph (a) of subsection (1) of section 45 by a licensed clearing house shall be payable by or to the defaulter.
- (2) Notwithstanding any provision of the Companies Act, No. 7 of 2007, where an order for a receiver or winding up has been made or a resolution for voluntary winding up has been passed, the net sum referred to in subsection (1) shall be taken into account in relation to winding up proceedings under the Companies Act, No. 7 of 2007.
47. (1) If a clearing member ("the first clearing member") sells securities at an overvalue to, or purchases securities at an undervalue from, another clearing member ("the second clearing member") in circumstances as described in subsection (3) and thereafter a relevant office holder acts for-
- (a) the second clearing member;
 - (b) the principal of the second clearing member in the sale or purchase; or
 - (c) the estate of the second clearing member or the person referred to in paragraph (b), the relevant office holder may

recover, from the first clearing member, or the principal of the first clearing member, an amount equal to the identified gain obtained by the sale or purchase by the first clearing member, or the principal of the first clearing member unless a court orders otherwise.

- (2) The amount equal to the identified gain is recoverable even if the sale or purchase may have been discharged according to the rules of the clearing house and replaced by a market contract.
 - (3) The circumstances referred to in subsection (1) for a sale or purchase shall be where-
 - (a) an identified event has occurred in relation to the second clearing member or the principal of the second clearing member; and
 - (b) either-
 - (i) the first clearing member knew, or could reasonably have known that an identified event was likely to occur in relation to the second clearing member or the principal of the second clearing member; or
 - (ii) the principal of the first clearing member knew or could reasonably have known that an identified event was likely to occur to the second clearing member or the principal of the second clearing member, and the identified event occurs within the period of six months immediately following the date on which the sale or purchase was entered into.
 - (4) In this section-
 - (a) "identified event", in relation to a second clearing member or a person who is or was in respect of a sale or purchase referred to in subsection (1) means-
 - (i) an act of bankruptcy committed by the second clearing member or the principal of the second clearing member, as the case may be;
 - (ii) a meeting of creditors summoned in relation to the second clearing member or the principal of the second clearing member, as the case may be, pursuant to the Companies Act, No.7 of 2007; or
 - (iii) the presentation of a petition for the winding up of the second clearing member or the principal of the second clearing member, as the case may be, to a court;
 - (b) "identified gain" in relation to a sale or purchase referred to in subsection (1), means the difference between –
 - (i) the market value of the securities which is the subject of the sale or purchase; and
 - (ii) the value of the consideration for the sale or purchase, as at the time the sale or purchase was entered into.
48. Notwithstanding the provisions of any other law, a clearing member who enters into any transaction including a market contract with a licensed clearing house, notwithstanding the fact that he is party to that transaction as an agent shall for all purposes including any civil action, claim or demand by or against a licensed clearing house be deemed to be a party to that transaction as a principal and not as an agent.
49. Notwithstanding the provisions of any other law, where market collateral is delivered in settlement of a market contract or under a market charge to a licensed clearing house by a clearing member in accordance with the rules of the licensed clearing house, no civil action, claim or demand in respect of any right, title or interest in market collateral delivered to a licensed clearing house shall be allowed against the licensed clearing house.
50. The licensed clearing house shall be entitled to execute the collateral subject to a market contract or market charge in accordance with the procedure specified in the rules of a licensed clearing house.
51. (1) A central depository shall give effect to an instruction from a licensed clearing house to effect a transfer of securities into or out of a securities account of an account holder provided such instruction shall be for the purposes of settlement of a market contract or otherwise dealing with a market contract in accordance with the rules of the licensed clearing house.
- (2) An instruction under subsection (1) shall be given by a licensed clearing house only in relation to a securities account which relates to an account holder who is a party to a market contract or an account holder who had instructed a clearing member to effect a trade which results in a market contract to which a clearing member has become a party.
- (3) Where any transfer of securities pursuant to a market contract is effected by the central depository to or from a securities account of an account holder pursuant to subsection (1), no title in such securities shall pass to an account holder except as provided under the rules of a licensed clearing house.
- (4) Where a transfer of securities has been effected into or out of a securities account of an account holder pursuant to

- subsection (1), a central depository shall not be subject to any action or claim by or be liable to any damages to that account holder.
52. (1) A licensed clearing house may require an exchange to effect on behalf of the licensed clearing house a sale or purchase of securities if such sale or purchase, as the case may be, is effected for the purposes of settlement of any market contract or to facilitate default proceedings or to enable the clearing house to realize any asset comprised in any market charge or provided as market collateral, and the exchange shall give effect to any such instruction.
- (2) Where a sale or purchase of securities has been effected on behalf of the licensed clearing house pursuant to subsection (1) by an exchange, the exchange shall not be subject to any action or claim by or be liable to any damages to any person.
- (3) A clearing or settlement transaction of securities carried out by a clearing house or a payment by or to a licensed clearing house shall not be reversed, undone or cancelled other than in accordance with the clearing and settlement rules of the licensed clearing house.
53. (1) It shall be a defence to a person in any civil or criminal proceedings to prove that in discharging his duties by virtue of delegation of powers under the default rules of a licensed clearing house in connection with any default proceeding in respect of anything done or omitted to be done that he exercised reasonable care and acted in good faith in the course of or in connection with the discharge or purported discharge of that duty.
- (2) The person referred to in subsection (1) shall include –
- (a) any member of the board of directors of the person; and
 - (b) any member of any committee established by such person.
- (3) Where a relevant office holder takes action in relation to any property of any defaulter which is liable to be dealt with in accordance with the default rules of a licensed clearing house, and where the relevant office holder reasonably believes or has reasonable grounds for believing that he is entitled to take that action, the relevant office holder shall not be liable to any person for any loss or damage resulting from any action of the relevant office holder unless such loss or damage was caused by the negligence of the relevant office holder.

CHAPTER 3

CENTRAL DEPOSITORY

54. (1) A person shall not establish, operate or maintain a central depository for handling of securities, without obtaining a licence from the Commission whether such securities are listed or not listed on an exchange.
- (2) Any person who contravenes the provisions of subsection (1), commits an offence and shall on conviction after summary trial before a Magistrate be liable to a fine not exceeding twenty five million rupees or to imprisonment for a term not exceeding five years or to both such fine and imprisonment.
- (3) Subsection (1) shall not apply to–
- (a) a central depository operated or established by the Central Bank of Sri Lanka;
 - (b) a central depository operated in respect of securities issued by the Government of Sri Lanka or the Central Bank of Sri Lanka; or (c) any person providing a Central Depository for any issue of securities which have been exempted by the Commission.
55. (1) An application for a licence to establish or operate a central depository shall be made to the Commission in such manner and form as may be specified by the Commission and shall be accompanied by such fee as may be prescribed.
- (2) An application for a licence to establish or operate a central depository shall only be made by a body corporate.
- (3) The central depository shall make rules which have satisfactory provisions with regard to –
- (a) conditions under which securities may be deposited, held by, withdrawn from or transferred to and recorded in the register of securities;
 - (b) the processing of dealings in deposited securities;
 - (c) facilitating the settlement of deposited securities;
 - (d) the protection of the interests of account holders and the protection and control of information on deposited securities and dealings therein;

- (e) transparent and non discriminatory criteria for the admission of depository participants and the categories of depository participants;
- (f) the monitoring and supervision of depository participants and for the enforcement of the rules of the applicant company;
- (g) the expulsion, suspension, imposition of penalties or disciplining of depository participants for failure to comply with the rules of the central depository;
- (h) the settlement of disputes between the central depository and the depository participants and between depository participants; and
- (i) ensuring the segregation of the securities belonging to investors from those of the depository participants.

(4) An applicant under subsection (1) shall provide such information as the Commission considers necessary in relation to the application.

(5) The proposed central depository shall at all times have sufficient financial, human and other resources to ensure the provision of –

- (a) adequately and properly equipped premises for the conduct of its business;
- (b) competent personnel for the conduct of its business; and
- (c) automated systems with adequate capacity, security arrangements and facilities to mitigate risks and to meet emergencies.

(6) Where the Commission is satisfied that it is appropriate to do so in the public interest or for the proper regulation of the securities market, it may, grant a licence to the applicant to establish or operate a central depository subject to such terms or conditions as the Commission thinks fit.

(7) Without limiting the generality of the terms and conditions attached to the licence referred to in subsection (6), the Commission, may amend or revoke any of the terms and conditions imposed or impose new terms and conditions, if the Commission is satisfied that it is appropriate to do so in the interest of the investors, or for the proper regulation of a central depository.

56. (1) A central depository shall –

- (a) operate a safe, effective and efficient system for the handling of securities;
- (b) manage any risks associated with its business and operations prudently; and
- (c) act in the public interest having particular regard to the need for the protection of account holders.

(2) Notwithstanding the provisions of any other written law, it shall be the duty of a director of a central depository to act at all times in the public interest having particular regard to the need for the protection of account holders, and where there is a conflict between such duty and a director's duty under the provisions of any other written law the duty under this Act shall prevail.

57. (1) The Commission may by notice in writing –

- (a) cancel the licence granted under section 55 with effect from the date specified in the notice; or
- (b) direct the central depository to cease to provide or operate such facilities, or to cease to provide such services, as are specified in the notice, with effect from the date specified in the notice.

(2) The Commission shall not cancel a licence or issue a directive under subsection (1), unless the Commission is satisfied that it is appropriate to do so for the protection of investors or in the public interest or for the proper regulation of the securities market where any of the following circumstances occur: -

- (a) the central depository ceases to operate a system for the central handling of securities;
- (b) the central depository is being wound up or otherwise dissolved, whether within or outside Sri Lanka;
- (c) the central depository has contravened any term or condition of its licence or is charged with any offence under this Act;
- (d) the central depository has failed to comply with a condition, requirement or directive that is issued under this Act;
- (e) any information provided for the purposes of section 55 was false or misleading in a material particular or from which there is a material omission;
- (f) a judgment debt against the central depository has not been satisfied in whole or in part;
- (g) a receiver, a receiver and manager, liquidator or an equivalent person has been appointed, whether within or outside

Sri Lanka, in relation to or in respect of any property of the central depository;

- (h) the central depository has, whether within or outside Sri Lanka, entered into a compromise or scheme of arrangement with its creditors; or
 - (i) the central depository has on its own accord applied to the Commission to cancel the licence granted to it and the Commission, thinks it fit to do so.
- (3) For the purposes of paragraph (a) of subsection (2), the central depository shall be deemed to have ceased to operate a system for the central handling of securities if it has ceased to operate such system for a period exceeding two weeks without obtaining the prior written approval of the Commission.
- (4) Notwithstanding the cancellation of a licence or the issuance of a directive under subsection (1), the Commission may permit the central depository to continue, on or after the date on which the cancellation or directive is to take effect, to carry on such activities affected by the cancellation or directive as the Commission may specify in the notice—
- (a) for the purpose of closing down the operations of the central depository or ceasing to provide the services specified in the notice;
 - (b) for the purpose of protecting the depositors; or
 - (c) in the public interest.
- (5) Where the Commission acts under subsection (1), the Commission may where it deems necessary appoint an interim board of directors for a period of six months and be extended for a period of one year to manage the affairs of the central depository until a new board of directors is appointed.
- (6) Where the Commission has granted permission to the central depository under subsection (4), the central depository shall not, by reason of its carrying on the activities in accordance with the permission, be regarded as having contravened subsection (1).
- (7) The Commission shall not take any action under subsection (1) without giving the central depository an opportunity of being heard.
- (8) A central depository which is aggrieved by the decision of the Commission made under subsection (1) may, within fourteen days after the central depository is notified of the decision, appeal to the Minister.
- (9) Notwithstanding the making of an appeal under subsection (8), any action taken by the Commission under this section shall continue to have effect pending the decision of the Minister.
- (10) The Minister may, on an appeal made under subsection (8)–
- (a) allow the appeal and direct the Commission to revoke the cancellation of the licence or the directive; or
 - (b) disallow the appeal.
- (11) The Commission shall give effect to the decision of the Minister.
- (12) Subject to subsection (11), the Commission shall give public notice of any cancellation of the licence or any directive issued under this section.
58. Any cancellation of a licence or the issuance of a directive under subsection (1) of section 57 shall not operate so as to –
- (a) avoid or affect any agreement, transaction or arrangement entered into by the central depository, whether the agreement, transaction or arrangement was entered into before or, where subsection (4) of section 57 applies after the cancellation of the licence or issuance of the directive under subsection (1) of section 57; or
 - (b) affect any right, obligation or liability arising under such agreement, transaction or arrangement.
59. A central depository may establish different types of securities accounts and every such securities account opened with a central depository shall be in the name of the beneficial owner of the deposited securities or in the name of a nominee. Where a securities account is opened in the name of a nominee, the name of the beneficial owner shall be disclosed to the central depository by the person opening such account.
60. All dealings of securities held in a central depository shall be made by means of book entries in the accounts of the central depository without the physical delivery of scrips.
61. A record of an entry in an account maintained by the central depository shall be *prima facie* evidence of the authenticity of such matter.

62. (1) Where the central depository holds securities in trust for its holders of securities, the person for whose benefit those securities are held in trust-
- (a) shall be deemed to be the holder of such securities; and
 - (b) shall in respect of those securities, enjoy all such rights and privileges and be subject to all such duties and obligations in respect of, or arising from, such securities, under the Companies Act, No. 7 of 2007 as the case may be, as if he is the holder of those securities.
- (2) The rights and duties attached to the securities maintained in the accounts of the central depository held by a nominee shall be exercised by the beneficial owner identified in the respective account held in the central depository as if he is the holder of those securities.
- (3) The appointment of a receiver, a receiver or manager, liquidator or any equivalent person in respect of any insolvency or bankruptcy proceedings of a depository participant shall not affect the rights of holders of securities held in trust by the central depository of that depository participant.
63. Any registration of securities by the central depository prior to the enactment of this Act shall not be invalid only for the reason that such registration has been done other than in accordance with the provisions of this Act, regulations, rules or directives made thereunder.

CHAPTER 4

GENERAL PROVISIONS

64. (1) The rules of a market institution shall be approved by the Commission and such approved rules shall operate as a binding contract-
- (a) between the market institution and each issuer of securities;
 - (b) between the market institution and each trading participant, clearing member or depository participant as the case may be;
 - (c) between each issuer of securities and each trading participant; and
 - (d) between trading participants, clearing members or depository participants.
- (2) The market institution, each issuer of securities, each trading participant, clearing member and depository participant respectively shall observe and perform the obligations under the provisions of the rules so far as those provisions are applicable to the market institution, issuer, trading participant, clearing member or depository participant as the case may be.
- (3) The rules of a market institution in so far as they have been approved by the Commission, shall not be amended, varied or rescinded without the prior approval of the Commission.
- (4) Where a market institution proposes to amend its rules, the market institution shall forward to the Commission in writing the proposed amendment.
- (5) The Commission shall, after hearing the market institution within ninety days of receipt of the proposed amendment give written notice to the market institution as to whether such amendments to the rules are-
- (a) allowed;
 - (b) disallowed; or
 - (c) allowed with amendments, variations or modifications.
- (6) Where the proposed amendment is disallowed, the Commission shall give reasons for such disapproval.
- (7) Where the Commission fails to revert to the market institution within ninety days, proposed amendments to such rules under subsection (4) shall take effect immediately on the expiration of ninety days.
- (8) Upon receipt of notice under subsection (5), the market institution shall give immediate effect to such rule.
- (9) Notwithstanding the provisions contained in subsections (5) and (8), the Commission may amend the rules of any market institution at any time and such rules shall take effect with immediate effect or on such date as specified by the Commission.
65. (1) Where any person who is under a duty to comply, observe, enforce or give effect to the rules of a market institution fails to do so, the Commission shall direct such person to comply with such rules or to give reasons for such failure upon the market institution referring such matter to the Commission.

- (2) Where the Commission is not satisfied with the reasons given by such person, the Commission may direct such person referred to in subsection (1) to comply with the rules and any other direction given by the Commission which the Commission deems necessary.
- (3) Any person who violates a directive of the Commission issued under subsection (2) commits an offence.
- (4) Where any person fails to comply with a directive issued by the Commission under subsection (1), the Commission may proceed as provided for under subsection (2) or make an application to court for an order under subsection (5).
- (5) The Court may, make an order directing the first mentioned person to comply, observe, enforce or give effect to the rules of a market institution.
66. (1) A person other than a representative of the government, shall not enter into any agreement or arrangement to acquire any voting shares of a market institution either individually or together with any other person acting in concert with him, exceeding five per centum or more of the aggregate of all the voting shares in a market institution, without obtaining the prior written approval of the Commission.
- (2) The Commission may impose restrictions on the maximum proportion of voting shares that may be held directly or indirectly by a group of persons representing a particular interest as may be determined by the Commission by way of an Order published in the *Gazette*.
- (3) The Commission may, at any time by publishing a notification in the *Gazette*, vary the threshold referred to in subsection (1) after taking into consideration the stage of securities market development or the public interest.
- (4) An application for the purpose of obtaining approval under subsection (1) shall be made by the person intending to acquire voting shares referred to therein and shall be sent to the Commission in the form and manner as may be specified by the Commission.
- (5) The Commission may require the applicant –
- (a) to give further information in connection with an application; and
 - (b) to have any information submitted in support of an application verified at the cost of the applicant, in such manner and by such persons as it may specify.
- (6) The Commission may grant its approval subject to such terms and conditions as it thinks fit to impose.
67. (1) Where the Commission is satisfied that any person has contravened the provisions of section 66, the Commission may issue a directive imposing one or more of the following prohibitions as may be applicable or appropriate in the circumstances of the contravention in respect of any shares:-
- (a) prohibit the buying of, or the carrying out of the agreement or arrangement to buy, such voting shares, or in the case of unissued shares, the carrying out of the agreement or arrangement to buy or the buying of the right to be issued with unissued shares;
 - (b) prohibit the exercise of any voting rights in respect of such shares;
 - (c) prohibit the issue of any further shares in right of such shares or in pursuance of any offer made to the holder of such shares; or
 - (d) except in liquidation, prohibit the payment of any sums due from the market institution, on such shares, whether in respect of capital, dividends or otherwise.
- (2) A directive issued under subsection (1) shall be served on the person who contravenes subsection (1) as soon as is practicable, and may be publicised in such manner as the Commission thinks fit.
- (3) A directive issued under subsection (1) shall be binding on the person who contravenes subsection (1) or any person for the time being holding the voting shares to which such directive relates and on any other person specified in the directive.
- (4) Any person against whom a directive has been issued under subsection (1), or any other person prejudicially affected by such directive, may within fourteen days of the issuance of the directive, make an appeal in writing to the Commission for the setting aside of the directive on the ground that he had not contravened the provisions in relation to which the directive has been issued, or for a variation of the directive on the ground that it would be just and proper to vary it for reasons to be specified in the appeal.
- (5) The Commission may, within forty five days of receiving an application under subsection (4) after considering the appeal made by such application either confirm, set aside or vary the directive issued under subsection (1).

- (6) Where the Commission confirms the directive made under subsection (1) the Commission may direct the holder of the shares to which the directive applies to dispose of the shares.
 - (7) The Commission may issue any instruction or a directive to the directors or officers of the market institution, as may be necessary to give effect to any decision of the Commission made under this section, or as may be incidental, ancillary or consequential to such decision.
 - (8) Any transaction, including any agreement or arrangement in relation to any shares which is in contravention of any directive issued or of any decision made under subsection (5) or of any instruction given or directive issued by the Commission under subsection (7), shall be deemed to have no effect in law.
 - (9) A person who contravenes any directive or decision made under subsection (5), or any instruction given or directive issued under subsection (7), commits an offence and shall, on conviction after summary trial by a Magistrate, be liable to a fine not exceeding twenty five million rupees or to imprisonment for a term not exceeding five years or to both such imprisonment and fine.
68. (1) Notwithstanding the provisions of the Companies Act, No. 7 of 2007, a person shall not accept appointment, reappointment, election or re-election as a director, chief executive officer or chief regulatory officer of a market institution except with the prior approval of the Commission.
- (2) Where the approval of the Commission is required under subsection (1), the Commission shall not approve, as the case may be if -
- (a) any proposed director, chief executive officer or chief regulatory officer is an undischarged bankrupt, whether within or outside Sri Lanka;
 - (b) a judgment debt against the proposed director, chief executive officer or chief regulatory officer has not been satisfied in whole or in part;
 - (c) the proposed director, chief executive officer or chief regulatory officer-
 - (i) has been convicted, whether within or outside Sri Lanka, of an offence, involving fraud or dishonesty or the conviction for which involved a finding that he has acted fraudulently or dishonestly;
 - (ii) has been convicted of an offence under this Act;
 - (iii) during a period of three years immediately preceding such appointment has been subject to any administrative sanction by the Commission under this Act;
 - (iv) has been convicted of an offence involving moral turpitude; or
 - (v) is likely to have a conflict of interest.
69. Where a market institution proposes to alter its Articles of Association or any other material particulars already furnished or effects or intends to effect a change from the state specified in the application or renewal of a licence, the market institution shall obtain the approval of the Commission before such alteration or change is effected.
70. Nothing in any written law relating to contracts to the extent of its inconsistency with the provisions of this Act or any rules made thereunder shall affect -
- (a) any rights to be conferred on an exchange or a clearing house in relation to securities under this Act, regulations, rules or directives made thereunder;
 - (b) any rights to be conferred on a party to securities transaction entered into by an exchange under this Act, regulations, rules or directives made thereunder, or the rules of an exchange or a licensed clearing house or a licensed central depository as the case may be; or
 - (c) anything done or omitted to be done under or in relation to securities transaction entered into by an exchange or a licensed clearing house or a licensed central depository under this Act, regulations, rules or directives made thereunder, as the case may be.
71. It shall be a defence in any criminal or civil proceeding for anything done or omitted to be done by-
- (a) an exchange; or
 - (b) any person acting on behalf of an exchange including-
 - (i) any director of the exchange; or
 - (ii) any member of any committee established by the exchange,

to prove that the exchange or the person under paragraph (b) took all reasonable care and acted in good faith in the course of or in connection with the discharge of its obligations under this Act, regulations, rules or directives made thereunder or the rules of such exchange.

72. (1) A market institution shall provide such assistance to the Commission, or to a person acting on behalf of or with the authority of the Commission, as the Commission or such person reasonably requires, including the furnishing of such returns, and the provision of such information relating to the operations of the market institution as the Commission or such person may require for the proper administration of this Act.
- (2) A person acting on behalf of or authorised by the Commission shall be entitled at all reasonable time to full and free access to the trading facility of an exchange for any of the purposes of this Act.
- (3) A person who refuses or fails without lawful excuse to allow a person acting on behalf of or a person who is authorised by the Commission access in accordance with subsection (2) to the trading facility of an exchange commits an offence under this Act.
73. (1) A market institution shall file with the Commission an annual report, within five months of the date of its balance sheet, which shall include-
- (a) a report on the corporate governance policy of the market institution and any other information required by the Commission;
 - (b) audited financial statements prepared in accordance with Sri Lanka's Accounting Standards and such other requirements as may be specified in the rules; and
 - (c) consolidated financial statements, where the market institution is a holding company or a subsidiary where appropriate.
- (2) The financial statements to be included in an annual report under subsection (1) shall be audited in accordance with Sri Lanka's Auditing Standards.
- (3) The annual report of a clearing house and a central depository shall also include an audited report on risk management procedures and their application and any other information required by the Commission.
- (4) The information required under subsections (2) and (3) which is required to be included in an annual report shall be in addition to the requirements imposed under the Companies Act, No.7 of 2007.
74. (1) If an auditor of a market institution, in the ordinary course of performing his duties, becomes aware of-
- (a) any matter which, in his opinion, adversely affects or may adversely affect the financial position of the market institution, to a material extent;
 - (b) any matter which, in his opinion, constitutes or may constitute a breach of any provision of this Act, regulations, rules or directives made thereunder or an offence involving fraud or dishonesty affecting the financial stability of the market institution to a material extent; or
 - (c) any irregularity that has or may have a material effect on the accounts of the market institution, including any irregularity that adversely affects or may adversely affect, the funds or property of investors in securities, the auditor shall immediately send to the board of directors a written report of the matter or the irregularity with a copy to the Commission.
- (2) An auditor of a market institution shall not be liable to any suit by any person in respect of any statement made in his report under subsection (1) provided the auditor has acted in good faith.
- (3) The Commission may impose all or any of the following duties on an auditor of a market institution: –
- (a) a duty to submit such additional information and reports in relation to his audit as the Commission considers necessary;
 - (b) a duty to enlarge, extend or alter the scope of his audit of the business and affairs of the market institution;
 - (c) a duty to carry out any other examination or establish any procedure in any particular case; or
 - (d) a duty to submit a report on any matter arising out of his audit, examination or establishment of procedure referred to in paragraph (b) or (c), and the auditor shall carry out such duties, as an extension to his ordinary audit scope for issuing an independent opinion on the financial statements.
- (4) The market institution shall remunerate the auditor in terms of the schedule of fees published by the Commission in respect of the discharge by him of all or any of the duties referred to in subsection (3) and in circumstances where further investigation is necessary, remuneration to auditors shall be paid out of the Fund of the Commission.

75. A market institution, shall submit to the Commission such reports including a risk management audit in such form, manner and frequency as may be specified by the Commission. The Commission in addition shall subject the market institution to supervision and an annual audit by the Commission to ascertain compliance by the market institution with the provisions of this Act and of rules, regulations, directives that may be issued by the Commission from time to time.
76. A market institution shall pay to the Commission an annual fee as may be prescribed.
77. (1) A person shall not hold out as a stock exchange, a derivatives exchange, a licensed clearing house or a central depository and shall not take or use or by inference adopt the name, title or description of "stock exchange", "derivatives exchange", "futures exchange", "stock market", "derivatives market", "futures market", "licensed clearing house", "clearing facility", "central depository", "securities trading market", "derivatives trading market" or "futures trading market", or take or use or have attached to or exhibited at any place any name, title or description implying or tending to create the belief that such person is a stock exchange , derivatives exchange, licensed clearing house or a central depository.
- (2) A person who contravenes the provisions of subsection (1) commits an offence.
78. (1) A person who is aggrieved by a decision of the Commission may make an application to the Commission to review its decision within thirty days after the aggrieved person is notified of such decision.
- (2) The Commission shall communicate its decision to the applicant in writing not later than ninety days from the date of the receipt of the application.

PART III

ISSUE OF SECURITIES

79. The object and purpose of this Part shall be-

- (a) to regulate the issue of securities by way of public offers;
- (b) to ensure the disclosure of financial information by listed public companies;
- (c) to require auditors to disclose financial irregularities of listed public companies;
- (d) to licence market intermediaries and register their representatives; and
- (e) to protect assets of the clients.

CHAPTER I

PUBLIC OFFER OF SECURITIES

80. A listed public company or any public company which has applied to obtain a listing in an exchange shall not make a public offer of securities either directly or through a third party by way of a prospectus or a similar document or otherwise for the purposes of solicitation of funds from the public unless approved by the Commission or a person authorised by the Commission: Provided however, the Commission having taken into consideration the volume of securities, class of securities, the number and type of investors, the nature of the issuer or the nature of the securities market may by rules made under this Act require that the approval of the Commission be obtained prior to certain types of public offers of unlisted companies.
81. (1) A listed public company shall obtain the approval of the Commission or any person authorised by the Commission to grant approval in respect of-
- (a) any new issue or offer for sale of securities to the public, whether such issues or offers for sale are by way of a public offer or otherwise;
 - (b) private placement of securities;
 - (c) rights issues of securities;
 - (d) bonus issues of securities; or
 - (e) schemes of arrangements, schemes of reconstruction, take over schemes, share option schemes and acquisition of assets by way of issues of securities.
- (2) A listed foreign entity seeking a listing on an exchange licensed by the Commission shall apply to the Commission or any person authorised by the Commission for approval to make a public offer of securities.
- (3) The board of directors of every listed public company and listed foreign entity shall ensure that the company or the entity shall comply with the rules and requirements of the exchange in which it is listed at all times so long as the company or the entity remains listed on the exchange.

82. (1) The prospectus or similar document prepared by a person making an offer to the public shall comply with the requirements specified in the Companies Act, No. 7 of 2007, and any other requirements specified by the Commission and the rules of an exchange.
- (2) A person making an issue of securities to the public shall lodge a copy of the prospectus or a similar document with the Commission or with any person authorised by the Commission for that purpose prior to registration of the prospectus as required under the Companies Act, No. 7 of 2007.
- (3) The Commission may examine any prospectus or similar document when a person makes a public offer of securities for the purpose of solicitation of funds from the public.
83. (1) Where the Commission is of the opinion that—
- (a) a prospectus or similar document submitted to a licensed stock exchange under its listing rules or in respect of public offers falling within section 80 does not comply with or is not prepared in accordance with the provisions of this Act or the rules of the exchange as the case may be;
 - (b) a prospectus or similar document contains a statement or information that is false or misleading or from which there is a material omission; or
 - (c) an issuer has contravened any provision of this Act, regulations, rules or directives made thereunder or has not complied with the requirements imposed under this Act, the Commission may issue an order to the issuer not to allot, issue, offer or make an invitation to subscribe for or purchase or sell further securities relating to public offers.
- (2) The Commission shall not make an order under subsection (1) unless the Commission has given a reasonable opportunity to be heard to any affected person as to whether such an order should be made.
- (3) If the Commission considers that any delay in making an order under subsection (1) by giving an opportunity to be heard would be prejudicial to the interest of investors, the Commission may make an interim order without giving an opportunity to be heard.
- (4) An interim order under subsection (3) shall, unless previously revoked have effect until the end of twenty one days after the day on which it is made or the conclusion of the hearing in subsection (2), whichever date is later.
- (5) An order made under subsection (1) or an interim order made under subsection (3) may be revoked by the Commission by way of a directive if the Commission becomes satisfied that the circumstances that resulted in the making of the order no longer exist.
- (6) Where applications to subscribe for or purchase securities to which the prospectus or similar document relates has been made prior to an order under subsection (1) being made—
- (a) but before the securities have been issued to the applicants, the applications shall be deemed to have been withdrawn and cancelled and the issuer or such other person who receives the monies, shall, forthwith repay without interest all monies received from the applicants and if the money is not repaid within fourteen days of the order, the issuer shall be liable to repay the monies with interest as may be specified by the Commission from the expiration of that period; or
 - (b) where the securities have been allotted to the applicants, the allotment of securities shall be deemed to be void and the issuer or any other person shall forthwith repay without interest all monies received from the applicants and if such money is not repaid within fourteen days of the date of service of the order the issuer shall be liable to repay such monies with interest at the rate as may be specified by the Commission from the expiration of that period.
- (7) Provisions of this section shall not apply in respect of any issuer if any of the securities to which the prospectus or similar document relates have been issued or listed on an exchange and trading in them has commenced.
84. (1) A person holding securities in a company listed on an exchange shall buy, sell, gift or otherwise deal in such securities in compliance with the trading procedure adopted by such licensed exchange:
- Provided however, where no express trading procedure has been adopted by such exchange, the approval of the Commission shall be obtained.
- (2) A person as referred to in subsection (1) may gift any such securities to a relation otherwise than in compliance with such trading procedure, if he gives prior notice to the Commission and the licensed exchange, of the particulars relating to the proposed gift.

- (3) In this section “relation” means a parent, spouse, child including step children, brother or sister including step brother or step sister of that person or the spouse of a child of that person.
85. (1) Where it appears to the Commission from the disclosures made to the public that -
- (a) there exist circumstances that the business of a listed public company has been conducted-
 - (i) in a manner that contravenes the provisions of this Act, regulations, rules or directives made thereunder or rules of a market institution; or
 - (ii) in a manner, prejudicial to interest of investors;
 - (b) there exist circumstances that the company was listed for a fraudulent or unlawful purpose;
 - (c) there exist circumstances that the persons concerned with the listing of a company or the management of its affairs in relation to the listing have been guilty of fraud, wrongdoing or other misconduct; or
 - (d) there exist circumstances that the director or management of a listed public company have intentionally suppressed information with respect to the affairs of the company that is required to be provided under this Act, regulations, rules or directives made thereunder or as may reasonably be expected to be released to the public,
- the Commission may issue directives to the listed public company requiring such company to produce the documents, electronic records or other information specified in the directive at a specified time and place in order to conduct an inquiry or investigation into the matters specified in the preceding provisions.
- (2) The Commission may delegate its authority under subsection (1) to any person to require the submission of documents, electronic records or any other information for the purposes of subsection (1).
- (3) The Commission or an authorised person may also require the production of such documents and electronic records in relation to the listed public company which is the subject of an inquiry or investigation, from any person who is in possession of them.
- (4) Where such documents or electronic records referred to in subsections (1), (2) and (3) are produced, the Commission or the authorised officer shall require the listed public company-
- (a) to require that person or any other person who is a present or past officer of the listed public company or was at any time employed by the listed public company to provide an explanation of such documents and electronic records; and
 - (b) where the records and documents and electronic records are not produced as required, the person required to produce such records, documents or electronic records to give reasons for such failure; or
 - (c) where the documents and electronic records are not produced, the person required to produce them shall disclose its location to the best of his knowledge and belief.
- (5) Where any listed public company fails to comply with this section, the Commission shall issue a directive to the listed public company under section 86 of this Act.
86. Where the Commission after due inquiry or investigation determines that a listed public company has contravened or failed to comply with any provision of the Act, regulations, rules or directives made thereunder or has furnished the Commission with information that is false, inaccurate or misleading, the Commission may take any enforcement action provided under this Act as deemed appropriate.
87. (1) A person who furnishes information or cause information to be furnished to the Commission under this Act, regulations, rules or directives made thereunder shall exercise due care to ensure that the information is not false or misleading in any material particular.
- (2) A person who -
- (a) signs a document lodged with the Commission; or
 - (b) submits to the Commission a document by electronic means using any identification or other authentication method or procedure assigned to him by the Commission, shall exercise due care to ensure that the document is not false or misleading in a material particular.
- (3) A person who contravenes subsection (1) or (2) commits an offence under this Act.
88. A person with intent to deceive, makes or furnishes, or knowingly and willfully authorises or permits the making or furnishing

of any misleading statement or report to a market institution licensed under this Act in relation to any information that a listed public company is required to furnish under this Act, regulations, rules or directives made thereunder commits an offence under this Act.

89. (1) The board of directors of every listed public company shall ensure that the company and its directors comply with the rules and requirements of the exchange on which it is listed on a continuous basis as long as the company remains listed on such exchange.
- (2) The directors or chief executive officer of a listed public company shall comply with the fit and proper criteria specified by the Commission by rules or in the rules of an exchange approved by the Commission.
90. (1) If an auditor of a listed public company in the ordinary course of the performance of his duties, becomes aware of–
- (a) any contravention or non compliance with any requirement or provision of this Act, any regulation, rule or directive made thereunder or a breach of any rule of an exchange or any offence involving fraud or dishonesty; or
 - (b) any matter which may in his opinion adversely affects or is likely to adversely affect the financial position of the listed public company to a material extent; or
 - (c) any irregularity that has or may have a material effect upon the accounts of a listed public company including any irregularity that affects or jeopardizes or may affect or jeopardize the funds or property of any investor in securities, the auditor shall immediately report such matters referred to in paragraphs (a), (b) or (c) to the audit committee in writing for rectification and if no remedial measure is taken within two weeks thereof, refer such matters to the board of directors in writing to rectify such matters or deter the commission of a breach where it has not yet occurred.
- (2) If no action is taken under subsection (1) by the board of directors to rectify such matters referred to in paragraphs (a), (b) or (c) within two weeks, the auditor shall submit a written report on the matters immediately thereupon–
- (a) in the case of a contravention or non compliance with any requirement or provision of this Act, any regulation, rule or directive issued thereunder or an offence involving fraud or dishonesty, to the Commission; or
 - (b) in the case of a breach of or non compliance with any rules of an exchange, to the relevant exchange and the Commission.
- (3) No auditor shall be liable to be sued in any court for any report submitted by the auditor in good faith and in the performance of any duty imposed on the auditor under this section.
- (4) The Commission may at any time during or after an audit, require an auditor of a listed public company to–
- (a) submit such additional information in relation to his audit as the Commission may specify;
 - (b) enlarge or extend the scope of his audit of the business and affairs of the listed public company in such manner or to such extent as the Commission may specify;
 - (c) carry out any specific examination or establish any procedure in any particular case; or
 - (d) submit a report including an interim report on any matter referred to in paragraphs (a) to (c), and the Commission may specify the time within which such requirements shall be complied with by the auditor.
- (5) The auditor shall comply with any requirement of the Commission under subsection (4) and the listed public company shall remunerate the auditor at the rates specified by the Commission in respect of the discharge by him of all additional duties under this section.
- (6) The listed public company shall provide such information and access to such information as the auditor shall require in respect of the discharge by him of all of the additional duties under this section.
91. (1) A person shall not influence, coerce, mislead or authorise any person engaged in –
- (a) the preparation of the financial statements of a listed public company or any of its related companies; or
 - (b) the performance of an audit of the financial statements of a listed public company or any of its related companies, to do anything which he knows or could reasonably have known may cause the financial statements or audited financial statements to be false or misleading in a material particular.
- (2) Any person who contravenes subsection (1) commits an offence.

CHAPTER 2

MARKET INTERMEDIARIES

92. (1) A person shall not hold out as a market intermediary without obtaining a licence from the Commission.
- (2) Any person who contravenes subsection (1) commits an offence and shall on conviction after summary trial by a Magistrate be liable to a fine not exceeding twenty five million rupees or to imprisonment for a term not exceeding five years or to both such fine and imprisonment.
93. (1) Any person who carries on business as a market intermediary shall hold a licence issued for that purpose by the Commission.
- (2) Any person who contravenes subsection (1) commits an offence and shall on conviction after summary trial by a Magistrate be liable to a fine not exceeding twenty five million rupees or to imprisonment for a term not exceeding five years or to both such fine and imprisonment.
94. (1) An application for the purpose of a licence under this section or renewal of the licence under subsection (4) of this section shall be made to the Commission in such form together with such documents as may be specified by the Commission by way of rules accompanied by such fee as may be prescribed.
- (2) The Commission may require an applicant –
- (a) to furnish further information in connection with an application as it may specify; and
 - (b) to have any information submitted in support of an application verified at the cost of the applicant in such manner and by such persons as it may specify.
- (3) An application for renewal of a licence under this section shall be made three months prior to the expiry of the licence, accompanied by the renewal fee as may be prescribed.
- (4) Where an application for renewal of a licence is made after the expiry of the licence, the Commission may in addition to the renewal fee, impose a late fee not exceeding five per centum of the licensing fee as may be prescribed for each day of delay until the renewal is made.
- (5) The Commission may grant or renew a licence for the purposes of this Chapter, subject to such conditions or restrictions as it deems fit.
95. (1) Where an application is made for the grant or renewal of a licence to act as a market intermediary, the Commission may refuse the application on any of the following grounds:-
- (a) the application was not made in accordance with this Chapter;
 - (b) the applicant has failed to comply with any requirement of this Act, regulations and the rules made thereunder;
 - (c) any information or document that is furnished by the applicant to the Commission is false or misleading or from which there is a material omission;
 - (d) the applicant is in the course of being wound up or otherwise dissolved or is an undischarged bankrupt;
 - (e) execution against the applicant in respect of a judgment debt has been returned unsatisfied in whole or in part;
 - (f) a liquidator or receiver or manager or an equivalent person has been appointed within or outside Sri Lanka in respect of any property of the applicant;
 - (g) the applicant has, whether within or outside Sri Lanka entered into a compromise or scheme of arrangement with its creditors, being a compromise or scheme of arrangement that is still in operation;
 - (h) the applicant or any of its directors, chief executive officer, managers or controller–
 - (i) has been convicted, whether within or outside Sri Lanka of an offence involving fraud or dishonesty or the conviction of which involved a finding that he acted fraudulently or dishonestly;
 - (ii) has been subjected to any administrative sanction under this Act;
 - (iii) has been convicted or has been compounded of an offence for which he has been charged under this Act or under the laws governing securities outside Sri Lanka;
 - (iv) has contravened any provision made under any law whether within or outside Sri Lanka enacted for protecting members of the public against financial loss, due to dishonesty, incompetence or malpractice by persons, concerned in the provision of financial services or the management of companies or against financial loss due to the conduct of discharged or undischarged bankrupts; or

- (v) is an undischarged bankrupt whether within or outside Sri Lanka;
- (i) the Commission has reason to believe that the applicant or any of its directors, chief executive officer or controller may not be able to act in the best interest of its clients having regard to their reputation, character, financial integrity and reliability;
- (j) the Commission is not satisfied as to the financial standing of the applicant or the manner in which the applicant's business is to be conducted;
- (k) the Commission is not satisfied as to the record of past performance or expertise of the applicant, having regard to the nature of the business which the applicant may carry on in connection with the holding of the licence and there exists circumstances which are likely to –
- (i) lead to the improper conduct of business by the applicant or by any of its directors, chief executive officer or controller; or
 - (ii) reflect discredit on the manner of conducting the business of the applicant; or
- (l) the Commission is of the opinion that it would be contrary to the interests of the investors to grant or renew the licence.
- (2) The Commission shall not refuse to grant or renew a licence without giving the applicant an opportunity to be heard.
96. A market intermediary shall not carry on business for which it is licensed under this Chapter, without the written consent of the Commission if it does not meet the minimum financial requirements as may be specified by the Commission or as may be provided in the rules of an exchange.
97. (1) The Commission may specify by way of rules that a person who deals with clients for and on behalf of a market intermediary to register with the Commission and for that purpose such person shall be known as a "registered person".
- (2) For the purposes of seeking registration under subsection (1), a market intermediary shall submit an application to the Commission on behalf of that person referred to in subsection (1) (hereinafter referred to as the "applicant").
98. (1) An application for the purpose of registration or renewal of the registration as a registered person under section 97 shall be made to the Commission in such form accompanied by such documents as may be specified by the Commission by rules together with such fee as may be prescribed.
- (2) The Commission may require an applicant–
- (a) to furnish further information in connection with an application as it may specify; and
 - (b) to have any information submitted in support of an application verified at the cost of the applicant in such manner and by such persons as it may specify.
- (3) An application for renewal of registration under this section shall be made three months prior to the expiry of the registration.
- (4) Where an application for renewal of registration is made after the expiry of its registration, the Commission may in addition to the renewal fee impose a late fee not exceeding five per centum of the registration fee as may be prescribed for each day of delay until the renewal is made.
- (5) The Commission may grant or renew a registration for the purposes of this Chapter, subject to such conditions or restrictions as it thinks fit.
99. (1) Where an application is made for the grant or renewal of registration as a registered person under this Part, the Commission may refuse the application on any of the following grounds: —
- (a) the application was not made in accordance with section 98;
 - (b) the applicant has failed to comply with any requirement of section 98;
 - (c) any information or document that is furnished by the applicant to the Commission is false or misleading or from which there is a material omission;
 - (d) the applicant is an undischarged insolvent or an undischarged bankrupt whether within or outside Sri Lanka;
 - (e) execution against the applicant in respect of a judgment debt has been returned unsatisfied in whole or in part;
 - (f) the applicant has –
- (i) been convicted, whether within or outside Sri Lanka of an offence involving fraud or dishonesty or of an offence the conviction for which involves a finding that he had acted fraudulently or dishonestly;
 - (ii) been subjected to any administrative sanction under this Act;

- (iii) been convicted or compounded in respect of an offence under this Act or under any laws governing securities outside Sri Lanka; or
 - (iv) contravened any provision made under any written law whether within or outside Sri Lanka appearing to the Commission to be enacted for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons, concerned in the provision of financial services or the management of companies or against financial loss due to the conduct of discharged or undischarged bankrupts;
 - (g) the Commission is not satisfied as to the educational or other qualification or experience of the applicant having regard to the nature of the duties to be performed for and on behalf of the market intermediary;
 - (h) the Commission has reason to believe that the applicant may not be able to act in the best interests of the clients of the market intermediary having regard to his reputation, character, financial integrity and reliability;
 - (i) the Commission is not satisfied as to the record of past performance or expertise of the applicant having regard to the nature of the duties to be performed for and on behalf of the market intermediary;
 - (j) the Commission has reason to believe that the applicant has not acted honestly or fairly; or
 - (k) the Commission is of the opinion that it would be contrary to the interests of investors to grant or renew the registration.
- (2) The Commission shall not refuse to grant or renew the registration without giving the applicant an opportunity of being heard.

100. The Commission may, at any time by notice in writing to a market intermediary and the registered person, vary any condition or restriction or impose such further condition or restriction as it considers necessary for the protection of investors.

101. (1) A licence that has been granted under this Part shall be valid for a period of twelve months from the date of issue of the licence.
- (2) A licence that has been renewed under this Part shall continue to be in force for a further period of twelve months or such later date as may be specified by the Commission commencing on the date upon which it would have expired but for its renewal.
- (3) Where a licence is renewed for a period of more than twelve months, in terms of subsection (2), the market intermediary shall pay to the Commission the prescribed licence fee.
- (4) The provisions of subsections (1) to (3) of this section shall, *mutatis mutandis*, apply to, and in relation to the duration of the registration granted to a registered person under this Part.

102. (1) A person shall not, in connection with an application submitted to the Commission under this Part –
- (a) make or procure the making of a statement to the Commission which he knows or could reasonably be expected to know is false or misleading; or
 - (b) omit to state any matter to the Commission where he knows or could reasonably be expected to know that because of the omission, the statement is misleading in a material respect.
- (2) Any person who contravenes subsection (1) commits an offence.

103. (1) Where a market intermediary proposes to alter material particulars already furnished or undergoes or intends to alter the particulars specified in the application for a licence or the renewal of a licence, it shall be the duty of such market intermediary to inform the Commission and obtain its prior consent before such alteration or change is effected.
- (2) Where a registered person proposes to alter any particulars already furnished or intends to change or alter the status specified in the application for registration or renewal of a registration as a registered person, it shall be the duty of such registered person and the market intermediary for whom the registered person is acting for or employed, to forthwith inform the Commission of such alteration or change.

104. A person shall not act as an agent in carrying on the business of a licensed market intermediary or hold himself out as doing so unless he is duly authorised by the Commission or a person authorised by the Commission to carry on such activity.

105. (1) The Commission shall, cancel or suspend a licence granted to a market intermediary under this Part, where the Commission is satisfied that-
- (a) there exists any ground on which the Commission may refuse an application for a licence;
 - (b) the market intermediary has contravened any condition or restriction in respect of its licence or any directive issued to him by the Commission under this Act; or

- (c) the market intermediary has contravened any provision of this Act or any rule binding upon him as the case may be.
- (2) Before the cancellation or suspension of a licence granted to a market intermediary in terms of subsection (1) of this section, the market intermediary shall be given an opportunity of being heard.
- (3) Where the licence granted to a market intermediary is cancelled, it shall be the duty of the market intermediary to forthwith surrender its licence to the Commission.
- (4) The cancellation of a licence by the Commission under subsection (1) shall not affect or prejudice the institution or maintenance of any action against such market intermediary under this Act.
- (5) The Commission shall have the power to suspend or cancel the registration granted to a registered person under this Part –
 - (a) if it transpires that there exists any ground that would disentitle him to registration;
 - (b) if the registered person has contravened any condition or restriction in respect of its registration or any directive issued to him by the Commission under this Act; or
 - (c) if the registered person has contravened any provision of this Act or any of the rule which are binding on him as the case may be.
- (6) The provisions of subsections (2) to (4) of this section shall, *mutatis mutandis*, apply to, and in relation to, any suspension or cancellation as the case may be, of a registration granted to a registered person under this Part.

106. A market intermediary or registered person shall not –

- (a) trade in or otherwise deal in securities outside the exchange of which he is a trading participant without the prior approval of the Commission;
- (b) trade in securities in contravention of such rules of the Commission or the rules of a market institution;
- (c) effect any transaction in a margin account in a manner contrary to the requirements set out by the market institution of which he is a trading participant; or
- (d) effect any transaction by means of any manipulative, deceptive or other fraudulent device or contrivance in order to induce or attempt to induce the purchase or sale of any securities.

107. A market intermediary shall not lend or arrange for lending of any securities carried for the account of any client without the client's written consent or borrow or arrange to borrow, using the securities carried for the account of any client as collateral without the client's written consent.

- 108. (1) If an auditor of a market intermediary, in the ordinary course of the performance of his duties as an auditor, is of the opinion that there has been a breach of or non compliance with any provision of this Act, regulations, rules or directives made thereunder or a breach of any rule of a market institution or any matter which may adversely affect the financial position of the market intermediary to a material extent, the auditor shall immediately submit a written report to the board of directors on the matter with a copy to–
 - (a) in the case of a contravention or non compliance with any provision of this Act, regulation, rule or directive made thereunder or any offence involving fraud or dishonesty, to the Commission;
 - (b) in the case of a breach or non compliance of any of the rules of a market institution, to the relevant market institution and to the Commission; or
 - (c) in any other case, which adversely affects the financial position of the market intermediary to a material extent, to the relevant market institution and to the Commission.
- (2) No auditor shall be liable to be sued in any court for any report submitted by the auditor in good faith and in the performance of any duty imposed on the auditor under this section.
- (3) The Commission may at any time during or after an audit, require an auditor of a market intermediary to–
 - (a) submit such additional information in relation to his audit as the Commission may specify;
 - (b) enlarge or extend the scope of his audit of the business and affairs of the market intermediary in such manner or to such extent as the Commission may require;
 - (c) carry out any specific examination or establish any procedure in any particular case; or
 - (d) submit a report or an interim report as the case may be on any matter referred to in paragraphs (a) to (c), and the Commission may specify the time within which such requirements shall be complied with by the auditor.

- (4) The auditor shall comply with any requirement of the Commission under subsection (3) and the market intermediary shall remunerate the auditor at the rates specified by the Commission in respect of the discharge by him of all additional duties under this section.
- (5) The market intermediary shall provide such information and access to such information as the auditor shall require in respect of the discharge by him of all of the additional duties under this section.

CHAPTER 3

PROTECTION OF CLIENTS' ASSETS

109. For the purposes of this Chapter, unless the context otherwise requires—

“client” in relation to a market intermediary means a person on behalf of whom the market intermediary trades or from whom the market intermediary accepts instructions to deal in securities;

“money or other assets” means money received or retained by, or any other asset deposited with a market intermediary in the course of its business for which it is liable to account to its client, and any money or other assets accruing therefrom.

110. (1) A market intermediary shall, to the extent that it receives money or other assets from or on account of a client—

- (a) do so on the basis that the money or other assets shall be applied solely for such purpose as may be agreed to by the client when or before it receives the money or other assets;
- (b) shall hold money and other assets received on account of a client in trust for the benefit of such client;
- (c) shall not commingle money received on account of a client with its own funds or use such money as margin or guarantee for, or to secure any transaction of or to extend credit of any person other than the client; and
- (d) record and maintain a separate book entry for each client in accordance with the provisions of this Part or any rules that may be specified under subsection (2) in relation to that client's money or other assets.

(2) The Commission may, make rules in respect of all or any of the matters in subsection (1), including the handling of money or other assets by a market intermediary.

(3) Except as otherwise provided in this section or the rules made under subsection (2), all money or other assets received from or on account of clients or deposited with a market intermediary—

- (a) shall not be available for payment of debts of the market intermediary; and
- (b) shall not be liable to be paid or taken in execution under an order or a process of any court in respect of any liability of that market intermediary.

(4) Any market intermediary who, contravenes subsection (1), subsection (3) or any rule made under subsection (2), shall commit an offence.

111. (1) The Commission may make rules regulating the business conduct of a market intermediary or a registered person as the Commission considers necessary in the interest of client protection and for the purpose of raising professional standards of a market intermediary and a registered person.

(2) Any person who contravenes the rules made under subsection (1) commits an offence.

112. (1) A market intermediary or a registered person shall not make a recommendation with respect to any securities to a client where such client may reasonably be expected to rely on the recommendation, if the market intermediary or registered person does not have a reasonable basis for making the recommendation to the client.

(2) For the purposes of subsection (1), a market intermediary or registered person does not have a reasonable basis for making a recommendation to a client unless—

- (a) he has, for the purposes of ascertaining that the recommendation is appropriate, having regard to the information possessed by him concerning the investment objectives, financial situation and particular needs of the client, given such consideration to, and conducted such analysis or investigation of the subject matter of the recommendation as is reasonable in all the circumstances; and
- (b) he has based the recommendation on the consideration, analysis or investigation referred to in paragraph (a).

113. (1) Where a market intermediary or a registered person sends a circular or other similar written communication in which he makes a recommendation, with respect to any securities, he shall include in the circular or other written communication in

print not less legible than that used in the remainder of the circular or other written communication, a concise statement of the nature of any interest in the securities, or any interest in the acquisition or disposal of the securities that he or a person associated with or connected to him, has at the date on which the circular or other communication is sent.

- (2) Where a market intermediary or registered person is charged with an offence in respect of a contravention of subsection (1), it shall be a defence for the market intermediary or registered person to prove that at the time the circular or other communication was sent, he was not aware and could not reasonably be expected to have been aware —
 - (a) that he had an interest in the securities, or an interest in the acquisition or disposal of the securities; or
 - (b) that the person associated with or connected to him had an interest in the securities, or an interest in the acquisition or disposal of the securities as the case may be.
- (3) For the purposes of subsections (1) and (2) -
 - (a) an interest of a person in the acquisition or disposal of any securities includes any financial benefit or advantage that will or is likely to accrue directly or indirectly to the person upon or arising out of the acquisition or disposal of the securities;
 - (b) without limiting the generality of paragraph (a), a person who has entered into an underwriting agreement in respect of any securities shall be deemed to have an interest in the acquisition or disposal of the securities; and
 - (c) notwithstanding subsection (1) or paragraph (b) of subsection (2), a person is not connected to or associated with another person unless the person and the other person are acting jointly or otherwise acting under or in accordance with an arrangement made between them, in relation to the sending of the circular or other communication.
- (4) When a market intermediary sends to a person a circular or other written communication to which subsection (1) applies, the market intermediary shall preserve a copy of the circular or other written communication for six years from the date on which the circular or other written communication is sent.
- (5) For the purposes of this section, a circular or other written communication sent to a person shall, if it is signed by an officer of a market intermediary, be deemed to have been sent by the market intermediary.
- (6) Any person who contravenes this section commits an offence under this Act.

114. A market intermediary shall establish and maintain procedures and processes for the purpose of monitoring compliance by such market intermediary and its employees, with the provisions of the Act, regulations, rules or directives made thereunder which will enable the market intermediary to monitor risk to its business.

115. (1) The Commission shall keep in such form and manner as it may determine, a register of market intermediaries and registered persons which shall be made available for public inspection in such manner as the Commission may determine.
- (2) The register shall be in electronic form and the Commission shall update the register at all times.
- (3) The register for the market intermediary and the registered person shall contain —
 - (a) the name of the market intermediary or the registered person;
 - (b) the business address of the market intermediary or the registered person;
 - (c) the type of licence held by the market intermediary or the type of registration held by the registered person;
 - (d) the date the licence was granted to the market intermediary or the date the registration was granted to the registered person;
 - (e) the names of registered persons acting for or employed by the market intermediary; and
 - (f) any other matter that the Commission considers appropriate.
- (4) The Commission may make necessary amendments in the register with respect to a market intermediary or a registered person where the licence held by the market intermediary is cancelled or suspended or where the registration held by the registered person is cancelled or suspended under this Act.

PART IV

TRADE IN UNLISTED SECURITIES

116. The object and purpose of this Part shall be —

- (a) to provide a platform through a recognised market operator for sale and purchase of unlisted securities in Sri Lanka to local and overseas investors in a transparent manner; and

- (b) to facilitate the disclosure of information relating to unlisted securities to local and overseas investors through a recognised market operator in a transparent manner.

CHAPTER 1

ESTABLISHMENT OF A RECOGNISED MARKET OPERATOR

117. A person shall not act as a market operator under this Part unless such person is registered with the Commission or exempted from such registration by the Commission.
118. (1) For the purposes of section 117, the Commission may upon application made by a person, register the person as a recognised market operator or exempt from such registration subject to any terms and conditions as the Commission considers necessary.
- (2) The Commission may exempt a market operator from registration under section 117 having regard to the criteria specified under section 119 subject to such terms and conditions as may be specified by the Commission.
- (3) The Commission may, from time to time, vary, amend or revoke any terms and conditions imposed under subsection (1).
- (4) The Commission may notwithstanding the exemption granted under subsection (2), withdraw such exemption and may require such person to be registered if the Commission deems it necessary in the interests of investors.
119. (1) An application to be registered as a recognised market operator shall be accompanied by such documents and information and in such form as the Commission may specify by rules.
- (2) An application by such person for registration under this section shall provide documents to prove that such person has experience in trades executed on a platform to the satisfaction of the Commission.
- (3) An application by such person for registration under this Chapter shall provide documents to prove that the arrangements are made by such platform for the clearance and settlement of the trades executed on the platform to the satisfaction of the Commission.

CHAPTER 2

ROLE OF A RECOGNISED MARKET OPERATOR

120. The functions and duties of a recognised market operator shall be-
- (a) to provide a platform for the sale and purchase of unlisted securities in Sri Lanka;
- (b) to provide information relating to unlisted securities in Sri Lanka to the local and international financial community;
- (c) to provide criteria for admission and regulatory standards of its trading members;
- (d) to comply with any directive issued by the Commission, whether of a general or specific nature; and
- (e) to provide such assistance to the Commission, or to a person acting on behalf of or with the authority of the Commission, as the Commission or such person reasonably requires.
121. Any person buying and selling securities on a platform shall execute their orders through trading members admitted by the platform.
122. The Commission may make rules or require the market operator to make rules subject to the approval of the Commission -
- (a) to determine the type of unlisted securities that can be traded on a platform;
- (b) to determine the type of issuers who can report trades to a platform;
- (c) to determine the type of investors that may trade on the platform;
- (d) to determine the type of trading members that may trade on the platform;
- (e) for the admission of trading members on the platform;
- (f) to determine the level of disclosures required to be made by the platform; and
- (g) to determine the standard of business conduct in the sale or purchase of unlisted securities.
123. (1) Subject to subsection (3), where the Commission is satisfied that it is appropriate to do so in the interest of the investors or for the maintenance of an orderly and fair market, the Commission may, by notice in writing, cancel the registration of a recognised market operator with effect from a date that is specified in the notice.
- (2) The grounds for the cancellation of the registration shall be stated in the notice referred to in subsection (1).

- (3) Notwithstanding the cancellation under subsection (1), the Commission may permit the person to continue on or after the date on which the cancellation is to take effect, to carry on such activities affected by the cancellation as the Commission may specify in the notice for the purpose of –
- (a) closing down the operations of the recognised market operator to which the cancellation relates; or
 - (b) protecting the interest of the investors.
- (4) Where the Commission has granted permission to a person under subsection (3), such person shall not, by reason of its carrying on the activities in accordance with the permission, be regarded as having contravened any provision of this Act.
- (5) The Commission shall not exercise its power under subsection (1) in relation to a recognised market operator unless it has given the recognised market operator an opportunity of being heard.
- (6) Any cancellation of registration made under this section shall not operate so as to –
- (a) avoid or affect any agreement, transaction or arrangement entered into by the recognised market operator whether the agreement, transaction or arrangement was entered into before or where subsection (3) applies, after the cancellation of the registration under subsection (1); or
 - (b) affect any right, obligation or liability arising under such agreement, transaction or arrangement.
124. (1) The Commission may from time to time review the performance of a recognised market operator under this Part.
- (2) The Commission may have regard to the following when reviewing the status of the recognised market operator:-
- (a) the systemic risk inherent in a platform;
 - (b) the public interest;
 - (c) the size and structure of the platform;
 - (d) the class of unlisted securities traded on the platform; and
 - (e) the nature of the investors and the participants using the platform.
- (3) The Commission shall not exercise its powers under subsection (1) without giving the recognised market operator an opportunity of being heard.
125. The rules relating to unlisted securities applicable to such trading platform made by the Commission or the recognised market operator under this Part shall prevail over any other rules relating to unlisted securities.

PART V

MARKET MISCONDUCT

126. The object and purpose of this Part shall be to facilitate for the deterrence and the taking of enforcement action against –
- (a) all types of market manipulation including false trading, market rigging and securities fraud; and
 - (b) insider trading, with a view to establishing a fair, orderly and transparent securities market.
127. This Part shall apply unless specified otherwise therein-
- (a) in respect of securities-
 - (i) to acts or omissions occurring within Sri Lanka in relation to securities of any listed public company or any unlisted company that has made a public offer of securities in accordance with section 80 which is established or is carrying on business within or outside Sri Lanka;
 - (ii) to acts or omissions occurring outside Sri Lanka in relation to securities of any listed public company or any unlisted company that has made a public offer of securities in accordance with section 80 which is established or is carrying on business within Sri Lanka;
 - (iii) to acts or omissions occurring in relation to any securities issued by any Government outside Sri Lanka which are traded using the facilities of an exchange licensed by the Commission; or
 - (iv) to acts or omissions occurring in relation to securities traded on a platform operated by a recognised market operator; and
 - (b) in respect of derivatives-

- (i) to acts occurring within Sri Lanka in relation to derivatives, traded on an exchange licensed by the Commission; and
- (ii) to acts occurring outside Sri Lanka in relation to derivatives traded on an exchange licensed by the Commission.

CHAPTER 1

PROHIBITED CONDUCT

128. (1) A person shall not create or cause the creation of or do anything that is intended to create –
- (a) a false or misleading appearance of active trading of securities traded on an exchange licensed by the Commission or a platform operated by a recognised market operator; or
 - (b) a false or misleading appearance with respect to the market for or the price of any such securities referred to in paragraph (a).
- (2) A person shall not maintain, inflate or depress or cause inflation in the market price for any such securities –
- (a) by means of any purchase or sale of any security that does not involve a change in the beneficial ownership of those securities; or
 - (b) by means of any fictitious transaction or device.
- (3) Without prejudice to the generality of subsection (1), a person who –
- (a) effects, takes part in, is concerned in or carries out, either directly or indirectly, any transaction of sale or purchase of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities; or
 - (b) makes or causes to be made an offer to buy or sell such number of securities at a specified price where he has colluded with another or caused such collusion to be made with another or knows that a person associated with him has made with him or caused to be made with him an offer to purchase the same number or substantially the same number, of the same securities at a price that is substantially the same as the first mentioned price, shall be deemed to have created a false or misleading appearance of active trading in such securities.
- (4) In dealing with a contravention of subsection (1) it shall be a defence if the person establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for or the price of such securities.
- (5) For the purposes of subsection (3), it is a defence for a person to establish that–
- (a) the purpose for which he did the act was not or did not include, the purpose of creating a false or misleading appearance of active trading on an exchange or a platform operated by a recognised market operator; and
 - (b) he did not act recklessly, whether or not he created a false or misleading appearance of active trading on an exchange or a platform operated by a recognised market operator.
- (6) For the purposes of this section, a purchase or sale of securities does not involve a change in the beneficial ownership, if a person or a person associated with such person had an interest in such securities before the purchase or sale and continues to have an interest in such securities after the purchase or sale.
- (7) The reference in paragraph (a) of subsection (3) to a transaction of sale or purchase of securities includes –
- (a) the making of an offer to sell or purchase securities; and
 - (b) the making of an invitation, that expressly or impliedly invites a person to offer to sell or purchase securities.
129. (1) A person shall not carry out or be involved in carrying out, either directly or indirectly, one or more transactions in securities of a company being transactions that have or are likely to have the effect of artificially-
- (a) raising;
 - (b) lowering; or
 - (c) pegging, fixing, maintaining or stabilizing, the price or volume of securities of that company traded on an exchange licensed by the Commission or a platform operated by a recognised market operator, for the purpose of inducing other persons whether or not such person is actually induced to acquire or dispose of the securities of the company or of a related company.
- (2) A reference in this section to a transaction in relation to securities of a company traded on an exchange licensed by the Commission or a platform operated by a recognised market operator includes–

- (a) the making of an offer to sell or purchase such securities of the company; and
- (b) the making of an invitation, that expressly or impliedly invites a person to offer to sell or purchase such securities of the company.

130. A person shall not make a statement, or disseminate information that is false or misleading in a material particular and which is likely to have the effect of raising, lowering, maintaining or stabilizing the market price or volume of securities traded on an exchange licensed by the Commission or a platform operated by a recognised market operator,-

- (a) without taking reasonable care to check the accuracy of the statement or information; or
- (b) if he knows or could reasonably be expected to have known that the statement or information is false or misleading in a material particular.

131. (1) A person shall not induce or attempt to induce another person to trade in securities traded on an exchange licensed by the Commission or a platform operated by a recognised market operator, -

- (a) by making or publishing any statement or by making any forecast that he knows to be misleading, false or deceptive;
- (b) by any dishonest concealment of material facts;
- (c) by the reckless making or publishing, dishonestly or otherwise of any statement or forecast that is misleading, false or deceptive; or
- (d) by recording or storing in, or by means of, any mechanical, electronic or other device, information that he knows to be false or misleading in a material particular.

(2) For the purposes of paragraph (d) of subsection (1), it shall be a defence if the person referred to therein establishes that when the information was recorded or stored, that such person had no reasonable grounds for believing that the information would be available to any other person.

132. A person shall not directly or indirectly in connection with the subscription, purchase or sale of any securities traded on an exchange licensed by the Commission or a platform operated by a recognised market operator, –

- (a) use any device, scheme or artifice to defraud;
- (b) engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person; or
- (c) make any false statement of a material fact or omit to disclose in a statement a material fact which results in making such statement false or misleading.

CHAPTER 2

INSIDER TRADING

133. In this Chapter unless otherwise provided,

“information” includes –

- (a) information relating to listed public companies that are not sufficiently definite to warrant being made known to the public;
- (b) matters relating to the intended decisions, of a person;
- (c) matters relating to negotiations or proposals with respect to –
 - (i) commercial dealings; or
 - (ii) dealings in securities;
- (d) information relating to the financial performance of a company;
- (e) information that a person proposes to enter into or has entered into one or more transactions or agreements in relation to securities or has prepared or proposes to issue a statement relating to such securities; and
- (f) matters related to the listed public company that have been decided to be executed in the future.

134. (1) In this Chapter, information generally available means information-

- (a) that has been published or made known in a manner that would or would tend to bring it to the attention of a reasonable person who invests or trades in securities of a kind whose price or value might be affected by such information; and
- (b) which since it was made known a reasonable period for it to be disseminated among such persons has lapsed.

- (2) The information referred to in subsection (1) includes information that consists of deductions or conclusions made or drawn from such information.
135. For the purpose of this Chapter, information which has a material effect on the price or value of securities means such information which would or would tend to, on becoming generally available influence a reasonable person who invests in securities in deciding whether or not to acquire or dispose of such securities or enter into an agreement with a view to acquire or dispose of such securities.
136. For the purposes of section 137, a person is deemed to procure an act or omission to be done or omitted to be done by another person if the first named person incites, counsels, induces, encourages or directs the said act or omission by such other person.
137. (1) For the purpose of this Part, an 'insider' means a person, whether or not such person is connected to the respective company, if that person-
- (a) possesses information that is not generally available which on becoming generally available a reasonable person would expect it to have a material effect on the price or the value of securities; and
 - (b) knows or could reasonably be expected to know that the information is not generally available.
- (2) An insider shall not whether as principal or agent in respect of any securities to which the information in subsection (1) relates -
- (a) sell or buy or enter into an agreement or transaction for the sale or purchase of such securities; or
 - (b) procure directly or indirectly, an acquisition or disposal of or enter into an agreement or transaction with a view to the acquisition or disposal of such securities.
- (3) Where trading in the securities to which the information in subsection (1) relates is permitted on a securities market of an exchange or a platform operated by a recognised market operator, the insider shall not directly or indirectly, communicate the information referred to in subsection (1) or cause such information to be communicated to another person, if the insider knows or could reasonably be expected to know that the other person would or would tend to -
- (a) acquire, dispose of or enter into an agreement with a view to the acquisition or disposal of any securities to which the information referred to in subsection (1) relates; or
 - (b) procure or direct a third person to acquire, dispose of or enter into an agreement with a view to the acquisition or disposal of any securities to which the information referred to in subsection (1) relates.
138. (1) In this Chapter, a company is deemed to possess any information-
- (a) which an officer of the company-
 - (i) possesses and which came into his possession in the course of his duties as an officer of the company; or
 - (ii) knows or could reasonably be expected to know because he is an officer of the company;
 - (b) which an officer of the company possesses and which came into his possession in the course of his duties as an officer of a related company of the first mentioned company where-
 - (i) the officer is an insider by reason of being in possession of the information;
 - (ii) the officer is involved in the decision, transaction or agreement of the first mentioned company in acquiring or disposing of securities in relation to which the officer is an insider or entering into an agreement to acquire or dispose of such securities, procuring another person to acquire or dispose of such securities or enter into an agreement to do so or communicating the information in circumstances referred to in subsections (2) and (3) of section 137; or
 - (iii) it is reasonable to expect that the officer would communicate the information to another officer of the first mentioned company acting in his capacity as such unless it is proved that the information was not in fact so communicated.
- (2) In this section "information" refers to information which a company is deemed to possess and "insider" means a person in possession of such information.
- (3) It shall be a defense for a company accused of contravening subsections (2) or (3) of section 137 by entering into a transaction or agreement if the company proves that-
- (a) the decision to enter into the transaction or agreement was taken on behalf of the company by a person or persons other than an officer of the company in possession of the information;

- (b) the company had in operation at that time arrangements that could reasonably be expected to ensure that-
 - (i) the information was not communicated to a person or one of the persons who was involved in or made the decision to enter into or be involved in the transaction or agreement;
 - (ii) no advice with respect to the decision to enter into or be involved in the transaction or agreement was given to that person by the person in possession of the information; or
 - (iii) the person in possession of the information would not be involved in the decision to enter into or be involved in the transaction or agreement; and
- (c) the information was not communicated, no such advice was given and the person in possession of the information was not involved in the decision to enter into or be involved in the transaction or agreement.

139. (1) In this Chapter, a partner of a partnership is deemed to possess any information –
- (a) if a partner possesses information and it came into another partner's possession in his capacity as a partner of the partnership;
 - (b) if an employee of the partnership possesses such information and it came into the employee's possession in the course of his duties; or
 - (c) if a partner or an employee of a partnership knows or could reasonably be expected to know any matter or thing because of another partner or employee who knows or possess the information, it is presumed, unless the contrary is proved that every partner of the partnership knows or could reasonably be expected to know that matter or thing.
- (2) It shall be a defense for a partnership which is accused of entering into a transaction in contravention of subsection (2) or (3) of section 137 to prove that -
- (a) the decision to enter into the transaction or agreement was taken on behalf of the partnership by -
 - (i) a partner who was not in possession of the information; or
 - (ii) an employee of the partnership who was not in possession of the information;
 - (b) the partnership had in existence at that time agreements that could reasonably be expected to ensure that-
 - (i) the information was not communicated to the partner or employee who was or were involved in or made to enter into the transaction or agreement in question;
 - (ii) no advice with respect to the decision to enter into the transaction or agreement was tendered to that partner or employee by a partner or an employee who was in possession of the information; or
 - (iii) the partner or employee in possession of the information would not be involved in the decision to enter into or be involved in the transaction or agreement; and
 - (c) the information was not communicated, no advice was given and the partner or employee in possession of the information was not involved in the decision to enter into or be involved in the transaction or agreement.
- (3) A partner of a partnership does not contravene subsection (2) of section 137 by entering into the transaction or agreement referred to in that subsection otherwise than on behalf of the partnership merely because the partner is deemed to possess information that is in possession of another partner or employee of the partnership.
- (4) In this section "information" refers to information which a partnership is deemed to possess and where a partner or an employee of the partnership in possession of that information is an insider.
140. (1) Subsection (2) of section 137 shall not apply in respect of –
- (a) the entering into of an underwriting agreement or a sub underwriting agreement; or
 - (b) the acquisition of securities under an obligation to do so in an agreement referred to in paragraph (a).
- (2) Subsection (3) of section 137 shall not apply in respect of the communication of information in relation to securities to a person solely for the purpose of procuring the person–
- (a) to enter into an underwriting agreement or a sub underwriting agreement in relation to such securities; or
 - (b) to acquire such securities under an obligation to do so in an agreement referred to in paragraph (a).
141. (1) Section 137 shall not apply to an acquisition or disposal of securities or the communication of information that is carried out under any other written law relating to schemes of arrangement, reconstruction and takeover of companies.

- (2) Subsection (2) of section 137 shall not apply to a clearing house which acquires or disposes of securities for the purpose of settlement of a market contract or in relation to any proceedings or other action relating to the settlement of a market contract where the acquisition or disposal of securities is made in accordance with the rules of a licensed clearing house.
- (3) Subsection (2) of section 137 shall not apply to an exchange or a central depository in relation to a sale or purchase of securities where the exchange or central depository acts on an instruction from a licensed clearing house.
142. (1) A company does not contravene subsection (2) of section 137 by entering into a transaction or an agreement in relation to securities other than the securities of such company merely because the company is aware that it proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.
- (2) Subject to subsection (3), a company does not contravene subsection (2) of section 137 by entering into a transaction or an agreement in relation to securities other than the securities of such company because an officer of the company is aware that it proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.
- (3) Subsection (2) shall not apply unless the officer of the company becomes aware of the matter referred to in that subsection in the course of his duties.
- (4) Subject to subsection (5) a person does not contravene subsection (2) of section 137 by entering into a transaction or an agreement on behalf of a company in relation to securities other than the securities of such company merely because the person is aware that the company proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.
- (5) Subsection (4) shall not apply unless the person becomes aware of the matters referred to that subsection in the course of his duties as an officer of the first mentioned company or in the course of acting as an agent of the first mentioned company.
143. An individual does not contravene subsection (2) of section 137 by entering into a transaction or an agreement in relation to securities merely because he is aware that he proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.
144. (1) A market intermediary who carries on the business of buying and selling of securities on behalf of investors or its representative shall not contravene subsection (2) of section 137 by entering into a transaction or an agreement as an agent for another person, being a transaction or an agreement entered into on the securities market of an exchange if –
- (a) the transaction or agreement is entered into under a specific instruction by the other person and was not solicited by a market intermediary or its representative carrying on the business of buying and selling of securities;
 - (b) the market intermediary carrying on the business of buying and selling of securities or its representative has not given any advice to the other person in relation to the transaction or agreement or otherwise sought to procure the other person's instructions to enter into the transaction or agreement; and
 - (c) the other person is not associated with the market intermediary or its representatives carrying on the business of buying and selling of securities.
- (2) Nothing in this section shall affect the responsibility of the market intermediary in relation to subsection (1) of this section with respect to the business of buying and selling of securities in his capacity as the principal.
145. Subsection (2) of section 137 shall not apply in respect of the redemption by a trustee under a trust deed relating to a collective investment scheme in accordance with a buyback covenant contained or deemed to be contained in the trust deed at a price that is required by the trust deed to be calculated, so far as is reasonably practicable, by reference to the underlying value of the assets less any liabilities of the collective investment scheme to which the units of the collective investment scheme relates and less any reasonable charge for purchasing the units of the collective investment scheme.
146. (1) A person does not contravene subsection (2) of section 137 if-
- (a) the other party to the transaction or agreement knew, or could reasonably have known, of the information before entering into the transaction or agreement; and
 - (b) that person acquires or disposes of such securities on such terms and in such circumstances, that –
 - (i) he does not obtain any gain or avoid any loss, including an unrealized gain or unrealized avoidance of loss in price or value of the securities, as the case may be, for himself or any other person by reason of the effect that the information is likely to have when it becomes generally available; and

- (ii) the purpose of the acquisition or disposal of the securities does not include any purpose of securing a gain or avoiding a loss, as the case may be, for himself or any other person by reason of the effect that the information is likely to have when it becomes generally available.
- (2) It shall be a defense for a person accused of a contravention of subsection (3) of section 137 to prove -
- (a) that the information came into the possession of the person so communicating the information solely as a result of it being made known in a manner likely to make it generally available pursuant to section 134; or
 - (b) that the other party knew or could reasonably be expected to have known the information before the information was communicated.
147. (1) A person who contravenes sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137 commits an offence and shall be liable on conviction to a fine of not less than ten million rupees or to imprisonment for a term not exceeding ten years or to both such fine and imprisonment.
- (2) Any person who abets or conspires to commit an offence under subsection (1), commits an offence and shall be punishable in the same manner as provided for in subsection
148. Every offence committed under this Part shall be triable upon indictment by the High Court.
149. Every prosecution in respect of an offence under this Part shall be instituted and conducted by the Attorney General.
150. In a prosecution or in an action made by the Commission under section 152 against any person for an offence under section 137, it is not necessary for the prosecution or the Commission to prove the non-existence of facts or circumstances which, if existed would by virtue of sections 138, 139, 140, 141, 142, 143, 144, 145 and 146 preclude the act from constituting a contravention of subsections (2) and (3) of section 137.
151. (1) A person who suffers loss or damage by reason of or by relying on the conduct of another person who has contravened sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137 under this Part may recover the amount of loss or damage by instituting an action in the court against the other person whether or not the other person has been charged with an offence in respect of the contravention or whether or not a contravention has been proved in a prosecution.
- (2) This section shall not affect any liability under any other law in respect of the conduct constituting the contravention.
152. (1) Whenever it appears to the Commission that any person has contravened sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137 and where the Commission considers it necessary having taken into consideration the nature and manner of the contravention, the impact it has on the market and the extent of the loss caused to any investor, the Commission may institute Civil Proceedings in the court against that person.
- (2) In a proceeding instituted by the Commission under subsection (1), the court may if it is satisfied on a balance of probabilities, that the person has contravened the provisions of sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137, make an order against that person-
- (a) to pay to the Commission an amount equal to three times the gross amount of the pecuniary gain made or loss avoided by such person; and
 - (b) for the payment of a civil penalty as the court considers appropriate having regard to the severity or gravity of the contravention, being an amount not less than ten million rupees and not exceeding one hundred million rupees.
- (3) Notwithstanding anything to the contrary in any other written law, the court shall exercise jurisdiction in respect of the matters set out in subsection (2), and proceedings under subsection (2) shall be instituted by way of a plaint filed by the Commission and the provisions contained in the Civil Procedure Code (Chapter 101) shall apply *mutatis mutandis* regarding regular actions instituted by way of a plaint.
- (4) Nothing in this section shall be construed to prevent the Commission from entering into an agreement with any person to pay with or without admission of liability an amount equal to three times the gross amount of the pecuniary gain made or the loss avoided by such person as determined by the Commission.
- (5) An amount recovered by the Commission in an action under subsection (1) or in terms of the agreement referred to in subsection (4), each one third of that amount shall be -
- (a) applied to reimburse the Commission for all costs of the investigation and proceedings in respect of the contravention;
 - (b) applied to compensate persons who have suffered loss or damage as a result of the contravention; and

(c) credited to the Compensation Fund:

Provided that, if the Commission considers that it is not practicable to compensate the persons referred to in paragraph (b) in view of the amount of any potential distribution to each person or the difficulty of ascertaining or notifying the persons to whom it is appropriate to compensate, as the case may be, the Commission may decide not to distribute to the persons referred to in paragraph (b) and credit such sums to the Compensation Fund of the Commission.

- (6) If the person fails to pay the civil penalty imposed on him within the time specified in the order made by the court referred to in subsection (2) or the sum to be paid in terms of the agreement as referred to in subsection (4), the Commission may recover the civil penalty or such sum as the case may be, as if it were a judgment debt owing to the Commission.
153. An action under section 152 shall not be commenced after the expiration of six years from the date of the contravention of any of the provisions in this Part.

PART VI

FINANCE

154. The object and purpose of this Part shall be-

- (a) to establish various funds for the proper functioning of the Commission; and
- (b) to establish a fund to provide limited compensation to investors who have no other remedy.

CHAPTER 1

FUNDS OF THE COMMISSION

155. (1) There shall be charged, levied and paid a cess at such rates as may be prescribed by the Minister by regulations published in the Gazette on every purchase and sale of securities recorded in an exchange or notified to it under its rules by both the purchaser and the seller. Different rates may be prescribed in respect of different classes of securities.

- (2) The cess imposed under this section shall be in addition to any other tax or cess levied under any other law.
156. (1) There shall be established a fund called the "Cess Fund" to be administered by the Commission to which shall be credited the proceeds of the cess imposed under section 155.

- (2) The monies lying to the credit of the Cess Fund shall only be utilized for the purpose of –
- (a) developing the securities market;
 - (b) enhancing monies lying to the credit of the Compensation Fund or the Fund of the Commission established under this Part;
 - (c) meeting all expenditure incurred by the Commission in the management, administration, and operation of the Commission in the exercise, performance and discharge of its duties and functions;
 - (d) granting loans for housing, educational, health and transport purposes to the staff of the Commission as the Commission deems appropriate;
 - (e) to make contributions to pension and provident funds and other schemes established for the benefit of the Director General and its officers and servants and their dependents and nominees; and
 - (f) to defray the costs of study, in Sri Lanka or abroad of the officers and servants of the Commission who are of proven merit as determined by the Commission.
- (3) Any excess money lying to the credit of the Cess Fund may be invested by the Commission in such manner as may be determined by the Commission for the purpose of developing the Cess Fund.

157. (1) The Commission shall have its own Fund.

- (2) There shall be paid into the Fund –
- (a) all such sums of money as may be voted upon from time to time by Parliament for the use of the Commission;
 - (b) all sums of money as may be charged as costs incurred in carrying out all inspections under the provisions of this Act or paid as fees under the provisions of this Act;

- (c) such sums of money that are recovered, as reimbursements for costs incurred in carrying out investigations and institution of legal proceedings in respect of contraventions under the provisions of this Act;
 - (d) all such sums of money as may be received by the Commission by way of donations, gifts or grants from the Consolidated Fund, the Government or a foreign Government, State Agencies and from multilateral and bilateral agencies whether within or outside Sri Lanka; and
 - (e) such sums of money as may be credited from the Cess Fund.
- (3) There shall be paid out of the Fund all such sums of money required to defray the expenditure incurred by the Commission in the exercise, discharge and performance of its powers, functions and duties.
- (4) Monies belonging to the Fund of the Commission may be invested by the Commission in such manner as may be determined by the Commission.

CHAPTER 2

FUND TO PROVIDE COMPENSATION TO INVESTORS

158. (1) There shall be established a fund called the

“Compensation Fund,” by the Commission for the purpose of granting limited compensation to any investor who suffers pecuniary loss as a result of any licensed stock broker or stock dealer being found by the Commission as being incapable of meeting its contractual obligations.

- (2) The Compensation Fund shall consist of -
 - (a) such sums of money as may be voted upon by Parliament;
 - (b) such sums of money as may be credited to the fund under the provisions of this Act; and
 - (c) such sums of money as may be credited from the Cess Fund as approved by the Commission.
- (3) Monies belonging to the Compensation Fund may be invested by the Commission in such manner as may be determined by the Commission.

159. (1) The Commission shall appoint from amongst the members of the Commission, three members who shall comprise the Compensation Committee (hereinafter referred to as the “Committee”) of the Commission.

- (2) The Committee appointed under subsection (1) shall be responsible for assessing and awarding compensation in respect of any application made under section 162 and the decision of such Committee on any such assessment or award shall be final and conclusive for the purpose of this Act.

160. (1) Any investor who has suffered pecuniary loss as a result of any licensed stock broker or stock dealer being found incapable of meeting his contractual obligation towards such investor may make an application to the Committee in the specified form claiming compensation from the Compensation Fund.

- (2) The Committee may from time to time, require an applicant to produce any document or other evidence in support of the claim of the applicant for compensation. Where the applicant fails to comply with such request, the Committee may disallow the claim of the applicant.
- (3) If at any time the Committee considers it necessary so to do, it may hold an inquiry into the claim of the applicant and shall by notice in writing, inform the applicant to be present on such date, and at such time and place as may be specified in the notice. Where the applicant fails to appear for such inquiry on the date set out in the notice, the Committee may disallow the claim of the applicant.

161. (1) The Committee may, after examination of the documents and other evidence produced in support of the claim by an applicant or in any case where an inquiry was held on the conclusion of such inquiry allow or disallow such claim for compensation.

- (2) Where the Committee allows any claim it shall make an assessment of the limited compensation payable and shall make an award in relation thereto. Notice of such award shall be given in writing to the applicant.

CHAPTER 3

FINANCIAL YEAR AND AUDIT OF ACCOUNTS

162. The financial year of the Commission shall be the period of twelve months commencing on the first day of January each year.
163. (1) The Commission shall cause proper books of accounts to be kept of the income and expenditure, assets and liabilities and all other transactions of the Commission.
- (2) The provisions of Article 154 of the Constitution relating to the audit of accounts of public corporations shall apply to the audit of the accounts of the Commission.

PART VII

GENERAL

164. The object and purpose of this Part shall be to ensure effective implementation of provisions in this Act relating to production of documents, disclosure of information, establishment of a Complaints Resolution Committee, conducting inquiries and investigations, sharing of information and the protection of whistleblowers.

CHAPTER 1

PROVISIONS RELATING TO IMPLEMENTATION

165. (1) The Commission or a person authorised by the Commission may by notice in writing require any person within such period as specified in the notice to furnish any information or produce any document or electronic record (other than any information or document which is prohibited from being disclosed or produced under any law relating to the imposition and recovery of any tax) as specified in such notice and as the Commission may consider necessary for the proper exercise of its powers or the discharge of its functions under this Act.
- (2) 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 and, where in compliance with such notice such person discloses any information or produces any document or electronic record which he is prohibited from doing under any law, such disclosure or production shall notwithstanding anything to the contrary in such law not be deemed to be a contravention of the provisions of such law.
- (3) Any information furnished or the contents of a document or an electronic record produced in compliance with a notice issued under this section shall not be published or communicated by the Commission to any other person except—
- (a) by an order of court; or
 - (b) in the course of the discharge of the functions of the Commission; or
 - (c) with the consent of the person furnishing such information, document or electronic record.
- (4) The consent under paragraph (c) of subsection (3) is not required when the person furnishing the information, document or electronic record is being investigated by the Commission for a breach of any provision of this Act or any regulation, rule or directive made thereunder.
166. (1) Notwithstanding anything to the contrary contained in the Code of Criminal Procedure Act, No. 15 of 1979, the Commission or any person duly authorised by the Commission, may hold inquiries or carry out investigations as it may consider necessary or expedient for the exercise, performance and discharge of the powers, duties and functions of the Commission under this Act.
- (2) For the purposes of subsection (1), the Commission or any person authorised by the Commission may, summon and call upon any person to appear before it or him to give evidence or to produce any book or document in the possession or control of such person as are required for the purpose of such investigation or inquiry, where the Commission has reasonable grounds to believe that—
- (a) the transactions in securities are being dealt with in a manner detrimental to investors or the securities market by any person; or
 - (b) any market institution, market intermediary, investor or any other person has violated any of the provisions of this Act, regulations or the rules made thereunder or the directives issued by the Commission.
- (3) Any person summoned or called upon to appear before the Commission or any person duly authorised by the Commission under subsection (2) may be examined orally and any statement made by the person so examined may be in writing.

Every such statement in writing shall be signed by the person so examined provided that prior to signing the same, such person shall be required to read such statement or if he does not understand the language in which it is written it shall be interpreted to him in a language he understands and he shall be at liberty to explain or add to such statement.

- (4) Every person who fails to appear before the Commission or the person authorised, when required to do so under subsection (2) or who refuses to answer any question put to him by the Commission or a person duly authorised by the Commission or any person who refuses to produce or allow the Commission or any person duly authorised to take copies of any book, document or electronic record in his possession or control when required to do so or knowingly gives any false answer to any question put to him by the Commission or a person duly authorised by the Commission commits an offence.
 - (5) (a) For the purpose of carrying out an inquiry or investigation under subsection (1), the Commission may authorise in writing any officer and any expert recognised under the Computer Crimes Act, No. 24 of 2007, as may be required to enter at all reasonable hours of the day any premises of a market institution or market intermediary or listed public company to inspect and take copies of any document or electronic record or take into possession any electronic device required to be kept under this Act or under any regulation or rule or directive made thereunder or any other law in respect of such business and where the Commission has reasonable grounds to believe that such information may be required in discharging its duties under the Act, to access their computer systems to collect evidence.
 - (b) For the purpose of carrying out an inquiry or an investigation under subsection (1), it shall be lawful for the Commission or any person authorised by the Commission upon an order issued by Magistrate's court to have access to any other premises not specified in paragraph (a) and inspect any property, book, document, article, thing or electronic record or device or otherwise in any form whatsoever and seize or take possession of the copies of such book, document, article, thing or electronic record or otherwise in any form whatsoever provided it is deemed by such authorised persons to be material evidence for a successful investigation or inquiry under subsection (1).
 - (6) Every authorised officer under subsection (1) shall be deemed to be a peace officer within the meaning and for the purposes of the Code of Criminal Procedure Act, No. 15 of 1979.
 - (7) The provisions of the Computer Crimes Act, No. 24 of 2007 shall *mutatis mutandis* apply in carrying out an inquiry or investigation under subsection (5) or any other section in this Act relating to electronic records or documents.
 - (8) Notwithstanding anything to the contrary in any other written law where the Commission on a consideration of material collected in the course of an investigation or inquiry or both an inquiry and investigation as the case may be is satisfied that any person has committed an offence under this Act other than an offence under Part V, it may authorise the Director General to initiate criminal proceedings against such person or to take any other enforcement action as provided for under this Act.
 - (9) Notwithstanding anything to the contrary in any other written law the Commission may if it deems appropriate forward the material collected and received under this Part to the Attorney General or any other authority to take any appropriate action under any other written law.
167. (1) On reasonable suspicion of a contravention of any provision of this Act, regulations, rules or directives made thereunder, the Commission may, at any time where an inquiry is being carried out or a person is being investigated in terms of section 165, issue a directive (hereinafter referred to as a "freezing order")-
- (a) prohibiting a person from disposing assets of such person or any part thereof which is related to the matter under inquiry or investigation; or
 - (b) prohibiting a person from entering into any transaction or a class of transactions as may be determined by the Commission.
- (2) A freezing order made under subsection (1) shall not be in force for a period exceeding seven market days from the date of issue of such order.
- (3) The Commission after issuing a freezing order under subsection (1), shall within the period during which the freezing order is in force, make an application to court seeking confirmation of such freezing order and also if circumstances so necessitates, request an extension thereto as required after giving the aggrieved person an opportunity of being heard.
- (4) Where the court is satisfied that there are sufficient reasons for issuance of such freezing order, the court may confirm the freezing order and if it is satisfied that there are sufficient reasons for extension thereof may, grant extensions for such periods as it considers appropriate.
- (5) On an application made by the Commission to court in terms of subsection (3), the court shall make an appropriate order in respect of the management of the asset under a freezing order.

168. (1) The Commission shall establish a Complaints Resolution Committee to hear complaints by any person relating to the professional misconduct or the breach of any provision of this Act, regulations, rules made thereunder or directives issued on a market institution, market intermediary, listed public company or a registered person or any other person who comes under the regulatory purview of the Commission.
- (2) The Commission or any person duly authorised by the Commission may hold such inquiries as it or he may consider necessary or expedient for the exercise, performance and discharge of the powers, duties and functions of the Commission under this Act and for such purpose summon and call upon any person to appear before the Complaints Resolution Committee to give evidence or to produce any books or documents in the possession or control of such person as are required for the purpose of such inquiries.
- (3) The Commission shall establish appropriate processes and procedures for handling such complaints, and all matters related thereto by rules.
- (4) The Complaints Resolution Committee may on receipt of any written complaint made by a person, examine the evidence produced to find whether any provision of this Act, regulations, rules or directives made thereunder or any rules of a market institution has been contravened.
- (5) Where the Committee finds that a market institution, market intermediary, listed public company or registered person has contravened a provision under this Act, regulation, rule or directive issued thereunder or rules of a market institution, the Complaints Resolution Committee shall convey such finding with a recommendation to the Commission and the Commission shall have the discretion to either give effect to such recommendation or take any other action as it may deem expedient.
- (6) The Commission shall not take any action under this section without affording such market institution, market intermediary, listed public company or registered person an opportunity of being heard.
169. (1) The Commission shall be entitled to seek information, clarification or explanation from supplementary service providers in relation to professional services carried out in respect of a market institution, market intermediary or listed public company or an unlisted company which has made a public offer of securities in accordance with section 81.
- (2) Where the Commission is of the view that the services rendered in terms of subsection (1) is likely to cause harm to the interest of investors, the Commission may issue a directive to such supplementary service provider to take corrective action as may be determined by the Commission.
- (3) The Commission may make guidelines or rules to provide for the duties and obligations of supplementary service providers where the Commission considers it necessary.
170. The Commission may enter into agreements or memoranda of understanding with such other organisations in connection with the sharing of information on regulatory functions relating to securities and investors in securities markets.
171. (1) The Commission may on its own motion or upon an order issued by a competent court of law-
- (a) permit a police officer or any public officer to have access to and inspect any property, book, document, article, thing or electronic record or otherwise in any form whatsoever which has been produced before, seized, detained or taken possession of by the Commission under this Act; or
 - (b) provide to a police officer or any public officer a copy of any book, document or electronic record or otherwise in any form whatsoever seized, detained or taken possession of by an investigating officer or by any officer of the Commission in the course of any inspection carried out by the Commission in the exercise of its powers or in the discharge of his duties in respect of any person.
- (2) The Commission may, where it deems necessary, enter into regulatory arrangements to cooperate with any domestic or foreign supervisory authority which may include –
- (a) obtaining any information or document or electronic record from any domestic or foreign supervisory authority; and
 - (b) share any information or document or electronic record with any domestic or foreign supervisory authority.
- (3) The Commission may, upon receiving a written request from a foreign supervisory authority for assistance in respect of any regulatory matter which the foreign supervisory authority enforces or administers, provide such assistance to such foreign supervisory authority as the Commission deems fit for the purpose.
- (4) In determining whether to render assistance under subsection (3), the Commission shall have regard to-

- (a) whether the foreign supervisory authority shall pay the Commission any cost and expenses incurred for providing the foreign supervisory authority with the assistance; and
- (b) whether the foreign supervisory authority shall be able and willing to provide reciprocal assistance in response to a comparable request for assistance from the Commission.

(5) In this section –

“domestic supervisory authority” means the Central Bank of Sri Lanka established under the Monetary Law Act, Registrar General of Companies appointed under the Companies Act, No. 7 of 2007, the Police and any other regulatory authority under any written law;

“foreign supervisory authority” means a foreign authority which exercises functions corresponding to the functions of the Commission under this Act or any person or international organisation outside Sri Lanka exercising regulatory functions and in respect of which the Commission considers desirable and necessary in the interest of the public to enter into such arrangement or to render such assistance; and

“Public Officer” shall have the meaning assigned to that expression by Article 170 of the Constitution.

172. (1) An employer shall not discharge, terminate, demote or cause harassment to a person in employment on account of having provided information to the Commission concerning violations or potential violations of this Act, regulations, rules or directives made thereunder or any rule of a market institution.

(2) Any employer who retaliates against such person for providing information to the Commission in terms of subsection (1) may be subjected to such administrative penalty as may be determined by the Commission by rules, after affording such person an opportunity of being heard.

(3) For the purposes of this section, a “person in employment” includes a director, partner, chief executive officer, chief financial officer, company secretary, internal auditor or any other employee.

(4) The Commission may grant a reward in terms of rules made in that regard, to a whistleblower who is the first to provide such information which leads to the successful prosecution or any other sanction by the Commission against a person for a contravention of the provisions of this Act.

173. The Minister may, from time to time, request the Commission in writing to furnish to him in such form as he may require returns, accounts and other information with respect to the work of the Commission and the Commission may furnish such information other than information deemed confidential by the Commission, on the grounds that providing such information –

(a) would cause grave prejudice to an ongoing investigation under the Act;

(b) would cause grave prejudice to the prevention or detection of any offence under the Act; or

(c) expose the identity of a confidential source of information in relation to any inquiries or investigations that are being conducted by the Commission under the Act.

174. (1) No suit or prosecution shall be instituted against any member of the Commission or against any officer of the Commission for any acts done or purported to be done or omitted to be done in good faith under this Act or on the direction of the Commission.

(2) Any expense incurred by the Commission in any suit or prosecution brought by or against it before any court shall be paid out of the Fund of the Commission and any cost paid to or recovered by the Commission in any such suit or prosecution shall be credited to such fund of the Commission.

(3) Any expenses incurred by a person referred to in subsection (1) in any suit or prosecution brought against him before any court in respect of any act which is done or purported to be done by him under this Act or on the direction of the Commission shall, if the court holds that such act was done in good faith be paid out of the Fund of the Commission unless such expenses are recovered by him in such suit or prosecution.

CHAPTER 2

PROVISIONS RELATING TO PUNISHMENTS AND ENFORCEMENT MECHANISMS

175. (1) Other than offences under Part V, any person who–

- (a) contravenes any provision of this Act or any requirement imposed under the provisions of this Act or any regulation or rule or directive made thereunder;

- (b) furnishes or produces, for the purposes of this Act or any requirement imposed under the provisions of this Act or any regulation, or any rule or directive made thereunder, any information or any return, document or electronic record or statement the contents of which are, to his knowledge, untrue, incorrect or misleading;
 - (c) threatens or intimidates or willfully obstructs, makes any derogatory remarks and publishes any statement with a view to bringing disrepute or defaming any member of the Commission or the Director-General or an officer or servant of the Commission or any person with whom the Commission has entered into an agreement in the course of discharging his duties under this Act or under any regulation or rule made thereunder;
 - (d) in any manner falsify any information or electronic record or store any misleading or false information in any book or electronic record in relation to the business of a market institution, market intermediary or a listed public company or any of its related companies; or
 - (e) destroys, conceals, mutilates, alters, sends or attempts to send or conspires with any other person to remove from its premises or send out of Sri Lanka any book, document or electronic record or accounts required to be kept or maintained under this Act, regulations, rules or directives made thereunder with intent to defraud any person, or to prevent, delay or obstruct the exercise of any power under this Act, commits an offence.
- (2) Any person who abets or conspires to commit an offence as stated in subsection (1) hereof, commits an offence and shall be punishable in the same manner as punishable for an offence under subsection (1).
- (3) All offences under this Act other than offences in Part V shall be triable in the Magistrate's court and any person who is found guilty of an offence under this Act for which no penalty is expressly provided for under this Act shall be liable on conviction after summary trial to a fine not less than ten million rupees and not exceeding one hundred million rupees or to imprisonment of either description for a period not exceeding ten years or to both such fine and imprisonment.
- (4) Where any offence under this Act is committed by a body corporate, any person who is at the time of the commission of the offence, a director, manager or other similar officer of the body corporate shall be deemed to be guilty of that offence unless he proves that such offence was committed without his knowledge or connivance or that he exercised all due diligence to prevent the commission of that offence as he ought to have exercised having regard to the nature of his functions and all the circumstances of the case.
176. (1) The Code of Criminal Procedure Act, No. 15 of 1979 shall be applicable in the conduct of all prosecutions made under this Act and except for offences under Part V, proceedings on behalf of the Commission shall be instituted by the Director-General.
- (2) In prosecutions and in civil actions under this Act, the provisions of the Electronic Transactions Act, No. 19 of 2006 shall apply to and in relation to the admissibility of evidence of electronic records or other documents.
177. Other than offences listed in Part V of this Act, the Commission may having regard to the circumstances in which the offence under this Act was committed, compound such offence for a sum of money not exceeding one half of the maximum fine imposable for such offence and all such sums of money received by the Commission in the compounding of an offence under this section shall be credited to the Compensation Fund of the Commission.
178. (1) Except in relation to offences under Part V, if any person –
- (a) contravenes any provision of this Act or commits a breach of any regulation or rule made thereunder;
 - (b) contravenes or fails to comply with any condition or restriction of a licence or registration granted under this Act;
 - (c) fails to comply with any provision of the rules of a market institution; or
 - (d) fails to comply with any written notice, guideline, directive or condition imposed by the Commission, the Commission may, having regard to the nature and manner of the contravention, non-compliance or breach and the impact of such contravention, non-compliance or breach on the market referred to in paragraphs (a), (b), (c) and (d) of subsection (1), take any one or more of the following administrative actions: –
 - (i) direct the person who has committed the contravention, non-compliance or breach to comply, observe, enforce or give effect to such provisions, regulations, rules, written notice, condition, directive or guideline;
 - (ii) impose a penalty on the person who has committed the contravention, non-compliance or breach, in proportion to the severity or gravity of the contravention, non-compliance or breach and such penalty in any event shall not exceed fifty million rupees;
 - (iii) reprimand the person who has committed the contravention, non-compliance or breach;
 - (iv) require the person who has committed the contravention, non-compliance or breach to take such steps as the

- Commission may direct to remedy the contravention, noncompliance or breach to mitigate the effect of such contravention, non-compliance or breach, including making restitution to any other person aggrieved by the contravention, non-compliance or breach;
- (v) in the case of a promoter or a director of a listed public company, in addition to the actions that may be taken under paragraphs (i) to (iv), the Commission may impose a moratorium on or prohibit any trading of or any dealing in, the listed public company's securities or in any other securities which the Commission thinks fit, by the promoter or director or any person connected with the promoter or director.
- (2) The Commission shall not take any action under subsection (1) without giving the person in contravention, non-compliance or breach an opportunity of being heard.
- (3) For the purposes of paragraph (iv) of subsection (1) in determining whether or not restitution is to be made by a person in contravention, non-compliance or breach, the Commission shall have regard to—
- (a) the profits that have accrued to such person in contravention, non-compliance or breach; or
- (b) whether one or more persons have suffered loss or been otherwise adversely affected as a result of the contravention, non-compliance or breach.
- (4) Where the Commission takes an action under subsection (1) against any person under the rules of a market institution the Commission shall notify the market institution of the action taken by the Commission.
- (5) Nothing in this section shall preclude the Commission from—
- (a) directing a market institution to take any disciplinary action against its trading participants, clearing members or depository participants, a listed public company and a director of a listed public company for the contravention, non-compliance or breach of the rules of the market institution including the imposition of a penalty; or
- (b) taking any other action that it is empowered to take under this Act against the person who has committed the contravention, non-compliance or breach.
- (6) (a) Any person aggrieved by a decision made under paragraph (ii) of subsection (1) may within fourteen days of receipt of such decision may appeal to the Minister.
- (b) Notwithstanding the making of an appeal to the Minister under paragraph (a), any administrative sanction imposed by the Commission shall continue to have effect until the Minister makes his decision.
- (c) The Minister may, on an appeal made under paragraph (a), after hearing the Commission and the person who made the appeal under paragraph (a), within a period of one month after receipt of such appeal,-
- (i) allow the appeal and mitigate the penalty;
- (ii) disallow the appeal.
- (d) The Commission shall give effect to the decision of the Minister.
- (7) Where a person has failed to pay a penalty imposed by the Commission under subsection (2), the sum of money due as such penalty may, on application being made by the Commission to the Magistrate's court, be recovered in like manner as a fine imposed by such court, notwithstanding that such sum may exceed the amount of a fine which that court may, in the exercise of its ordinary jurisdiction impose and notwithstanding the provision of any written law to the contrary the sum so recovered shall be paid to the Commission.
- (8) Without prejudice to any other remedy, where an administrative sanction under paragraph (iv) of subsection (1) requires the person in contravention, non-compliance or breach to make restitution in the form of monetary payment and the person in contravention, non-compliance or breach fails to restitute, on application being made by the Commission, to the Magistrate's court, be recovered in like manner as a fine imposed by such court, notwithstanding that such sum may exceed the amount of a fine which that court may, in the exercise of its ordinary jurisdiction impose and notwithstanding the provision of any written law to the contrary the sum so recovered shall be paid to the Commission.
- (9) Where the monies received under subsection (1) has not been distributed due to the difficulty of ascertaining or notifying the aggrieved persons, such amount shall be—
- (a) credited to the Compensation Fund of the Commission maintained under Part VI; or
- (b) retained by the Commission to defray the costs of regulating the securities market as the Commission may determine.

179. (1) The Commission may take one or more of the following actions where a market intermediary who handles or is entrusted with monies of clients or assets in the course of his business contravenes any provision of this Act, regulation, rule or directive issued thereunder or is no longer fit and proper and the Commission is of the view that interests of investors, the clients of a market intermediary or unit holders of collective investment schemes are likely to be jeopardized, or are jeopardized—
- (a) direct the market intermediary not to deal with monies and properties of any investor or its clients in such manner as the Commission thinks appropriate or to transfer the monies and properties of such investors or its clients or any document or electronic record in relation to such monies or properties to any other person as may be specified by the Commission;
 - (b) direct a trustee to transfer any document or electronic record in relation to monies or properties to any other person as may be specified by the Commission;
 - (c) prohibit the market intermediary from entering into transactions, soliciting business from persons or require the market intermediary or trustee to engage in business in such manner as may be specified by the Commission; or
 - (d) require a market intermediary or trustee to maintain property within Sri Lanka or at a place outside Sri Lanka as determined by the Commission.
- (2) The Commission shall not take any action under this section without giving such market intermediary an opportunity of being heard prior to taking any action under subsection (1).
- (3) Subsection (2) shall not apply if the Commission considers that any delay in taking an action under this section would be prejudicial to the interest of investors, the interest of clients of the market intermediary or the public interest.
180. (1) On an application made to the court by the Commission, the court may on being satisfied that there is a reasonable likelihood that any person has contravened or is likely to contravene a provision of this Act, regulations or any rule made thereunder or that a person has failed or is likely to fail to comply with any directive issued by the Commission, the court may make an order—
- (a) restraining or requiring the cessation of the contravention;
 - (b) restraining a person from dealing or trading in securities in respect of any class of securities mentioned in the order;
 - (c) declaring a securities transaction to be void;
 - (d) restraining the person from acquiring, disposing of or otherwise dealing with assets which the court is satisfied that such person is reasonably likely to acquire, dispose of or otherwise deal with;
 - (e) directing a person to dispose of any securities that are specified in the order;
 - (f) restraining the exercise of any voting or other rights attached to any securities that are specified in the order;
 - (g) restraining a person from making available, offering for subscription or purchase or issuing an invitation to subscribe for or purchase or allotting any securities that are specified in the order;
 - (h) appointing a receiver or liquidator over the property of a market intermediary or the property that is held by such person for or on behalf of another person whether on trust or otherwise;
 - (i) vesting securities or such other property that is specified in the order in a trustee appointed by court;
 - (j) requiring a person to do such act or comply with such directive where a person has refused or failed or is refusing or failing or is proposing to refuse or fail to do any act or comply with any directive that such person is required to do under this Act;
 - (k) requiring that person or any other person who appears to have been knowingly involved in the contravention to take such steps as the court may direct to remedy it or to mitigate its effect including making restitution to any other person aggrieved by such contravention;
 - (l) directing a person to do or refrain from doing a specified act for the purpose of securing compliance with any other order under this section;
 - (m) directing a person to comply with a directive that is issued by the Commission;
 - (n) on any ancillary matter deemed to be desirable in consequence of the making of an order under any of the preceding provision of this subsection.
- (2) If an application is made to court for an order under subsection (1), the Court may, make an interim order ex parte pending the final determination of the application.

- (3) The court may before making an order under subsection (1), direct that notice of the application be given to such persons as it thinks fit or direct that notice of the application be published in such manner as it thinks fit or both.
- (4) Where an application for an order under subsection (1) is made by the Commission or any person duly authorised by the Commission, the court shall not as a condition of the grant of the order require any undertaking as to damages to be given by or on behalf of the Commission.
- (5) A person appointed by order of the court under subsection (1) as a receiver of the property of a market intermediary—
- (a) may require the market intermediary to deliver to him any property of which he has been appointed receiver or to give to him all information concerning that property that may reasonably be required;
 - (b) may acquire and take possession of any property of which he has been appointed receiver;
 - (c) may deal with any property that he has acquired or of which he has taken possession in any manner in which the holder might lawfully have dealt with the property; and
 - (d) has such other powers in respect of the property as the court specifies in the order.
- (6) In this section, “property”, in relation to a market intermediary includes monies, securities or other property and documents of title to securities or other property entrusted to or received on behalf of any other person by the market intermediary or another person in the course of or in connection with the business of the market intermediary.
- (7) The trustee appointed by an order of the court under this section—
- (a) may require any person to deliver to the trustee any security or such other property specified in the order or to give to the trustee all information concerning the securities that may reasonably be required;
 - (b) may acquire and take possession of the securities or such other property;
 - (c) may deal with the securities or such other property in any manner as it thinks fit; and
 - (d) shall have such other powers in respect of the securities or such other property as may be specified by the court in the order.
- (8) The proceeds of the dealing in or disposal of securities under subsection (1) shall be paid to court and any person claiming to be beneficially entitled to the whole or any part of such proceeds may within thirty days of such payment to court apply to the court for payment out of the proceeds due to such person.
- (9) The court may rescind, vary or discharge an order made by it under this section or suspend the operation of such an order on the application of a party aggrieved by such order with prior notice to the Commission of such application of an aggrieved party.
181. The Commission may, where it thinks necessary or expedient in the interest of the public or for the protection of investors and in such form or manner as it thinks fit, publish any information in relation to any decision made or any action taken by the Commission under this Act, regulations, rules or directives.
182. (1) The Minister on the recommendation of the Commission may make regulations in respect of matters required by this Act to be prescribed or in respect of which regulations are authorised to be made.
- (2) Without prejudice to the generality of the provisions contained in subsection (1), the Minister may make regulations in regard to—
- (a) the fees, terms and conditions to be satisfied for the purpose of granting a licence to a market institution;
 - (b) giving effect to any memorandum of understanding between the Commission and its foreign counter part or any other organization in respect of listing of a foreign entity in Sri Lanka or sharing of information;
 - (c) product or class of products which are not classified as securities.
- (3) Every regulation made by the Minister shall be published in the Gazette and shall come into operation on the date of such publication or on such later date as may be specified in the regulation.
- (4) Every regulation made by the Minister shall, as soon as it is convenient after its publication in the Gazette be brought before Parliament for approval. Any regulation which is not so approved shall be deemed to be rescinded as from the date of such disapproval but without prejudice to anything previously done thereunder.
183. (1) The Commission may make rules on any matter in respect of which rules are authorised to be made under this Act or which is stated or required to be made under this Act including but not limited to the following:-

- (a) listing and trading of securities in an exchange and the subsequent issue of any additional securities by way of rights or bonus or otherwise by listed public companies or delisting of such companies;
 - (b) regulation of listed foreign entities in respect of listing and trading in an exchange and other related matters arising therefrom;
 - (c) disclosures by market intermediaries about security transactions by persons who acquired or disposed of securities and by an exchange about security transactions;
 - (d) proper maintenance of books, records, accounts and audits by a market institution, market intermediary and regular reporting by such market institution and market intermediary to the Commission of their affairs;
 - (e) the procedure to be followed in the cancellation or suspension of a licence issued or a registration granted under this Act;
 - (f) the annual audit of the books, records, accounts and the preparation of financial statements by a market institution and market intermediary;
 - (g) regulation of takeovers or mergers where the target of such takeover or merger is a listed public company;
 - (h) a code of conduct to be observed by the trustee and an issuer of securities and a managing company of a collective investment scheme and a code on the operation and approval of a collective investment scheme;
 - (i) matters in respect of which rules are required by this Act to be made;
 - (j) the prudential requirements, fit and proper criteria, record keeping and other documentation systems to be followed by a market institution and market intermediary;
 - (k) the form and contents of prospectus proposed to be issued by a listed public company or a public company which has applied for a listing or a listed foreign entity;
 - (l) the operation of securities in a margin account by a stock broker or by a margin provider;
 - (m) the business affairs and activities of a market institution and market intermediaries, in relation to listed securities and exchange traded derivatives;
 - (n) the disclosure and reporting and the provision of information by listed public companies, listed foreign entities and other unlisted companies coming within the purview of this Act;
 - (o) the rejection of applications for listing made to an exchange and the suspension and cancellation of listing by an exchange;
 - (p) in relation to the trading of derivative contracts carried out by utilizing the facilities of a licensed derivatives exchange;
 - (q) the regulation of the activities of market makers, stock lenders and stock borrowers and on the regulation of short selling;
 - (r) the establishment and operation of a fidelity fund or compensation fund for an exchange; and
 - (s) provision for settlement of disputes between client and market intermediary and between the respective participants or members and market institutions.
- (2) Every rule made under subsection (1) shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified therein.
184. Notwithstanding anything to the contrary in any other law, a derivative contract traded through an exchange shall not be taken to be a gaming or wagering contract.
185. Notwithstanding anything to the contrary in this Act a market maker licensed as a market intermediary shall not be considered as committing an offence under section 128 or 129 of this Act when carrying out the functions relating to its licensed activity.
186. Any person aggrieved by a decision of the Commission may invoke the Jurisdiction of the Court of Appeal conferred under Article 140 of the Constitution.
187. (1) The Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 is hereby repealed (hereinafter referred to as the "repealed Act").
- (2) Notwithstanding the repeal of the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987—
- (a) (i) the Commission established under the repealed Act and functioning as such on the day immediately preceding the date of operation of this Act shall be deemed to be the Commission for the purposes of this Act until a new Commission is established under Part I of this Act and continue accordingly; and

- (ii) the appointed members holding office immediately preceding the date of operation of this Act, shall be deemed to have been appointed as such under this Act and continue to hold office until the end of their tenure or until new members are appointed under this Act;
 - (b) every licence issued to any exchange, stock broker or stock dealer or a managing company for the purpose of operating an unit trust under the repealed Act and which is in force immediately preceding the date of operation of this Act, shall be deemed to be a licence issued by the Commission under this Act;
 - (c) every certificate of registration issued to any clearing house or any market intermediary under the repealed Act and which is in force immediately prior to the date of operation of this Act shall be deemed to be a licence issued by the Commission under this Act;
 - (d) all regulations, rules and directives made, approvals granted and any other action taken or notices issued under the repealed Act and which are in force on the day immediately prior to the date of commencement of this Act and not inconsistent with the provisions of this Act shall be deemed to be regulations, rules and directives made, approvals granted and any other action taken or notices issued by the Commission under this Act and shall continue to be valid; (e) all contracts, agreements and other instruments made under the repealed Act and subsisting on the day immediately prior to the date of commencement of this Act shall be deemed to be contracts, agreements or other instruments entered into by the Commission under this Act;
 - (f) all suits, actions, and other legal proceedings instituted by or against the Securities and Exchange Commission of Sri Lanka established under the repealed Act and pending on the day, immediately prior to the date of commencement of this Act, shall be deemed to be suits, actions and other legal proceedings instituted by or against the Commission under this Act;
 - (g) all rules of the market institutions made under the repealed Act and are in force on the day immediately prior to the date of commencement of this Act and not inconsistent with the provisions of this Act, shall be deemed to be rules made by such market institutions under this Act until new rules are made by such market institutions under this Act;
 - (h) every application for a licence made under the provisions of the repealed Act shall with effect from the date of commencement of this Act be deemed to be an application made to the Commission established under this Act and shall be dealt with accordingly;
 - (i) all movable and immovable property vested in the Securities and Exchange Commission of Sri Lanka established under the repealed Act and existing on the day immediately preceding the date of commencement of this Act, shall, with effect from the date of commencement of this Act, be vested with the Commission;
 - (j) all sums of money lying to the credit of the funds of the Securities and Exchange Commission of Sri Lanka established under the repealed Act and existing on the day immediately preceding the date of commencement of this Act, shall stand transferred, with effect from the date of commencement of this Act, to the respective funds of the Commission established under Part VI of this Act;
 - (k) all offences or proceedings initiated under the provisions of the repealed Act, regulations, rules or directives made thereunder prior to the commencement of this Act, shall be offences committed or proceedings initiated under the repealed Act and be tried accordingly;
 - (l) all interests, rights, assets, obligations, debts and liabilities of the Securities and Exchange Commission of Sri Lanka established under the repealed Act prior to the date of commencement of this Act, shall be deemed with effect from the date of commencement of this Act to be the interests, rights, assets, obligations, debts and liabilities of the Commission;
 - (m) the Director-General, all officers and servants of the Securities and Exchange Commission of Sri Lanka established under the repealed Act holding office prior to the date of commencement of this Act, shall be deemed with effect from the date of commencement of this Act to be Director-General, the officers and servants of the Commission, on terms not less favourable than the terms and conditions of employment to which they were entitled under the repealed Act.
- (3) Notwithstanding the repeal of the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987—
- (a) every reference to Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 in any other written law shall be construed as a reference to this Act; and
 - (b) every reference to the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 in any other written law shall be construed as referring to the corresponding provisions contained in this Act.

188. In this Act, unless the context otherwise requires –

"accredited investor" includes-

- (a) an individual -
 - (i) whose net personal assets, excluding primary residential property, exceeds two hundred million rupees in value or a higher value as may be determined by the Commission; or
 - (ii) whose average annual income in the preceding three years is not less than thirty million rupees or a higher value as may be determined by the Commission; and
 - (iii) who makes a declaration on his experience, ability and sophistication to take on the investment risk;
- (b) a corporate entity with net assets exceeding one thousand million rupees in value as determined by-
 - (i) the most recent audited balance sheet of the entity; or
 - (ii) in the absence of the audited balance sheet, the most recent balance sheet of the corporate entity certified by the entity as giving a true and fair view of the state of affairs of the entity as of the date of the balance sheet, which date shall be within the preceding twelve months;
- (c) the trustee of a trust as the Commission may specify when acting in that capacity; or
- (d) any entity licensed by the Commission under this Act or such other institution or entity as the Commission may specify by rules;

"Central Bank of Sri Lanka" means the Central Bank of Sri Lanka established by the Monetary Law Act (Chapter 422);

"central depository" means a body corporate licensed by the Commission under this Act in order to establish and operate a system for the central handling of

securities on an exchange –

- (a) whereby all such securities are deposited with and held in custody by, or registered in the name of the depositor or account holder or his or its nominee for the purpose of dealing in those securities or are effected by means of entries in securities, accounts without the physical delivery of scrips; or
- (b) which permits or facilitates the settlement of securities transactions or dealings in securities without the physical delivery of scrips; and
- (c) to provide other facilities and services incidental thereto, but does not include –
 - (i) a central depository operated or established by the Central Bank of Sri Lanka;
 - (ii) a central depository operated or established in respect of securities issued by the Government of Sri Lanka or the Central Bank of Sri Lanka; or
 - (iii) any person providing, or holding out as providing, a central depository for exempted securities;

"clearing facility" means a facility for the clearing or settlement of transactions in securities;

"clearing or settlement" in relation to a clearing facility includes any arrangement, process, mechanism or service provided by a person in respect of securities transactions by which —

- (a) information relating to the terms of those securities transactions are verified by such person with a view to confirming such transactions;
- (b) parties to those securities transactions substitute, through novation or otherwise, the credit of such person for the credit of the parties;
- (c) the obligations of parties under those securities transactions are calculated, whether or not such calculations include multilateral netting arrangements; or
- (d) parties to those securities transactions meet their obligations under such transactions, including the obligation to deliver securities or the transfer of funds or the transfer of title to securities between the parties, but does not include -
 - (i) the back office operations of a party to the securities transactions referred to in the above;
 - (ii) the services provided by a person who has, under an arrangement with another person (hereinafter referred to as the "customer"), who is in possession or control of securities of the customer, where those services are solely incidental to the settlement of transactions relating to the securities; or
 - (iii) any other services as may be specified by the Commission;

“clearing member” means a person who is admitted as a clearing member by the licensed clearing house for clearing and settlement of securities on his own behalf or on behalf of others under the rules of a licensed clearing house;

“collective investment scheme” includes any scheme or arrangement that satisfies the conditions under which a scheme or arrangement made or offered to the public by a company for which—

- (a) the contribution or payments made by the investors, by whatever name called, are pooled and utilized solely for the purpose of the scheme or arrangement;
- (b) the contributions or payments are made to such scheme or arrangement by investors with a view to receive profits, income, produce or property whether movable or immovable from such scheme or arrangement;
- (c) the investors share the risk and the benefit of investment in proportion to their participatory interest in a portfolio of a scheme or on any other basis as may be determined by the parties;
- (d) the property, contribution or investment forming part of the scheme or arrangement, whether identifiable or not, is managed on behalf of the investors; and
- (e) the investors do not have day to day control over the management and operation of the scheme or arrangement, but does not include pools of funds relating to—
 - (i) individual investment management arrangements;
 - (ii) enterprise initiative schemes;
 - (iii) pure deposit based schemes;
 - (iv) schemes not operated by way of business;
 - (v) debt issues, such as debentures, bonds and loan stock;
 - (vi) employee share schemes;
 - (vii) franchise arrangements;
 - (viii) timeshare schemes;
 - (ix) provision of clearing services;
 - (x) contracts of insurance;
 - (xi) individual pension accounts;
 - (xii) occupational and personal pension schemes;
 - (xiii) certain body corporates including building societies, cooperative societies, industrial and provident societies and registered friendly societies; or
 - (xiv) any similar arrangement to the aforementioned schemes;

“controller” means a person who –

- (a) is entitled to exercise or control the exercise of not less than twenty per centum of the votes attached to the voting shares in the holder;
- (b) has the power to appoint or cause to be appointed a majority of the directors of such holder; or
- (c) has the power to make or cause to be made, decisions in respect of the business or administration of the market institution, collective investment scheme and market intermediary, and to give effect to such decisions or cause them to be given effect to;

“court” means a High Court established under Article 154P of the Constitution for a Province, empowered with civil jurisdiction by Order published in the Gazette under section 2 of the High Court of the Provinces (Special Provisions) Act, No.10 of 1996, within the Province for which such High Court is established, or where no such High Court vested with civil jurisdiction is established for any Province, the High Court established for the Western Province; “delist” means to remove listed securities from the official list of an exchange;

“depository participant” means a person who has access to the facilities of a central depository and is admitted as a depository participant under the rules of a central depository;

“derivatives” include futures contracts consisting of an adjustment agreement, futures, options and eligible exchange traded option or any other agreement in a class of agreements specified to be a derivative by the Commission, but shall exclude an agreement which is specified to be a derivative agreement that is not traded on a futures market of a derivatives exchange;

“derivatives exchange” means a body corporate licensed as a derivatives exchange under this Act;

“electronic record” means a written document or other record created, stored, generated, received or communicated by electronic means;

“exchange” means a stock exchange or derivatives exchange licensed under this Act;

“Insurance Regulatory Commission of Sri Lanka” means the Insurance Regulatory Commission of Sri Lanka established by the Regulations of Insurance Industry Act, No. 43 of 2000;

“issuer” means a person who issues or proposes to issue securities by way of a public offer for sale;

“licensed clearing house” means a body corporate licensed under this Act and whose activities or objectives include the provision of clearing facilities;

“listed foreign entity” means an entity which is not incorporated in Sri Lanka and has been admitted to the official list of a stock exchange licensed by the Commission under this Act by way of a secondary listing;

“listed public company” means any company which has its securities listed on a stock exchange, and includes any public corporation which has its securities listed on a stock exchange licensed by the Commission under this Act;

“listed securities” mean, any security listed on an exchange licensed by the Commission under this Act;

“manager” in relation to a body corporate means a person who is appointed by the body corporate to manage any part of its business and includes an employee of the body corporate (other than the chief executive officer) who under the immediate authority of a director or chief executive officer of the body corporate, exercises managerial functions or is responsible for maintaining accounts or other records of the body corporate;

“margin account” means, a brokerage account that allows an investor to buy or sell listed securities generally serving as collateral to purchase listed securities for credit;

“market institution” means, an exchange, clearing house or central depository licensed by the Commission under Part II of this Act;

“market intermediary” includes any person licensed as a credit rating agency, corporate finance advisor, derivatives broker, derivatives dealer, investment manager, managing company, margin provider, market maker, stock broker, stock dealer, underwriter or any other person who undertakes similar activity and described by rules for the purpose of issuing such licence by the Commission: For the purposes of this definition-

(a) “corporate finance advisor” means any person who for a fee or commission engages in the business of providing advice, on-

- (i) compliance with or in respect of fund raising requirements as provided for under this Act;
- (ii) compliance with the listing requirements of an exchange licensed under this Act;
- (iii) structuring of financial products; or

(iv) schemes of arrangement, schemes of restructuring or takeovers of a listed public company, but shall not include –

- (A) any attorney-at-law in practice who engages in giving advice in relation to any of the above solely incidental to the practice of his profession;
- (B) any accountant in practice who engages in corporate finance advice solely incidental to the practice of his profession; or
- (C) any company which engages in corporate finance advice solely for its benefit or for any of its related companies;

(b) “credit rating agency” means a body corporate engaged in the business of assessing and evaluating the credit- worthiness of any issuer or a specific issue of securities;

(c) “derivatives broker” means any person engaged in the business of buying or selling of derivatives on behalf of investors in return for a commission;

(d) “derivative dealer” means any person engaged in the business of trading in derivative contracts on his own account;

(e) “investment manager” includes a person who for a fee or commission engages in the business of managing a portfolio of securities on behalf of an investor but shall not include the manager of a collective investment scheme;

(f) “managing company” means a company by which a unit of a unit trust scheme, a real estate investment trust, an exchange

traded fund or collective investment scheme –

- (i) has been or is proposed to be issued or offered for subscription; or
- (ii) in respect of which an invitation to subscribe or purchase has been made, and includes any person for the time being performing the functions of a managing company.
- (g) “margin provider” means a person who is in the business of providing credit to investors to purchase securities traded on an exchange licensed by the Commission under this Act;
- (h) “market maker” means a person who enters bid and offer prices in the order book maintained in the automated trading system of an exchange licensed by the Commission for a specified security based on the requirements or rules stipulated by such exchange;
- (i) “stock broker” means any person engaged in the business of buying or selling of securities other than derivatives on behalf of investors in return for a commission;
- (j) “stock dealer” means a body corporate in the business of buying or selling of securities other than derivatives for his own account;
- (k) “underwriter” means any body corporate which in connection with a public offer of securities, guarantees to purchase unsubscribed portion of such securities for a fee or commission or who negotiates with an issuer of securities to purchase such securities in the event of the offer being not fully subscribed;

“market operator” means a person who establishes market infrastructure that facilitates trading, clearing or settlement of unlisted securities as provided in Part IV;

“Minister” means the Minister assigned the subject of Securities and Exchange Commission of Sri Lanka under Article 44 or 45 of the Constitution;

“Monetary Board of Sri Lanka” means the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act, (Chapter 422);

“offer” or “offering” includes any attempt to sell or dispose of any securities or interest in such security for value by means of a prospectus or otherwise to the public, but does not include a bona fide invitation to any person, to enter into an underwriting agreement in respect of any such securities;

“private placement” means an issue of securities to an identified investor or category of investors other than by way of a rights issue which is offered pro-rata to the existing shareholders or a general offer to the public for subscription;

“persons acting in concert” means persons who pursuant to an agreement or understanding, whether formal or informal, co-operate, through the acquisition by any of them of any interests in shares in a company, or any other company, or to frustrate the successful outcome of an offer for a company. Without prejudice to the general application of this definition, the following persons shall be presumed to be persons acting in concert with each other unless the contrary is established to the satisfaction of the Commission: -

- (a) a company, its parent, subsidiaries and fellow subsidiaries, and each of their associate companies, and any person who has provided financial assistance (other than a bank licensed or a finance company registered by the Central Bank of Sri Lanka in the ordinary course of business) to any of the aforesaid persons for the purchase of voting rights, all with each other;

For the purposes of this paragraph, an “associate company” is a company as defined in terms of the Sri Lanka Accounting and Auditing Standards made under Sri Lanka Accounting and Auditing Standards Act, No.15 of 1995;

- (b) a company with any of its directors together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a fund manager with any investment company, unit trust or other person whose investments such fund manager manages; and
- (e) a person, a person’s relation and the related trusts of any of them, all with each other; For the purposes of this paragraph “relation” means a parent, spouse, child including step children, brother or sister including step brother or step sister of that person or the spouse of a child of that person;

“prospectus” shall have the same meaning as in the Companies Act, No. 7 of 2007;

“public notice” means a notice of any matter that is required to be given under this Act, which shall be given by publishing a

notice of that matter in at least one issue of the Gazette and in at least one issue of a daily newspaper in Sinhala, Tamil and English languages, circulating within Sri Lanka;

“registered person” means any person dealing with clients for and on behalf of a market intermediary and who is registered by the Commission under this Act;

“related company” means any subsidiary, associate or holding company or a subsidiary of the holding company of a body corporate;

“rights issue” means an issue of any share or shares to be issued in the future, of a listed public company to existing shareholders of such company, howsoever such issue is described or referred to, for consideration, and in proportion to the class of securities held by them in such company on the date of such offer;

“securities” include—

- (a) debentures, stocks, shares, funds, bonds, units in a collective investment scheme or any right, options or interests therein; or
- (b) derivatives including futures and options, whatever the nature of the underlying asset relied on; or
- (c) notes issued or proposed to be issued by any Government or any other incorporate or unincorporate body, but does not include bills of exchange or promissory notes or certificates of deposits issued by a bank, securities issued by the Government of Sri Lanka or the Central Bank of Sri Lanka or such other product or class of products prescribed as not being securities under section 182;

“securities market” means a market or other place or facility where –

- (a) offers to sell, purchase or exchange of securities are regularly made or accepted;
- (b) Offers or invitations that are intended, or may reasonably be expected to result, whether directly or indirectly, in the making or acceptance of offers to sell, purchase or exchange securities, are regularly made; or
- (c) information concerning the prices at which or the consideration for which, particular persons, or particular classes of persons, propose, or may reasonably be expected to sell, purchase or exchange securities is regularly provided, but shall not include a securities market regulated by the Central Bank of Sri Lanka for the purpose of this Act;

“share” shall have the same meaning as is given in the Companies Act, No.7 of 2007 or as recognised in another jurisdiction as a share under its laws;

“stock borrower” means a person who is engaged in the business of borrowing securities;

“stock exchange” means a body corporate licensed as a stock exchange by the Commission under this Act;

“supplementary service provider” includes an actuary, auditor, custodian, trustee, valuer or such person as may be specified by the Commission who provides professional services to a market institution, market intermediary or listed public company or to a collective investment scheme;

“trading participant” means a person who has access to the facilities of an exchange and is admitted as a trading participant under the rules of an exchange licensed by the Commission under this Act;

“whistleblower” means any individual or group of persons who provides, information relating to a violation or potential violation of the provisions of this Act, regulations, rules or directives made thereunder or any rule of a market institution.

189. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Employees’ Provident Fund (Amendment) Act, No. 23 of 2021

[Certified on 13th of October, 2021]

AN ACT TO AMEND THE EMPLOYEES’ PROVIDENT FUND ACT, NO. 15 OF 1958

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

1. This Act may be cited as the Employees’ Provident Fund (Amendment) Act, No. 23 of 2021 and shall come into operation on such date as the Minister may appoint by Order published in the Gazette.
2. Section 47 of the Employees’ Provident Fund Act, No. 15 of 1958 is hereby amended as follows:—
 - (1) in the definition of “employee”, by the substitution for the words “at any particular time;” of the words “at any particular

- time, and does not include a detached worker for the period of time specified in a social security agreement applicable to such detached worker;”;
- (2) immediately after the definition of the expression “covered employment”, by the insertion of the following new definition:—
““ detached worker” means an international worker on a temporary assignment in covered employment in Sri Lanka and contributing to a social security programme in the country in which he is a citizen and who in terms of a social security agreement has been exempted from making any contribution under this Act for the period as set out in such agreement;”;
- (3) immediately after the definition of “employer”, by the insertion of the following new definition:—
““ international worker” means, an employee who is a citizen of a country other than Sri Lanka;”;
- (4) immediately after the definition of “regulation”, by the insertion of the following new definition:—
““ Social Security Agreement” means a bilateral agreement to which Sri Lanka is a party and which provides exemptions to citizens of one country working in another country, on temporary assignment as detached workers, from contributing to a social security programme in such other country;”.
3. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Appropriation (Amendment) Act, No. 26 of 2021

[Certified on 12th of November, 2021]

AN ACT TO AMEND THE APPROPRIATION ACT, NO. 7 OF 2020

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

1. This Act may be cited as the Appropriation (Amendment) Act, No. 26 of 2021.
2. Section 2 of the Appropriation Act, No. 7 of 2020 is hereby amended in paragraph (b) of subsection (1) thereof, by the substitution for the words, “rupees two thousand nine hundred ninety seven billion” of the words “rupees three thousand three hundred ninety seven billion”.
3. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Minimum Retirement Age of Workers Act, No. 28 of 2021

[Certified on 17th of November, 2021]

AN ACT TO PROVIDE FOR THE MINIMUM RETIREMENT AGE AT WHICH AN EMPLOYER MAY RETIRE ANY WORKER AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO

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

1. This Act may be cited as the Minimum Retirement Age of Workers Act, No. 28 of 2021.

PART I

MINIMUM RETIREMENT AGE

2. Notwithstanding the provisions of any other written law, a contract of service, collective agreement or any other form of contract of service, the minimum retirement age of a worker who has not attained the age of fifty two years on the date of operation of this Act or who is recruited after the date of coming into operation of this Act shall be upon such worker attaining the age of sixty years (hereinafter referred to as the “minimum retirement age”):

Provided that, the minimum retirement age of a worker who has reached the age of fifty two years or above, on the date of coming into operation of this Act, shall be deemed to be the age as specified in Schedule I.

3. (1) Any employer who employs fifteen or more workers shall not retire any worker other than the workers specified in Schedule II, and any worker engaged in any trade or occupation as shall be prescribed by regulation, from time to time, in keeping with the nature of the work until such worker attains the minimum retirement age:

Provided that, any employer may prematurely retire any worker in terms of the provisions of the contract of service or the collective agreement on following grounds:-

- (a) where any registered medical practitioner registered under the Medical Ordinance (Chapter 105) has certified that a worker is permanently incapacitated of engaging in work due to some sickness;
 - (b) where the service of a worker has been terminated as a result of any disciplinary inquiry and the decision of such termination has not been revised by law;
 - (c) upon closure or the destruction of an establishment due to any natural cause; or
 - (d) with the prior written approval of the Commissioner-General under the provisions of the Termination of Employment of Workmen (Special Provisions) Act, No. 45 of 1971.
- (2) The provisions of subsection (1) shall not apply to any employer who has employed fifteen workers or less than that on an average within the twelve months period prior to the retirement of any worker.
- (3) Any worker who wishes on his own to vacate his job prior to the minimum retirement age may do so.
4. Any retirement age specified in a contract of service, collective agreement or any other form of contract of service entered into before or on or after the date of operation of this Act, as less than the minimum retirement age shall subject to the provisions of section 3 be deemed to be void and the minimum retirement age as specified in this Act shall apply in respect thereof.

PART II

COMPLAINTS AND INQUIRIES

5. (1) Any worker who has been prematurely retired by the employer other than in the manner specified in subsection (1) of section 3, may within two months from the date of such retirement, complain in writing to the Commissioner-General in respect of such retirement.
- (2) Where any worker has made a complaint to the Commissioner-General under subsection (1), the Commissioner-General shall, conduct an inquiry and within two months from the date of receipt of such complaint grant his final determination on the complaint.
- (3) Upon an inquiry under subsection (2), if the Commissioner-General is satisfied that-
- (a) the complaint made by the worker is not substantiated with supporting evidence, or such premature retirement is in accordance with the provisions of subsection (1) of section 3, the Commissioner-General shall dismiss such complaint; or
 - (b) the worker has been prematurely retired by his employer contrary to the provisions of this Act, the Commissioner-General shall by notice issued by him to the employer, direct the employer –
 - (i) to reinstate such worker from the date of such notice, in the same capacity in which the worker was employed prior to such retirement and to pay him his wages and all other benefits from the date of such retirement; or
 - (ii) where the Commissioner-General is of the opinion that reinstatement is impractical due to the closure of the establishment or commencement of liquidation process of the establishment in which such worker was employed, to pay the worker compensation in terms of the formula determined by the Commissioner-General as specified in section 6D of the Termination of Employment of Workmen (Special Provisions) Act, No.45 of 1971, based on the last paid wages to such worker up to the date of closure of such establishment or the date of commencement of liquidation of such establishment, as the case may be, in lieu of reinstatement.
- (4) Where any worker has prior to coming into operation of this Act made a complaint in terms of the Industrial Disputes Act (Chapter 131) or the Termination of Employment of Workmen (Special Provisions) Act, No.45 of 1971 to the Commissioner-General, a Labour Tribunal, an arbitrator or an Industrial Court against premature retirement and a final determination has not been made on such complaint by the Commissioner-General, Labour Tribunal, arbitrator or Industrial Court, the Commissioner-General has no power to inquire into a complaint made under this Act:
- Provided that, if the worker has made a complaint in terms of the Industrial Disputes Act (Chapter 131) or the Termination of Employment of Workmen (Special Provisions) Act, No.45 of 1971 against the premature retirement, such worker shall not be entitled to make a complaint under this Act.
6. (1) An employer who is dissatisfied with a decision of the Commissioner-General made under section 5 may make an application to the Court of Appeal against such decision, for the issue of an order in the nature of a writ. An employer who makes such application shall furnish to the Commissioner-General, a security in cash, where the order for which is

subject to such application directs –

- (a) only the payment of a sum of money to the worker, of an amount equal to such sum;
 - (b) both the payment of a sum of money to the worker and his reinstatement, of an amount equal to such sum and twelve times the monthly salary or wages of such worker that was at the time his contract of service was terminated. In the case of a daily paid worker, monthly salary or wages shall be twenty-six times the daily wages of such worker.
- (2) The Court of Appeal shall not entertain an application for the issue of an order in the nature of a writ where such application is not accompanied by a certificate of the Commissioner-General to the effect that the applicant has furnished the security in cash.
- (3) The Commissioner-General shall cause all monies furnished as security under this section, to be deposited in an account bearing interest, in any approved bank in Sri Lanka. The security shall be released to the relevant parties in terms of the final determination of the Court of Appeal or of the Supreme Court, as the case may be.

PART III

ADMINISTRATION OF THE ACT AND POWERS OF THE COMMISSIONER-GENERAL

7. The Commissioner-General of Labour shall be in charge of the administration of this Act and may delegate any of his powers, duties and functions under this Act to any officer of the Labour Department as authorized by the Commissioner-General of Labour.
8. (1) The Commissioner-General shall for the purposes of any inquiry in respect of a complaint made under section 5, have the following powers of a District Court -
- (a) to summon and compel the attendance of witnesses;
 - (b) to compel the production of documents; or
 - (c) to require the evidence of any witness to be given on oath or affirmation or cause to be administered by an officer authorized in that behalf by the Commissioner-General an oath or affirmation to every such witness.
- (2) The Commissioner-General may by notice in writing served on any employer direct such employer to furnish to him before a date as specified in such direction-
- (a) a return relating to all his workers or any class or description of such workers and any particulars as the Commissioner-General may require for the purposes of this Act;
 - (b) such information or explanation as the Commissioner-General may require in respect of any particulars stated in any return furnished by such employer; or
 - (c) certified true copies of the whole or any part of any register or record maintained by such employer.
- (3) Every person who –
- (a) fails without cause to appear before the Commissioner-General at the time and place mentioned in the summons issued by the Commissioner-General; or
 - (b) refuses to be sworn or affirmed as a witness before the Commissioner-General or any officer authorized by the Commissioner-General in that behalf;
 - (c) refuses to extend the assistance required by the Commissioner-General as necessary for entry or inspection or the exercise of his powers; or
 - (d) hinders or obstructs the Commissioner-General in the exercise of the powers conferred on the Commissioner-General; or
 - (e) refuses to produce any register or record of wages or give any information which the Commissioner-General requires him to produce or give under the powers conferred on the Commissioner-General; or
 - (f) makes or causes to be made any register or record of wages which is false in any material particular, or produces or causes or knowingly allows to be produced any such register or record to the Commissioner-General acting under the powers conferred on him, knowing the same to be false; or
 - (g) furnishes any information to the Commissioner-General acting under the powers conferred to him, knowingly the same to be false; or
 - (h) (i) fails without cause, or with cause which in the opinion of the Commissioner-General is unreasonable, to appear before the Commissioner-General at the time and place mentioned in any summons issued by the Commissioner-

- General; or
- (ii) refuses or fails without cause or with cause which in the opinion of the Commissioner-General is unreasonable, to produce and show to the Commissioner-General any document which is in his possession or power and which is in the opinion of the Commissioner-General necessary for arriving at the truth of the matters being inquired into by the Commissioner-General; or
 - (iii) refuses to be affirmed or sworn in as a witness before the Commissioner-General; or
 - (iv) defaults in complying with any direction given by the Commissioner-General, or who when called upon to furnish a return knowingly makes or furnishes or caused to be furnished a false return or a return containing any false statement,
- under this section, commits an offence and shall be liable on conviction thereof after summary trial before a Magistrate to a fine not exceeding five thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.
9. Any notice which is required by this Act to be served on or given to any person shall if it is not served on or given personally to such person, be deemed to have been duly served on or given to such person if it is sent to him by registered post addressed to the usual or last known place of abode or business of such person.
10. (1) The Minister may make regulations in respect of all matters which are stated or required by this Act to be prescribed or in respect of all matters for which regulations are required or authorized to be made by this Act.
- (2) Every regulation made by the Minister under this section shall be published in the Gazette and shall come into operation upon such publication or on such later date as may be specified in the regulation.
- (3) Every regulation made by the Minister under this section shall within three months from its publication in the Gazette, be brought before Parliament for approval. Any regulation which is not so approved shall be deemed to be rescinded from the date of such disapproval but without prejudice to anything previously done thereunder.

PART IV

OFFENCES AND PENALTIES

11. Any employer who contravenes the provisions of subsection (1) of section 3 commits an offence and shall on conviction be liable to a fine not exceeding five thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.
12. (1) An employer who fails to comply with a direction specified in the notice issued by the Commissioner-General under section 5, commits an offence and shall be liable on conviction after summary trial by a Magistrate to a fine not less than five thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.
- (2) The burden of proof that the employer has complied with the directions of the notice issued by the Commissioner-General under section 5 shall lie on such employer.
- (3) Upon conviction of an employer under this section, such employer shall –
- (a) pay in addition to the fine such employer is liable to pay under subsection (1), an additional fine of one hundred rupees in respect of each day he continues to fail to comply with such direction after conviction;
 - (b) pay to the worker the wages, benefits or compensation under paragraph (b) of subsection (3) of section 5, which would have been payable to such worker if such worker had been in employment without being retired for the period commencing on the date specified in the notice issued under section 5 and ending on the date of conviction of such employer;
 - (c) where the worker attains the minimum retirement age prior to the date of conviction of such employer, pay to the worker the wages, benefits or compensation until the date on which he attains the minimum retirement age.
- (4) Any sum which an employer is liable to pay under paragraph (b) of subsection (3) may be recovered by the order of the Court by which such employer was convicted as if it were a fine imposed on the employer by that Court and the amount so recovered shall be paid to the worker.
13. Where any offence under this Act is committed by a body of persons, then, if such body –
- (a) is a body corporate, every director and officer of that body corporate;
 - (b) is a firm, every partner of that firm ;

- (c) if such body of persons is a trade union, every officer of that trade union; and
- (d) is a body other than a firm or trade union and unincorporated, the president, manager, secretary and every officer of such body,

shall be deemed to be guilty of that offence:

Provided that, no such person shall be deemed to be guilty of an offence under this Act, if such person proves that such offence was committed without his knowledge or he exercised all due diligence to prevent the commission of such offence.

14. Where any person –

- (a) insults or intimidates the Commissioner-General during the progress of any inquiry conducted by the Commissioner-General under this Act; or
- (b) interferes with the lawful process of such inquiry conducted by the Commissioner-General, such person commits the offence of contempt against the Commissioner-General.

15. Every offence under this Act shall be triable summarily by a Magistrate having jurisdiction in the division of the place where the worker was last employed.

16. The proceedings at any inquiry held by the Commissioner-General for the purposes of this Act shall be conducted by the Commissioner-General in any manner not inconsistent with the principles of natural justice.

17. (1) Where any employer is charged with an offence under this Act, such employer shall upon complaint duly made by him in accordance with the provisions of section 136 of the Code of Criminal Procedure Act, No.15 of 1979 and on giving to the prosecution not less than three days' notice of his intention, be entitled subject to the provisions of Chapter XIV of that Act to have any other person whom he charges as the actual offender, brought before the court, and if after commission of the offence by such other person has been proved, the employer proves to the satisfaction of the court that he has used due diligence to enforce the provisions of this Act and that such other person has committed the offence without his knowledge, consent or connivance, then, that such other person shall be convicted of the offence and the employer shall be exempt from any punishment in respect of the offence.

- (2) Where in any case referred to in subsection (1), a complaint is made by an employer against any other person –
 - (a) the prosecution against such other person shall be conducted by or on behalf of the employer;
 - (b) any witness called by the prosecution in the proceedings against such other person may be cross examined by any officer authorized in that behalf by the Commissioner-General; and
 - (c) pending the determination of the proceedings against such other person, the proceedings in the prosecution of the employer shall be adjourned.

18. In this Act, unless the context otherwise requires –

"Commissioner-General" means the Commissioner-General of Labour and includes any Additional Commissioner-General of Labour, Commissioner of Labour, Deputy Commissioner of Labour, an Assistant Commissioner of Labour or any Labour Officer;

"employer" means any person who employs any worker or causes to be employed any worker on behalf of any other person and includes a body of employers whether such body is a firm, company, corporation, trade union or a body unincorporated, but does not include the state or Government or any such other person or such body which are excluded from any provision or any regulation made under the provisions of this Act;

"employment of casual nature" means an employment of a worker not in excess of hundred and eighty days in any one calendar year;

"fixed term employment" means a written contract of employment for a fixed term of time, specified in days, months or years between an employer and a worker and includes a consecutive fixed term contract entered into with the same individual where such contract is specifically linked to the performance of a particular task or project and the employer retains the services of such worker after the end of such fixed term contract without entering into a new employment for more than twelve calendar months, which shall be deemed to have extended for a length of time identical to the existing fixed term employment contract;

"probationary worker" means a worker who works for a period of not exceeding 180 days within which such period the employer has the sole discretion to decide whether such worker is suitable for a particular position and if not may decide to extend such period for a maximum period of hundred and eighty days, and does not include a worker if such worker has been employed in the same post or performed the same work previously on any contract of service with that employer;

"seasonal employment contract" means a written contract of employment between an employer and a worker in respect of a

specified seasonal work for a time to be specified in such contract in days or months and entered into on an actual or other basis and which shall not be deemed indefinite term contract if the time of engagement in each twelve month period shall not exceed six months;

"worker" shall have the same meaning assigned to the term "workman" in the Industrial Disputes Act (Chapter 131);

"wages" means the basic salary or salary and the cost of living allowance or any other similar allowance.

19. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

SCHEDULE I

section 2

Age of worker as at the date of coming into operation of the Minimum Age of Workers Act	Minimum Retirement Age
54 or above and below 55 years	57 years
53 or above and below 54 years	58 years
52 or above and below 53 years	59 years
Below 52 years	60 years

SCHEDULE II

section 3(1)

1. Any worker in the public sector.
2. Any worker in any statutory body established under written law.
3. Any worker of Government owned business undertakings registered under the Companies Act, No. 7 of 2007.
4. Any worker in any Provincial Council or Local Authority.
5. Any worker recruited by any registered society within the meaning of the Cooperative Societies Law, No. 5 of 1972.
6. Any worker of a charitable institution that has been identified by section 68 of the Inland Revenue Act, No. 24 of 2017.
7. Any worker entered into any contract of service for training in any trade or occupation.
8. Any apprentice or trainee in any wages board established under the Wages Boards Ordinance (Chapter 136).
9. Any apprentice or trainee covered by the Tertiary and Vocational Education Act, No. 20 of 1990 or the Employment of Trainees (Private Sector) Act, No. 8 of 1978.
10. Any worker who enters into and works under a fixed term employment contract or casual employment contract.
11. Any worker who enters into and works under a contract of fixed term employment with an employer.
12. Any worker who enters into and works under a seasonal employment contract with an employer.
13. Any part time worker who enters into contract of service with an employer.
14. Any probationary worker who enters into contract of service with an employer.
15. Any daily paid worker who engages in an employment of casual nature.
16. Any student who serves under a contract for a temporary term of employment during study leave.
17. Any domestic service.
18. Any worker who serves under a contract for an assignment basis employment, entered into with an employer.

Termination of Employment of Workmen (Special Provisions) (Amendment) Act, No. 29 of 2021

[Certified on 17th of November, 2021]

AN ACT TO AMEND THE TERMINATION OF EMPLOYMENT OF WORKMEN (SPECIAL PROVISIONS) ACT, NO. 45 OF 1971

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

1. This Act may be cited as the Termination of Employment of Workmen (Special Provisions) (Amendment) Act, No. 29 of 2021.
2. Section 3 of the Termination of Employment of Workmen (Special Provisions) Act, No. 45 of 1971 is hereby amended in subsection (1) thereof, by the repeal of paragraph (c) and the substitution therefore of the following:—
"(c) to the termination of employment of any workman where such termination was effected upon such workman attains the minimum retirement age as specified in the Minimum Retirement Age of Workers Act, No. 28 of 2021;".
3. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Appropriation Act, No. 30 of 2021

[Certified on 10th of December, 2021]

AN ACT TO PROVIDE FOR THE SERVICE OF THE FINANCIAL YEAR 2022; TO AUTHORIZE THE RAISING OF LOANS IN OR OUTSIDE SRI LANKA, FOR THE PURPOSE OF SUCH SERVICE; TO MAKE FINANCIAL PROVISION IN RESPECT OF CERTAIN ACTIVITIES OF THE GOVERNMENT DURING THAT FINANCIAL YEAR; TO ENABLE THE PAYMENT BY WAY OF ADVANCES OUT OF THE CONSOLIDATED FUND OR ANY OTHER FUND OR MONEYS, OF OR AT THE DISPOSAL OF THE GOVERNMENT, OF MONEYS REQUIRED DURING THAT FINANCIAL YEAR FOR EXPENDITURE ON SUCH ACTIVITIES; TO PROVIDE FOR THE REFUND OF SUCH MONEYS TO THE CONSOLIDATED FUND AND TO MAKE PROVISION FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO

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

1. This Act may be cited as the Appropriation Act, No. 30 of 2021.
2. (1) Without prejudice to anything in any other law authorizing any expenditure and subject to the provisions of subsection (4) of this section, the expenditure of the Government which is estimated to be rupees two thousand seven hundred ninety six billion four hundred forty six million five hundred fifty eight thousand for the service of the period beginning on January 1, 2022 and ending on December 31, 2022 (in this Act referred to as the "financial year 2022"), shall be met –
 - (a) from payments which are hereby authorized to be made out of the Consolidated Fund or any other fund or moneys, of or at the disposal of the Government; and
 - (b) from borrowing made in the financial year 2022, which are hereby authorized in terms of relevant laws for moneys to be raised whether in or outside Sri Lanka, for and on behalf of the Government, provided that the balance outstanding of such borrowing at any given time during the financial year 2022 or at the end of the financial year 2022 shall not exceed rupees three thousand two hundred billion and the details of such loans shall be incorporated in the Final Budget Position Report which is required to be tabled in Parliament under section 13 of the Fiscal Management (Responsibility) Act, No. 3 of 2003:

Provided that, the difference between the total short-term borrowing raised during the financial year 2022 and the total settlement of short-term borrowing made during the financial year 2022 shall only be considered in deciding the volume of short-term borrowing for the purposes of calculating the borrowing made during the financial year 2022 as specified in this section.
- (2) The sum of rupees two thousand seven hundred ninety six billion four hundred forty six million five hundred fifty eight thousand referred to in subsection (1), may be expended as specified in the First Schedule to this Act.
- (3) The provisions of subsection (1) shall have effect without prejudice to the provisions of any other written law, authorizing the raising of loans for and on behalf of the Government.
- (4) The estimated expenditure of the Government authorized by laws to be charged on the Consolidated Fund, shall be rupees two thousand six hundred twenty three billion one hundred twenty three million four hundred forty two thousand for the service of the period beginning on January 1, 2022 and ending on December 31, 2022. The Expenditure Heads and the laws under which such expenditure is authorized to be made, are as specified in the Second Schedule to this Act.
3. (1) The receipts of the Government during the financial year 2022, from each activity specified in Column I of the Third Schedule to this Act, shall be credited to the account of such activity, but the aggregate of receipts so credited shall not be less than the minimum limit specified in the corresponding entry in Column III of that Schedule. The net surplus, if any, of such activity, shall be paid to the Consolidated Fund before the expiry of six months after the close of the financial year 2022.
 - (2) For the purpose of determining the net surplus under subsection (1), the following charges shall be set off against the revenue of each activity:-
 - (a) the working, establishment and other expenses of the activity, whether paid or accrued, properly chargeable to the revenue of the activity; and
 - (b) provision to cover the depreciation of the movable and immovable property of the activity.
 - (3) The expenditure incurred by the Government during the financial year 2022 on each activity specified in Column I of the Third Schedule to this Act, shall be paid out of the receipts of the Government from such activity during that financial year, but such expenditure shall not exceed the maximum limit specified in the corresponding entry in Column II of that Schedule.

- (4) The debit balance outstanding at the end of the financial year 2022, of any activity specified in Column I of the Third Schedule to this Act, shall not exceed the maximum limit specified in the corresponding entry in Column IV of that Schedule and the total liabilities of that activity at the end of that financial year, shall not exceed the maximum limit specified in the corresponding entry in Column V of that Schedule.
4. Whenever at any time during the financial year 2022, the receipts of the Government from any activity specified in Column I of the Third Schedule to this Act are insufficient to meet the expenditure incurred by the Government on such activity, the Minister may, from time to time, by Order, direct that such sums as he may deem necessary to meet such expenditure shall be payable by way of advances, out of the Consolidated Fund or any other fund or moneys, of or at the disposal of the Government, so however that the aggregate of the sums so advanced shall not exceed the maximum limit of expenditure specified in the corresponding entry in Column II of that Schedule. Any sum so advanced in respect of such activity shall be refunded to the Consolidated Fund in such manner, as the Minister may by Order direct.
5. (1) Any moneys which by virtue of the provisions of the First Schedule to this Act, have been allocated to Recurrent Expenditure under any Programme appearing under any Head specified in that Schedule, but have not been expended or are not likely to be expended, may be transferred to the allocation of Capital Expenditure within that Programme or to the allocation of Recurrent Expenditure or Capital Expenditure under any other Programme within that Head, by Order of the Secretary to the Treasury or by Order either of a Deputy Secretary to the Treasury or the Director General of the National Budget Department, who may be authorized in that behalf by the Secretary to the Treasury.
- (2) No moneys allocated to Capital Expenditure under any Programme appearing under any Head specified in the First Schedule to this Act, shall be transferred out of that Programme or to any allocation of Recurrent Expenditure of that Programme.
6. (1) Any money allocated to Recurrent Expenditure or Capital Expenditure under the "Development Activities" Programme, appearing under the Head, "Department of National Budget" specified in the First Schedule, may be transferred subject to guidelines stipulated in Printed Budget Estimates approved by Parliament for the relevant year, to any other Programme under any other Head in that Schedule, by Order of the Secretary to the Treasury or by Order either of a Deputy Secretary to the Treasury or the Director General of the National Budget Department, who may be authorized in that behalf by the Secretary to the Treasury. The money so transferred shall be deemed to be a supplementary allocation made to the particular Ministry, and a report containing the amount of money so transferred and the reasons for the transfer, shall be submitted to Parliament within two months of the date of the said transfer:
- Provided that, implementing this section, Ministries, Government Departments and Public Institutions shall not make requests for supplementary allocations in financial year 2022 to implement new programmes and Projects.
- (2) Details of all transfers made under subsection (1), including the reasons for such transfers, shall be incorporated in the reports relating to the Government's fiscal performance, which are required to be tabled in Parliament under the provisions of the Fiscal Management (Responsibility) Act, No.3 of 2003.
7. Where the Minister is satisfied-
- (a) that receipts from taxes and other sources will be less than the amounts anticipated to finance authorized expenditure; or
- (b) that amounts originally appropriated for a particular purpose or purposes are no longer required,
- he may with the approval of the Government, withdraw in whole or in part any amounts previously released for expenditure under the authority of a warrant issued by him, from the Consolidated Fund or from any other fund or moneys, of or at the disposal of the Government, to meet any authorized expenditure and the details of all such withdrawals shall be incorporated in the Final Budget Position Report which is required to be tabled in Parliament under section 13 of the Fiscal Management (Responsibility) Act, No. 3 of 2003.
8. (1) The Minister with the approval of the Government may, on or before May 31, 2023, by Order, vary or alter-
- (a) any of the maximum limits specified in Column II, Column IV and Column V; and
- (b) the minimum limits specified in Column III,
- of the Third Schedule to this Act.

- (2) No Order made under subsection (1) shall have effect, unless it has been approved by Parliament by Resolution.
- (3) Any Order made under subsection (1) shall, if so expressed therein, be deemed to have had effect from such date prior to the date of making such Order, as may be specified therein.
9. Parliament may by Resolution amend the Third Schedule to this Act, by adding to the appropriate Columns of that Schedule any activity and providing for -
- (a) all or any of the maximum limits relating to such activity; and
- (b) the minimum limit relating to such activity.
10. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

FIRST SCHEDULE
ESTIMATE — 2022
Sums Payable for General Services

(Section 2, 5 and 6)

Head No.	Recurrent Expenditure Rs.	Capital Expenditure Rs.
Head 1 - 25 Special Spending Units		
Recurrent	11,484,125,000	
Capital	1,177,455,000	
Made up as follows:-		
Head 1 His Excellency the President		
Programme 01 Operational Activities	2,309,980,000	378,820,000
Programme 02 Development Activities		100,000,000
Head 2 Office of the Prime Minister		
Programme 01 Operational Activities	1,172,450,000	219,500,000
Head 4 Judges of the Superior Courts		
Programme 01 Operational Activities	301,900,000	12,300,000
Head 5 Office of the Cabinet of Ministers		
Programme 01 Operational Activities	177,150,000	26,300,000
Head 6 Office of the Public Service Commission		
Programme 01 Operational Activities	256,053,000	12,000,000
Head 7 Judicial Service Commission		
Programme 01 Operational Activities	109,922,000	1,450,000
Head 8 National Police Commission		
Programme 01 Operational Activities	134,600,000	4,710,000
Head 9 Administrative Appeals Tribunal		
Programme 01 Operational Activities	31,155,000	200,000
Head 10 Commission to Investigate Allegations of Bribery or Corruption		
Programme 01 Operational Activities	534,405,000	52,500,000
Head 11 Office of the Finance Commission		
Programme 01 Operational Activities	94,616,000	4,700,000
Head 13 Human Rights Commission of Sri Lanka		
Programme 01 Operational Activities	221,264,000	2,600,000
Head 16 Parliament		
Programme 01 Operational Activities	2,931,850,000	195,200,000
Head 17 Office of the Leader of the House of Parliament		
Programme 01 Operational Activities	59,100,000	1,250,000
Head 18 Office of the Chief Govt. Whip of Parliament		
Programme 01 Operational Activities	137,100,000	1,800,000
Head 19 Office of the Leader of the Opposition of Parliament		
Programme 01 Operational Activities	154,880,000	17,800,000
Head 20 Election Commission		
Programme 01 Operational Activities	860,600,000	107,000,000
Head 21 National Audit Office		
Programme 01 Operational Activities	1,959,200,000	39,000,000

Head 22	Office of the Parliamentary Commissioner for Administration			
	Programme 01	Operational Activities	25,830,000	200,000
Head 25	Delimitation Commission			
	Programme 01	Operational Activities	12,070,000	125,000

Ministry of Buddhasasana, Religious and Cultural Affairs

Recurrent	3,980,000,000
Capital	1,775,000,000

Made up as follows :-

Head 101	Minister of Buddhasasana, Religious and Cultural Affairs			
	Programme 01	Operational Activities	414,000,000	144,000,000
	Programme 02	Development Activities	727,000,000	855,000,000
Head 201	Department of Buddhist Affairs			
	Programme 01	Operational Activities	84,000,000	9,000,000
	Programme 02	Development Activities	1,073,000,000	79,000,000
Head 202	Department of Muslim Religious and Cultural Affairs			
	Programme 02	Development Activities	154,000,000	27,000,000
Head 203	Department of Christian Religious Affairs			
	Programme 02	Development Activities	198,000,000	42,000,000
Head 204	Department of Hindu Religious and Cultural Affairs			
	Programme 02	Development Activities	209,000,000	57,000,000
Head 206	Department of Cultural Affairs			
	Programme 01	Operational Activities	140,000,000	6,000,000
	Programme 02	Development Activities	581,000,000	220,000,000
Head 208	Department of National Museums			
	Programme 01	Operational Activities	50,000,000	14,000,000
	Programme 02	Development Activities	191,000,000	191,000,000
Head 209	Department of National Archives			
	Programme 01	Operational Activities	89,000,000	10,000,000
	Programme 02	Development Activities	70,000,000	121,000,000

State Ministry of National Heritage, Performing Arts and Rural Arts Promotion

Recurrent	1,498,000,000
Capital	300,000,000

Made up as follows :-

Head 401	State Minister of National Heritage Performing Arts and Rural Arts Promotion			
	Programme 01	Operational Activities	180,500,000	8,500,000
	Programme 02	Development Activities	166,500,000	145,500,000
Head 207	Department of Archaeology			
	Programme 01	Operational Activities	266,000,000	6,000,000
	Programme 02	Development Activities	885,000,000	140,000,000

Ministry of Finance

Recurrent	131,731,805,000
Capital	110,285,188,000

Made up as follows :-

Head 102	Minister of Finance			
	Programme 01	Operational Activities	2,371,550,000	187,025,000
	Programme 02	Development Activities	-	1,267,000,000
Head 238	Department of Fiscal Policy			
	Programme 01	Operational Activities	71,560,000	625,000
Head 239	Department of External Resources			
	Programme 01	Operational Activities	322,900,000	1,262,825,000
Head 240	Department of National Budget			
	Programme 01	Operational Activities	218,300,000	277,500,000
	Programme 02	Development Activities	40,276,000,000	30,524,783,000

Head 241	Department of Public Enterprises		
	Programme 01	Operational Activities	593,000,000
Head 242	Department of Management Services		44,503,500,000
	Programme 01	Operational Activities	108,450,000
Head 243	Department of Development Finance		2,050,000
	Programme 01	Operational Activities	14,319,350,000
	Programme 02	Development Activities	-
Head 244	Department of Trade and Investment Policies		925,000
	Programme 01	Operational Activities	55,250,000
Head 245	Department of Public Finance		2,225,000
	Programme 01	Operational Activities	77,450,000
Head 246	Department of Inland Revenue		6,850,000
	Programme 01	Operational Activities	4,186,600,000
Head 247	Sri Lanka Customs		1,135,000,000
	Programme 01	Operational Activities	3,332,300,000
Head 248	Department of Excise		1,558,625,000
	Programme 01	Operational Activities	1,517,750,000
Head 249	Department of Treasury Operations		282,000,000
	Programme 01	Operational Activities	63,641,250,000
Head 250	Department of State Accounts		10,480,300,000
	Programme 01	Operational Activities	76,900,000
Head 296	Department of Import and Export Control		18,350,000
	Programme 01	Operational Activities	97,975,000
Head 297	Department of the Registrar of Companies		32,250,000
	Programme 01	Operational Activities	72,500,000
Head 323	Department of Legal Affairs		-
	Programme 01	Operational Activities	21,250,000
Head 324	Department of Management Audit		375,000
	Programme 01	Operational Activities	58,900,000
Head 329	Department of Information Technology Management		1,150,000
	Programme 01	Operational Activities	312,570,000
			2,250,000

**State Ministry of Samurdhi Household Economy, Micro-finance,
Self Employment and Business Development**

**Recurrent 73,863,650,000
Capital 1,166,000,000**

Made up as follows :-

Head 414	State Minister of Samurdhi Household Economy, Micro-finance, Self Employment and Business Development		
	Programme 01	Operational Activities	420,050,000
	Programme 02	Development Activities	55,700,000
Head 331	Department of Samurdhi Development		6,923,600,000
	Programme 01	Operational Activities	793,600,000
	Programme 02	Development Activities	418,500,000
			8,700,000
			66,101,500,000
			308,000,000

Ministry of Defence

**Recurrent 326,295,860,000
Capital 46,750,000,000**

Made up as follows :-

Head 103	Minister of Defence		
	Programme 01	Operational Activities	5,978,170,000
	Programme 02	Development Activities	14,017,750,000
Head 222	Sri Lanka Army		456,400,000
	Programme 01	Operational Activities	7,172,000,000
Head 223	Sri Lanka Navy		180,740,190,000
	Programme 01	Operational Activities	7,404,280,000
Head 224	Sri Lanka Air Force		9,244,480,000
	Programme 01	Operational Activities	54,726,300,000
			41,161,200,000
			14,913,590,000

Head 320	Department of Civil Security Programme 01 Operational Activities	18,154,450,000	177,500,000
Head 325	Department of Sri Lanka Coast Guard Programme 01 Operational Activities	67,700,000	451,000,000
Head 334	Department of Multi-purpose Development Task Force Programme 01 Operational Activities	18,295,850,000	85,000,000

State Ministry of Home Affairs

Recurrent	33,646,000,000
Capital	88,775,000,000

Made up as follows :-

Head 409	State Minister of Home Affairs Programme 01 Operational Activities	10,487,000,000	136,000,000
	Programme 02 Development Activities	-	1,740,000,000
Head 255	District Secretariat, Colombo Programme 01 Operational Activities	1,032,000,000	5,072,000,000
Head 256	District Secretariat, Gampaha Programme 01 Operational Activities	1,304,000,000	7,747,000,000
Head 257	District Secretariat, Kalutara Programme 01 Operational Activities	1,171,000,000	4,606,000,000
Head 258	District Secretariat, Kandy Programme 01 Operational Activities	1,531,000,000	6,674,000,000
Head 259	District Secretariat, Matale Programme 01 Operational Activities	798,000,000	3,008,000,000
Head 260	District Secretariat, Nuwara-Eliya Programme 01 Operational Activities	571,000,000	2,959,000,000
Head 261	District Secretariat, Galle Programme 01 Operational Activities	1,463,000,000	5,102,000,000
Head 262	District Secretariat, Matara Programme 01 Operational Activities	1,244,000,000	3,779,000,000
Head 263	District Secretariat, Hambantota Programme 01 Operational Activities	925,000,000	3,318,000,000
Head 264	District Secretariat/ Kachcheri - Jaffna Programme 01 Operational Activities	1,099,000,000	2,616,000,000
Head 265	District Secretariat/ Kachcheri - Mannar Programme 01 Operational Activities	304,000,000	839,000,000
Head 266	District Secretariat/ Kachcheri - Vavuniya Programme 01 Operational Activities	295,000,000	758,000,000
Head 267	District Secretariat/ Kachcheri - Mullaitivu Programme 01 Operational Activities	341,000,000	730,000,000
Head 268	District Secretariat/ Kachcheri - Killinochchi Programme 01 Operational Activities	324,000,000	574,000,000
Head 269	District Secretariat/ Kachcheri - Batticaloa Programme 01 Operational Activities	866,000,000	2,218,000,000
Head 270	District Secretariat, Ampara Programme 01 Operational Activities	1,117,000,000	3,325,000,000
Head 271	District Secretariat/ Kachcheri - Trincomalee Programme 01 Operational Activities	570,000,000	1,614,000,000
Head 272	District Secretariat, Kurunegala Programme 01 Operational Activities	2,133,000,000	8,392,000,000
Head 273	District Secretariat, Puttalam Programme 01 Operational Activities	848,000,000	3,302,000,000
Head 274	District Secretariat, Anuradhapura Programme 01 Operational Activities	1,057,000,000	4,266,000,000
Head 275	District Secretariat - Polonnaruwa Programme 01 Operational Activities	556,000,000	1,875,000,000
Head 276	District Secretariat - Badulla Programme 01 Operational Activities	907,000,000	3,799,000,000
Head 277	District Secretariat, Monaragala Programme 01 Operational Activities	-	-

Head 278	Programme 01	Operational Activities	606,000,000	2,242,000,000
	District Secretariat, Rathnapura			
Head 279	Programme 01	Operational Activities	1,100,000,000	4,023,000,000
	District Secretariat, Kegalle			
	Programme 01	Operational Activities	997,000,000	4,061,000,000

State Ministry of National Security and Disaster Management

**Recurrent 6,168,195,000
Capital 4,286,570,000**

Made up as follows :-

Head 442	State Minister of National Security and Disaster Management			
	Programme 01	Operational Activities	760,623,000	125,020,000
	Programme 02	Development Activities	841,762,000	2,942,500,000
Head 226	Department of Immigration and Emigration			
	Programme 01	Operational Activities	1,895,500,000	727,000,000
Head 254	Department of Registrar General			
	Programme 01	Operational Activities	2,326,060,000	61,750,000
Head 304	Department of Meteorology			
	Programme 02	Development Activities	344,250,000	430,300,000

Ministry of Economic Policies & Plan Implementation

**Recurrent 2,022,800,000
Capital 5,064,500,000**

Made up as follows :-

Head 104	Minister of Economic Policies & Plan Implementation			
	Programme 01	Operational Activities	337,450,000	893,100,000
Head 237	Department of National Planning			
	Programme 01	Operational Activities	153,770,000	3,595,770,000
Head 251	Department of Valuation			
	Programme 01	Operational Activities	500,100,000	29,700,000
Head 252	Department of Census and Statistics			
	Programme 01	Operational Activities	999,300,000	545,700,000
Head 333	Office of the Comptroller General			
	Programme 01	Operational Activities	32,180,000	230,000

Ministry of Mass Media

**Recurrent 18,624,060,000
Capital 1,672,000,000**

Made up as follows :-

Head 105	Minister of Mass Media			
	Programme 01	Operational Activities	248,915,000	572,100,000
	Programme 02	Development Activities	66,450,000	125,250,000
Head 210	Department of Government Information			
	Programme 01	Operational Activities	297,665,000	94,379,000
Head 211	Department of Government Printing			
	Programme 01	Operational Activities	3,160,080,000	288,300,000
Head 308	Department of Posts			
	Programme 02	Development Activities	14,850,950,000	591,971,000

Ministry of Justice

**Recurrent 12,812,460,000
Capital 11,937,000,000**

Made up as follows :-

Head 110	Minister of Justice			
	Programme 01	Operational Activities	2,506,425,000	8,073,690,000

Head 205	Department of Public Trustee		
	Programme 01	Operational Activities	69,475,000
Head 228	Courts Administration		3,700,000
	Programme 01	Operational Activities	7,851,750,000
Head 229	Attorney General's Department		3,308,200,000
	Programme 01	Operational Activities	1,545,000,000
Head 230	Legal Draftsman's Department		329,000,000
	Programme 01	Operational Activities	125,200,000
Head 231	Department of Debt Conciliation Board		10,500,000
	Programme 01	Operational Activities	35,850,000
Head 233	Department of Government Analyst		1,000,000
	Programme 01	Operational Activities	416,300,000
Head 234	Office of the Registrar of the Supreme Court		206,500,000
	Programme 01	Operational Activities	246,550,000
Head 235	Law Commission of Sri Lanka		3,200,000
	Programme 01	Operational Activities	15,910,000
			1,210,000

State Ministry of Prison Management and Prisoners' Rehabilitation

Recurrent 8,462,930,000
Capital 1,390,000,000

Made up as follows :-

Head 418	State Minister of Prison Management and Prisoners' Rehabilitation		
	Programme 01	Operational Activities	377,370,000
Head 232	Department of Prisons		928,800,000
	Programme 01	Operational Activities	7,601,500,000
Head 326	Department of Community Based Corrections		448,000,000
	Programme 01	Operational Activities	484,060,000
			13,200,000

Ministry of Health

Recurrent 121,528,998,000
Capital 37,000,000,000

Made up as follows :-

Head 111	Minister of Health		
	Programme 01	Operational Activities	103,535,998,000
	Programme 02	Development Activities	17,993,000,000

State Ministry of Indigenous Medicine Promotion , Rural and Ayurvedic Hospitals Development and Community Health

Recurrent 2,179,000,000
Capital 100,000,000

Made up as follows :-

Head 416	State Minister of Indigenous Medicine Promotion , Rural and Ayurvedic Hospitals Development and Community Health		
	Programme 01	Operational Activities	360,000,000
	Programme 02	Development Activities	17,000,000
Head 220	Department of Ayurveda		10,000,000
	Programme 01	Operational Activities	122,000,000
	Programme 02	Development Activities	7,000,000
			66,000,000

State Ministry of Production, Supply and Regulation of Pharmaceuticals

Recurrent 65,730,000,000
Capital 400,000,000

Made up as follows :-

Head 423	State Minister of Production, Supply and Regulation of Pharmaceuticals		
	Programme 01	Operational Activities	65,730,000,000
	Programme 02	Development Activities	25,000,000

State Ministry of Primary Health Care, Epidemics and Covid Disease Control

Recurrent	12,650,000,000
Capital	150,000,000

Made up as follows :-

Head 441	State Minister of Primary Health Care, Epidemics and Covid Disease Control		
	Programme 01	Operational Activities	118,000,000
	Programme 02	Development Activities	11,822,000,000
Head 216	Department of Social Services		
	Programme 01	Operational Activities	83,000,000
	Programme 02	Development Activities	627,000,000

Foreign Ministry

Recurrent	12,726,350,000
Capital	463,000,000

Made up as follows :-

Head 112	Foreign Minister		
	Programme 01	Operational Activities	52,400,000
	Programme 02	Development Activities	12,673,950,000

State Ministry of Regional Cooperation

Recurrent	113,200,000
Capital	7,000,000

Made up as follows :-

Head 419	State Minister of Regional Cooperation		
	Programme 01	Operational Activities	113,200,000

Ministry of Transport

Recurrent	16,689,950,000
Capital	16,540,000,000

Made up as follows :-

Head 114	Minister of Transport		
	Programme 01	Operational Activities	291,000,000
	Programme 02	Development Activities	650,000,000
Head 306	Department of Sri Lanka Railways		
	Programme 02	Development Activities	15,748,950,000

State Ministry of Vehicle Regulation, Bus Transport Services and Train Compartments and Motor Car Industry

Recurrent	9,215,050,000
Capital	3,000,000,000

Made up as follows :-

Head 436	State Minister of Vehicle Regulation, Bus Transport Services and Train Compartments and Motor Car Industry		
	Programme 01	Operational Activities	120,050,000
	Programme 02	Development Activities	7,210,000,000
Head 307	Department of Motor Traffic		
	Programme 02	Development Activities	1,885,000,000

Ministry of Energy

Recurrent	217,900,000
Capital	34,000,000

Made up as follows :-

Head 115	Minister of Energy		
	Programme 01	Operational Activities	217,900,000

Ministry of Trade

Recurrent	16,248,000,000
Capital	3,200,000,000

Made up as follows :-

Head 116	Minister of Trade			
	Programme 01	Operational Activities	329,000,000	16,000,000
	Programme 02	Development Activities	15,475,000,000	2,905,000,000
Head 295	Department of Commerce			
	Programme 01	Operational Activities	145,000,000	8,000,000
Head 298	Department of Measurement Units, Standards and Services			
	Programme 01	Operational Activities	160,800,000	-
Head 299	National Intellectual Property Office of Sri Lanka			
	Programme 01	Operational Activities	45,300,000	-
Head 300	Department of Food Commissioner			
	Programme 01	Operational Activities	92,900,000	271,000,000

State Ministry of Co-operative Services, Marketing Development and Consumer Protection

Recurrent	863,000,000
Capital	15,146,000,000

Made up as follows :-

Head 438	State Minister of Cooperative Services, Marketing Development and Consumer Protection			
	Programme 01	Operational Activities	149,700,000	49,800,000
	Programme 02	Development Activities	607,000,000	15,030,000,000
Head 301	Department of Co-operative Development (Registrar of Co-operative Societies)			
	Programme 01	Operational Activities	85,000,000	64,500,000
Head 302	Co-operative Employees Commission			
	Programme 01	Operational Activities	21,300,000	1,700,000

Ministry of Highways

Recurrent	191,200,000
Capital	270,000,000,000

Made up as follows :-

Head 117	Minister of Highways			
	Programme 01	Operational Activities	191,200,000	8,300,000
	Programme 02	Development Activities	-	269,991,700,000

State Ministry of Rural Roads and Other Infrastructure

Recurrent	76,000,000
Capital	10,000,000,000

Made up as follows :-

Head 435	State Minister of Rural Roads and other Infrastructure			
	Programme 01	Operational Activities	76,000,000	4,000,000
	Programme 02	Development Activities	-	9,996,000,000

Ministry of Agriculture

Recurrent	9,838,000,000
Capital	23,557,100,000

Made up as follows :-

Head 118	Minister of Agriculture			
	Programme 01	Operational Activities	837,500,000	37,100,000
	Programme 02	Development Activities	4,140,000,000	22,000,000,000
Head 285	Department of Agriculture			
	Programme 01	Operational Activities	514,500,000	61,500,000
	Programme 02	Development Activities	4,346,000,000	1,458,500,000

State Ministry of Backward Rural Areas Development and Promotion of Domestic Animal Husbandry and Minor Economic Crop Cultivation

Recurrent 233,300,000
Capital 292,000,000

Made up as follows :-

Head 407	State Minister of Backward Rural Areas Development and Promotion of Domestic Animal Husbandry and Minor Economic Crop Cultivation		
	Programme 01	Operational Activities	115,300,000
	Programme 02	Development Activities	118,000,000

State Ministry of Promoting the production & Regulating the supply of Organic Fertilizer and Paddy & Grains, Organic Foods, Vegetables, Fruits, Chilies, Onion and Potato Cultivation Promoting, Seed Production and Advanced Technology Agriculture

Recurrent 43,582,220,000
Capital 2,216,000,000

Made up as follows :-

Head 426	State Minister of Promoting the Production & Regulating the supply of Organic Fertilizer, and Paddy & Grains, Organic Foods, Vegetables, Fruits, Chilies, Onion and Potato Cultivation Promoting, Seed Production and Advanced Technology Agriculture		
	Programme 01	Operational Activities	455,220,000
	Programme 02	Development Activities	35,195,000,000
Head 281	Department of Agrarian Development		
	Programme 01	Operational Activities	486,000,000
	Programme 02	Development Activities	7,446,000,000

State Ministry of Livestock, Farm Promotion and Dairy and Egg Related Industries

Recurrent 973,100,000
Capital 1,800,000,000

Made up as follows :-

Head 427	State Minister of Livestock, Farm Promotion and Dairy and Egg Related Industries		
	Programme 01	Operational Activities	328,500,000
	Programme 02	Development Activities	-
Head 292	Department of Animal Production and Health		
	Programme 01	Operational Activities	644,600,000
	Programme 02	Development Activities	-

Ministry of Power

Recurrent 237,300,000
Capital 529,000,000

Made up as follows :-

Head 119	Minister of Power		
	Programme 01	Operational Activities	237,300,000
	Programme 02	Development Activities	-

State Ministry of Solar, Wind and Hydro Power Generation Projects Development

Recurrent 371,500,000
Capital 161,000,000

Made up as follows :-

Head 406	State Minister of Solar, Wind and Hydro Power Generation Projects Development		
	Programme 01	Operational Activities	129,500,000
	Programme 02	Development Activities	242,000,000

Ministry of Lands

Recurrent	5,751,750,000
Capital	3,115,000,000

Made up as follows :-

Head 122	Minister of Lands			
	Programme 01	Operational Activities	368,100,000	9,900,000
	Programme 02	Development Activities	-	2,720,800,000
Head 286	Department of Land Commissioner General			
	Programme 02 -	Development Activities	471,000,000	70,000,000
Head 287	Department of Land Title Settlement			
	Programme 02 -	Development Activities	507,550,000	9,500,000
Head 288	Department of Surveyor General of Sri Lanka			
	Programme 01	Operational Activities	255,100,000	19,000,000
	Programme 02	Development Activities	3,706,000,000	254,800,000
Head 327	Department of Land Use Policy Planning			
	Programme 02 -	Development Activities	444,000,000	31,000,000

Ministry of Urban Development and Housing

Recurrent	437,965,000
Capital	15,867,000,000

Made up as follows :-

Head 123	Minister of Urban Development and Housing			
	Programme 01	Operational Activities	267,125,000	5,850,000
	Programme 02	Development Activities	-	15,633,490,000
Head 311	Department of National Physical Planning			
	Programme 01	Operational Activities	170,840,000	227,660,000

State Ministry of Urban Development, Waste Disposal and Community Cleanliness

Recurrent	418,575,000
Capital	4,000,000,000

Made up as follows :-

Head 411	State Minister of Urban Development, Waste Disposal and Community Cleanliness			
	Programme 01	Operational Activities	263,575,000	6,050,000
	Programme 02	Development Activities	155,000,000	3,993,950,000

State Ministry of Rural Housing, Construction and Building Material Industries

Recurrent	1,086,055,000
Capital	11,915,000,000

Made up as follows :-

Head 415	State Minister of Rural Housing, Construction and Building Material Industries			
	Programme 01	Operational Activities	371,225,000	21,850,000
	Programme 02	Development Activities	87,290,000	11,762,800,000
Head 309	Department of Buildings			
	Programme 01	Operational Activities	133,600,000	3,600,000
	Programme 02	Development Activities	355,460,000	23,950,000
Head 310	Department of Government Factories			
	Programme 02	Development Activities	138,480,000	102,800,000

State Ministry of Estate Housing and Community Infrastructure

Recurrent	445,705,000
Capital	2,525,000,000

Made up as follows :-

Head 417	State Minister of Estate Housing and Community Infrastructure
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Programme 01	Operational Activities	445,705,000	14,600,000
Programme 02	Development Activities	-	2,510,400,000

State Ministry of Coast Conservation & Low-Lying Lands Development

Recurrent	527,132,000
Capital	2,255,000,000

Made up as follows :-

Head 443	State Minister of Coast Conservation & Low-Lying Lands Development		
	Programme 01	Operational Activities	119,772,000
	Programme 02	Development Activities	100,000,000
Head 291	Department of Coast Conservation and Coastal Resource Management		1,875,000,000
	Programme 01	Operational Activities	307,360,000
			374,700,000

Ministry of Education

Recurrent	135,455,000,000
Capital	27,450,000,000

Made up as follows :-

Head 126	Minister of Education		
	Programme 01	Operational Activities	1,900,850,000
	Programme 02	Development Activities	71,629,150,000
Head 212	Department of Examinations		17,318,000,000
	Programme 02	Development Activities	4,570,000,000
Head 213	Department of Educational Publications		250,000,000
	Programme 02	Development Activities	80,000,000
Head 214	University Grants Commission		84,000,000
	Programme 02	Development Activities	57,275,000,000
			8,000,000,000

State Ministry of Women and Child Development, Pre-Schools and Primary Education, School Infrastructure and Education Services

Recurrent	19,105,000,000
Capital	4,700,000,000

Made up as follows :-

Head 403	State Minister of Women and Child Development, Pre-Schools and Primary Education, School Infrastructure and Education Services		
	Programme 01	Operational Activities	12,394,000,000
	Programme 02	Development Activities	6,371,000,000
Head 217	Department of Probation and Childcare Services		48,000,000
	Programme 01	Operational Activities	4,587,000,000
	Programme 02	Development Activities	40,200,000
			1,000,000
			299,800,000
			64,000,000

State Ministry of Education Reforms, Open Universities and Distance Learning Promotion

Recurrent	690,000,000
Capital	1,425,000,000

Made up as follows :-

Head 404	State Minister of Education Reforms, Open Universities and Distance Learning Promotion		
	Programme 01	Operational Activities	635,000,000
Head 335	National Education Commission		1,413,000,000
	Programme 01	Operational Activities	55,000,000
			12,000,000

State Ministry of Skills Development, Vocational Education, Research and Innovation

Recurrent	9,800,000,000
Capital	4,560,000,000

Made up as follows :-

Head 421	State Minister of Skills Development, Vocational Education, Research and Innovation		
	Programme 01	Operational Activities	5,600,300,000
	Programme 02	Development Activities	1,999,700,000
Head 215	Department of Technical Education and Training		
	Programme 01	Operational Activities	261,600,000
	Programme 02	Development Activities	1,938,400,000

State Ministry of Dhamma Schools, Pirivenas and Bhikkhu Education

Recurrent	4,650,000,000
Capital	225,000,000

Made up as follows :-

Head 422	State Minister of Dhamma Schools, Pirivenas and Bhikkhu Education		
	Programme 01	Operational Activities	110,184,000
	Programme 02	Development Activities	4,539,816,000

Ministry of Public Services, Provincial Councils and Local Government

Recurrent	293,896,000,000
Capital	480,000,000

Made up as follows :-

Head 130	Minister of Public Services, Provincial Councils and Local Government		
	Programme 01	Operational Activities	28,998,000,000
Head 236	Department of Official Languages		
	Programme 01	Operational Activities	158,000,000
Head 253	Department of Pensions		
	Programme 01	Operational Activities	264,740,000,000

State Ministry of Provincial Councils and Local Government

Recurrent	288,608,000,000
Capital	40,500,000,000

Made up as follows :-

Head 420	State Minister of Provincial Councils and Local Government		
	Programme 01	Operational Activities	308,000,000
	Programme 02	Development Activities	300,000,000
Head 312	Western Provincial Council		
	Programme 01	Operational Activities	50,008,000,000
	Programme 02	Development Activities	-
Head 313	Central Provincial Council		
	Programme 01	Operational Activities	37,459,000,000
	Programme 02	Development Activities	-
Head 314	Southern Provincial Council		
	Programme 01	Operational Activities	35,507,000,000
	Programme 02	Development Activities	-
Head 315	Northern Provincial Council		
	Programme 01	Operational Activities	26,428,000,000
	Programme 02	Development Activities	-
Head 316	North Western Provincial Council		
	Programme 01	Operational Activities	33,542,000,000
	Programme 02	Development Activities	-
Head 317	North Central Provincial Council		
	Programme 01	Operational Activities	20,979,000,000
	Programme 02	Development Activities	-
Head 318	Uva Provincial Council		
	Programme 01	Operational Activities	24,902,000,000
	Programme 02	Development Activities	-

Head 319	Sabaragamuwa Provincial Council			
	Programme 01	Operational Activities	30,955,000,000	-
	Programme 02	Development Activities	-	3,057,000,000
Head 321	Eastern Provincial Council			
	Programme 01	Operational Activities	28,220,000,000	-
	Programme 02	Development Activities	-	3,163,000,000

Ministry of Plantation

Recurrent	990,000,000
Capital	10,059,000,000

Made up as follows :-

Head 135	Minister of Plantation			
	Programme 01	Operational Activities	440,000,000	12,000,000
	Programme 02	Development Activities	550,000,000	10,047,000,000

State Ministry of Company Estate Reforms, Tea and Rubber Estates Related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion

Recurrent	1,405,000,000
Capital	2,300,000,000

Made up as follows :-

Head 410	State Minister of Company Estate Reforms, Tea and Rubber Estates Related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion			
	Programme 01	Operational Activities	139,000,000	9,000,000
	Programme 02	Development Activities	898,000,000	1,575,000,000
Head 293	Department of Rubber Development			
	Programme 02	Development Activities	368,000,000	716,000,000

State Ministry of Coconut, Kithul and Palmyrah Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification

Recurrent	948,000,000
Capital	600,000,000

Made up as follows :-

Head 431	State Minister of Coconut, Kithul and Palmyrah Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification			
	Programme 01	Operational Activities	120,000,000	11,000,000
	Programme 02	Development Activities	828,000,000	589,000,000

State Ministry of Development of Minor Crops Plantation including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion

Recurrent	1,246,000,000
Capital	1,400,000,000

Made up as follows :-

Head 432	State Minister of Development of Minor Crops Plantation including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion			
	Programme 01	Operational Activities	150,000,000	9,000,000
	Programme 02	Development Activities	350,000,000	1,110,000,000
Head 289	Department of Export Agriculture			
	Programme 02	Development Activities	746,000,000	281,000,000

Ministry of Industries

Recurrent	1,142,000,000
Capital	6,500,000,000

Made up as follows :-

Head 149	Minister of Industries			
	Programme 01	Operational Activities	248,400,000	16,600,000
	Programme 02	Development Activities	893,600,000	6,483,400,000

State Ministry of Batik, Handloom and Local Apparel Products

Recurrent	535,000,000
Capital	1,225,000,000

Made up as follows :-

Head 439	State Minister of Batik, Handloom and Local Apparel Products			
	Programme 01	Operational Activities	138,000,000	13,000,000
	Programme 02	Development Activities	90,000,000	1,140,000,000
Head 303	Department of Textile Industries			
	Programme 02	Development Activities	307,000,000	72,000,000

State Ministry of Rattan, Brass, Pottery, Furniture and Rural Industrial Promotion

Recurrent	939,000,000
Capital	1,150,000,000

Made up as follows :-

Head 408	State Minister of Rattan, Brass, Pottery, Furniture and Rural Industrial Promotion			
	Programme 01	Operational Activities	200,000,000	14,000,000
	Programme 02	Development Activities	739,000,000	1,136,000,000

State Ministry of Gem and Jewellery related Industries

Recurrent	161,000,000
Capital	30,000,000

Made up as follows :-

Head 440	State Minister of Gem and Jewellery related Industries			
	Programme 01	Operational Activities	67,000,000	22,000,000
	Programme 02	Development Activities	94,000,000	8,000,000

Ministry of Fisheries

Recurrent	871,900,000
Capital	1,300,000,000

Made up as follows :-

Head 151	Minister of Fisheries			
	Programme 01	Operational Activities	231,450,000	98,000,000
	Programme 02	Development Activities	-	1,176,200,000
Head 290	Department of Fisheries and Aquatic Resources			
	Programme 01	Operational Activities	640,450,000	25,800,000

State Ministry of Ornamental Fish, Inland Fish and Prawn Farming, Fishery Harbour Development, Multiday Fishing Activities and Fish Exports

Recurrent	1,456,450,000
Capital	375,000,000

Made up as follows :-

Head 405	State Minister of Ornamental Fish, Inland Fish and Prawn Farming, Fishery Harbour Development, Multiday Fishing Activities and Fish Exports			
	Programme 01	Operational Activities	61,450,000	4,000,000
	Programme 02	Development Activities	1,395,000,000	371,000,000

Ministry of Tourism

Recurrent	678,320,000
Capital	244,900,000

Made up as follows :-

Head 159	Minister of Tourism		
	Programme 01	Operational Activities	174,920,000
	Programme 02	Development Activities	-
Head 322	Department of National Botanical Gardens		
	Programme 02	Development Activities	503,400,000
			171,150,000

State Ministry of Aviation and Export Zones Development

Recurrent	106,850,000
Capital	5,507,100,000

Made up as follows :-

Head 437	State Minister of Aviation and Export Zones Development		
	Programme 01	Operational Activities	106,850,000
	Programme 02	Development Activities	-
			5,500,000,000

Ministry of Environment

Recurrent	1,123,500,000
Capital	2,475,000,000

Made up as follows :-

Head 160	Minister of Environment		
	Programme 01	Operational Activities	373,500,000
	Programme 02	Development Activities	750,000,000
			2,468,100,000

Ministry of Wildlife and Forest Conservation

Recurrent	207,000,000
Capital	3,075,000,000

Made up as follows :-

Head 161	Minister of Wildlife and Forest Conservation		
	Programme 01	Operational Activities	207,000,000
	Programme 02	Development Activities	-
			3,069,000,000

State Ministry of Wildlife Protection, Adoption of Safety Measures Including the Construction of Electrical fences and Trenches and Reforestation and Forest Resource Development

Recurrent	3,951,000,000
Capital	2,700,000,000

Made up as follows :-

Head 424	State Minister of Wildlife Protection, Adoption of Safety Measures Including the Construction of Electrical fences and Trenches and Reforestation and Forest Resource Development		
	Programme 01	Operational Activities	76,000,000
Head 283	Department of Forests Conservation		
	Programme 01	Operational Activities	1,486,000,000
Head 284	Department of Wildlife Conservation		
	Programme 01	Operational Activities	1,862,000,000
Head 294	Department of National Zoological Gardens		
	Programme 02	Development Activities	527,000,000
			235,000,000

Ministry of Water Supply

Recurrent	363,475,000
Capital	47,150,500,000

Made up as follows :-

Head 166	Minister of Water Supply			
	Programme 01	Operational Activities	363,475,000	31,500,000
	Programme 02	Development Activities	-	47,119,000,000

State Ministry of Rural and Divisional Drinking Water Supply Projects Development

Recurrent	327,165,000
Capital	1,812,450,000

Made up as follows :-

Head 433	State Minister of Rural and Divisional Drinking Water Supply Projects Development			
	Programme 01	Operational Activities	54,980,000	5,200,000
	Programme 02	Development Activities	-	600,000,000
Head 332	Department of National Community Water Supply			
	Programme 01	Operational Activities	272,185,000	1,207,250,000

Ministry of Development Co-ordination and Monitoring

Recurrent	169,000,000
Capital	50,000,000

Made up as follows :-

Head 169	Minister of Development Co-ordination and Monitoring			
	Programme 01	Operational Activities	78,000,000	8,800,000
Head 280	Department of Project Management and Monitoring			
	Programme 02	Development Activities	91,000,000	41,200,000

Ministry of Ports and Shipping

Recurrent	741,150,000
Capital	800,000,000

Made up as follows :-

Head 176	Minister of Ports and Shipping			
	Programme 01	Operational Activities	184,450,000	3,700,000
	Programme 02	Development Activities	466,700,000	790,000,000
Head 336	Merchant Shipping Secretariat			
	Programme 01	Operational Activities	90,000,000	6,300,000

State Ministry of Warehouse Facilities, Container Yards, Port Supply Facilities and Boats and Shipping Industry Development

Recurrent	101,150,000
Capital	800,000,000

Made up as follows :-

Head 434	State Minister of Warehouse Facilities, Container Yards, Port Supply Facilities and Boats and Shipping Industry Development			
	Programme 01	Operational Activities	101,150,000	3,000,000
	Programme 02	Development Activities	-	797,000,000

Ministry of Technology

Recurrent	2,106,650,000
Capital	2,759,900,000

Made up as follows :-

Head 186	Minister of Technology			
	Programme 01	Operational Activities	93,950,000	6,500,000
	Programme 02	Development Activities	680,000,000	2,430,000,000
Head 227	Department of Registration of Persons			
	Programme 01	Operational Activities	1,332,700,000	323,400,000

State Ministry of Digital Technology and Enterprise Development

Recurrent	397,490,000
Capital	847,600,000

Made up as follows :-

Head 444	State Ministry of Digital Technology and Enterprise Development		
	Programme 01	Operational Activities	58,490,000
	Programme 02	Development Activities	339,000,000
			6,600,000
			841,000,000

Ministry of Public Security

Recurrent	99,288,650,000
Capital	7,770,000,000

Made up as follows :-

Head 189	Minister of Public Security		
	Programme 01	Operational Activities	10,083,650,000
Head 225	Department of Police		
	Programme 01	Operational Activities	89,205,000,000
			1,711,550,000
			6,058,450,000

State Ministry of Community Police Services

Recurrent	186,040,000
Capital	615,000,000

Made up as follows :-

Head 445	State Minister of Community Police Services		
	Programme 01	Operational Activities	186,040,000
			615,000,000

Ministry of Labour

Recurrent	3,133,000,000
Capital	800,000,000

Made up as follows :-

Head 193	Minister of Labour		
	Programme 01	Operational Activities	626,000,000
	Programme 02	Development Activities	129,000,000
Head 221	Department of Labour		
	Programme 01	Operational Activities	1,342,000,000
	Programme 02	Development Activities	1,036,000,000
			93,000,000
			18,000,000
			443,000,000
			246,000,000

State Ministry of Foreign Employment Promotion and Market Diversification

Recurrent	685,000,000
Capital	200,000,000

Made up as follows :-

Head 412	State Minister of Foreign Employment Promotion and Market Diversification		
	Programme 01	Operational Activities	685,000,000
			200,000,000

Ministry of Youth and Sports

Recurrent	4,773,500,000
Capital	3,800,000,000

Made up as follows :-

Head 194	Minister of Youth and Sports		
	Programme 01	Operational Activities	447,575,000
	Programme 02	Development Activities	2,791,150,000
Head 219	Department of Sports Development		
	Programme 01	Operational Activities	116,850,000
	Programme 02	Development Activities	970,525,000
			22,500,000
			3,637,200,000
			9,500,000
			98,000,000

Head 328	Department of Manpower and Employment			
	Programme 01	Operational Activities	447,400,000	6,500,000
	Programme 02	Development Activities	-	26,300,000

State Ministry of Rural and School Sports Infrastructure Improvement

Recurrent	696,900,000
Capital	1,169,970,000

Made up as follows :-

Head 402	State Minister of Rural and School Sports Infrastructure Improvement			
	Programme 01	Operational Activities	561,165,000	178,970,000
	Programme 02	Development Activities	135,735,000	991,000,000

Ministry of Irrigation

Recurrent	3,605,000,000
Capital	64,242,000,000

Made up as follows :-

Head 198	Minister of Irrigation			
	Programme 01	Operational Activities	189,000,000	47,000,000
	Programme 02	Development Activities	173,000,000	54,607,000,000
Head 282	Department of Irrigation			
	Programme 01	Operational Activities	742,000,000	40,000,000
	Programme 02	Development Activities	2,501,000,000	9,548,000,000

State Ministry of Canals and Common Infrastructure Development in Settlements in Mahaweli Zones

Recurrent	2,965,000,000
Capital	2,995,000,000

Made up as follows :-

Head 428	State Minister of Canals and Common Infrastructure Development in Settlements in Mahaweli Zones			
	Programme 01	Operational Activities	65,000,000	4,000,000
	Programme 02	Development Activities	2,900,000,000	2,991,000,000

State Ministry of Tanks, Reservoirs and Irrigation Development Related to Rural Paddy Fields

Recurrent	77,000,000
Capital	3,000,000,000

Made up as follows :-

Head 429	State Minister of Tanks, Reservoirs and Irrigation Development Related to Rural Paddy Fields			
	Programme 01	Operational Activities	77,000,000	7,000,000
	Programme 02	Development Activities	-	2,993,000,000
	Total		1,840,502,325,000	955,944,233,000

SECOND SCHEDULE
ESTIMATE — 2022

(Section 02)

**Expenditure of the Government, Authorized by the Constitution and other Laws
and to be charged on the Consolidated Fund**

Head No.	Unit/Ministry/Department or Institution by whom expenditure is incurred	Provision of the Constitution and Law under which expenditure is authorized	Expenditure Programme	Recurrent Expenditure Rs.	Capital Expenditure Rs.	Total Expenditure Rs.
1	His Excellency the President	Article 36 of the Constitution	Programme 01 - Operational Activities	4,680,000	—	4,680,000
4	Judges of the Superior Courts	Article 108 of the Constitution	Programme 01 - Operational Activities	81,000,000	—	81,000,000
6	Office of the Public Service Commission	Chapter IX of the Constitution	Programme 01 - Operational Activities	10,260,000	—	10,260,000
7	Judicial Service Commission	Chapter XV A of the Constitution	Programme 01 - Operational Activities	2,520,000	—	2,520,000
8	National Police Commission	Chapter XVIII A of the Constitution	Programme 01 - Operational Activities	8,100,000	—	8,100,000
10	Commission to Investigate Allegations of Bribery or Corruption	The Commission to Investigate Allegations of Bribery or Corruption Act, No. 19 of 1994	Programme 01 - Operational Activities	4,740,000	—	4,740,000
16	Parliament	Article 65 of the Constitution	Programme 01 - Operational Activities	2,700,000	—	2,700,000
20	Election Commission	Article 103 of the Constitution	Programme 01 - Operational Activities	5,940,000	—	5,940,000
21	National Audit Office	Article 153 of the Constitution	Programme 01 - Operational Activities	1,880,000	—	1,880,000
22	Office of the Parliamentary Commissioner for Administration	Article 156 of the Constitution	Programme 01 - Operational Activities	1,620,000	—	1,620,000
111	Ministry of Health	Medical Ordinance (Chapter 105)	Programme 01 - Operational Activities	2,000	—	2,000
249	Department of Treasury	Foreign Loans Act, Operations No. 29 of 1957 (Section 2 paragraphs (a) and (c)), Local Treasury Bills Ordinance (Chapter 417) Section 6(1) of the Active Liability Management Act, No. 8 of 2018	Programme 01 - Operational Activities	1,057,000,000,000	1,521,000,000,000	2,578,000,000,000
253	Department of Pensions	Widows' and Orphans' Pension Fund Ordinance (Chapter 431), Widowers' and Orphans' Pensions Act, No. 24 of 1983, Widows' and Orphans' Pension Scheme (Armed Forces) Act, No. 18 of 1970, School Teachers' Pensions Act (Chapter 432)	Programme 01 - Operational Activities	45,000,000,000	—	45,000,000,000

THIRD SCHEDULE
ESTIMATE — 2022

(Section 3, 4, 8 and 9)

SRL No.	Ministries / Departments	Item No.	I Activities of the Government	II Maximum Limits of Expenditure of activities of the Government	III Minimum Limits of Receipts to be credited to the Accounts of activities of the Government	IV Maximum Limits of Debit Balance of Activities of the Government	VI	Maximum Limits of Liabilities of Activities of the Government
							Rs.	
1	His Excellency the President	00101	Advances to Public Officers	40,000,000	18,000,000	125,000,000	—	
2	Office of the Prime Minister	00201	Advances to Public Officers	25,000,000	12,000,000	80,000,000	—	
3	Judges of the Superior Courts	00401	Advances to Public Officers	1,000,000	300,000	3,000,000	—	
4	Office of the Cabinet of Ministers	00501	Advances to Public Officers	3,500,000	3,200,000	25,000,000	—	
5	Office of the Public Service Commission	00601	Advances to Public Officers	10,000,000	8,000,000	45,000,000	—	
6	Judicial Service Commission	00701	Advances to Public Officers	3,000,000	1,500,000	15,000,000	—	
7	National Police Commission	00801	Advances to Public Officers	3,000,000	2,200,000	15,000,000	—	
8	Administrative Appeals Tribunal	00901	Advances to Public Officers	500,000	450,000	3,500,000	—	
9	Commission to Investigate Allegations of Bribery or Corruption	01001	Advances to Public Officers	12,000,000	7,000,000	40,000,000	—	
10	Commission to Investigate Allegations of Bribery or Corruption	01002	Advancing monies to be used in bribery detection as bribes	100,000,000	1,000,000	275,000,000	—	
11	Office of the Finance Commission	01101	Advances to Public Officers	3,000,000	2,500,000	13,000,000	—	
12	Human Rights Commission of Sri Lanka	01301	Advances to Public Officers	500,000	200,000	1,000,000	—	
13	Parliament	01601	Advances to Public Officers	30,000,000	28,000,000	150,000,000	—	
14	Office of the Leader of the House of Parliament	01701	Advances to Public Officers	2,000,000	1,200,000	6,000,000	—	
15	Office of the Chief Govt. Whip of Parliament	01801	Advances to Public Officers	2,500,000	1,800,000	15,000,000	—	
16	Office of the Leader of the Opposition of Parliament	01901	Advances to Public Officers	2,500,000	1,700,000	10,000,000	—	
17	Elections Commission	02001	Advances to Public Officers	26,000,000	20,000,000	120,000,000	—	
18	National Audit Office	02101	Advances to Public Officers	80,000,000	60,000,000	260,000,000	—	
19	Office of the Parliamentary Commissioner for Administration	02201	Advances to Public Officers	1,000,000	700,000	5,200,000	—	
20	Delimitation Commission	02501	Advances to Public Officers	500,000	150,000	2,000,000	—	
21	Minister of Buddha Sasana, Religious and Cultural Affairs	10101	Advances to Public Officers	70,000,000	30,000,000	200,000,000	—	
22	Minister of Finance	10201	Advances to Public Officers	20,000,000	15,200,000	133,000,000	—	
23	Minister of Defence	10301	Advances to Public Officers	100,000,000	53,000,000	275,000,000	—	
24	Minister of Economic Policies & Plan Implementation	10401	Advances to Public Officers	5,000,000	2,000,000	5,000,000	—	
25	Minister of Mass Media	10501	Advances to Public Officers	8,000,000	5,100,000	37,000,000	—	
26	Minister of Justice	11001	Advances to Public Officers	30,000,000	20,000,000	110,000,000	—	
27	Minister of Health	11101	Advances to Public Officers	1,700,000,000	1,400,000,000	3,400,000,000	—	
28	Foreign Minister	11201	Advances to Public Officers	35,000,000	30,000,000	124,000,000	—	
29	Minister of Transport	11401	Advances to Public Officers	10,000,000	6,000,000	40,000,000	—	
30	Minister of Energy	11501	Advances to Public Officers	2,500,000	4,000,000	15,000,000	—	
31	Minister of Trade	11601	Advances to Public Officers	10,000,000	4,100,000	45,000,000	—	
32	Minister of Highways	11701	Advances to Public Officers	20,000,000	7,500,000	50,000,000	—	
33	Minister of Agriculture	11801	Advances to Public Officers	50,000,000	19,000,000	150,000,000	—	
34	Minister of Power	11901	Advances to Public Officers	5,000,000	2,500,000	18,000,000	—	
35	Minister of Lands	12201	Advances to Public Officers	25,000,000	10,000,000	85,000,000	—	
36	Minister of Urban Development and Housing	12301	Advances to Public Officers	5,000,000	1,000,000	150,000,000	—	
37	Minister of Education	12601	Advances to Public Officers	3,000,000,000	1,500,000,000	4,500,000,000	—	
38	Minister of Public Services, Provincial Councils and Local Government	13001	Advances to Public Officers	85,000,000	24,000,000	2,760,000,000	—	
39	Minister of Plantation	13501	Advances to Public Officers	23,000,000	10,000,000	60,000,000	—	
40	Minister of Industries	14901	Advances to Public Officers	25,000,000	15,000,000	80,000,000	—	
41	Minister of Fisheries	15101	Advances to Public Officers	8,000,000	4,500,000	40,000,000	—	
42	Minister of Tourism	15901	Advances to Public Officers	5,000,000	2,500,000	30,000,000	—	
43	Minister of Environment	16001	Advances to Public Officers	20,000,000	8,000,000	60,000,000	—	
44	Minister of Wildlife and Forest Conservation	16101	Advances to Public Officers	5,000,000	2,500,000	20,000,000	—	
45	Minister of Water Supply	16601	Advances to Public Officers	6,000,000	3,800,000	30,000,000	—	
46	Minister of Development Co-ordinating and Monitoring	16901	Advances to Public Officers	1,000,000	100,000	1,000,000	—	
47	Minister of Ports and Shipping	17601	Advances to Public Officers	5,000,000	3,600,000	30,000,000	—	
48	Minister of Technology	18601	Advances to Public Officers	3,000,000	250,000	3,000,000	—	
49	Minister of Public Security	18901	Advances to Public Officers	90,000,000	72,000,000	100,000,000	—	

50	Minister of Labour	19301 Advances to Public Officers	30,000,000	15,000,000	70,000,000	—
51	Minister of Youth and Sports	19401 Advances to Public Officers	50,000,000	15,000,000	120,000,000	—
52	Minister of Irrigation	19801 Advances to Public Officers	15,000,000	2,500,000	60,000,000	—
53	State Minister of National Heritage, Performing Arts and Rural Arts Promotion	40101 Advances to Public Officers	10,000,000	1,500,000	20,000,000	—
54	State Minister of Rural and School Sports Infrastructure Improvement	40201 Advances to Public Officers	6,000,000	4,000,000	25,000,000	—
55	State Minister of Women and Child Development, Pre-Schools and Primary Education, School Infrastructures and Education Services	40301 Advances to Public Officers	60,000,000	25,000,000	120,000,000	—
56	State Minister of Education Reforms, Open Universities and Distance Learning Promotion	40401 Advances to Public Officers	10,000,000	2,000,000	15,000,000	—
57	State Minister of Ornamental Fish, Inland Fish and Prawn Farming, Fishery Harbour Development, Multiday Fishing Activities and Fish Exports	40501 Advances to Public Officers	1,500,000	300,000	4,000,000	—
58	State Minister of Solar, Wind and Hydro Power Generation Projects Development	40601 Advances to Public Officers	2,000,000	700,000	10,000,000	—
59	State Minister of Backward Rural Areas Development and Promotion of Domestic Animal Husbandry & Minor Economic Crop Cultivation	40701 Advances to Public Officers	7,000,000	2,000,000	25,000,000	—
60	State Minister of Rattan, Brass, Pottery, Furniture and Rural Industrial Promotion	40801 Advances to Public Officers	60,000,000	20,000,000	100,000,000	—
61	State Minister of Home Affairs	40901 Advances to Public Officers	1,000,000,000	700,000,000	1,900,000,000	—
62	State Minister of Company Estate Reforms, Tea and Rubber Estates Related Crops, Cultivation and Factories Modernization and Tea and Rubber Export Promotion	41001 Advances to Public Officers	6,000,000	2,000,000	15,000,000	—
63	State Minister of Urban Development, Waste Disposal and Community Cleanlines	41101 Advances to Public Officers	8,000,000	3,800,000	30,000,000	—
64	State Minister of Foreign Employment Promotion and Market Diversification	41201 Advances to Public Officers	50,000,000	15,000,000	100,000,000	—
65	State Minister of Samurdhi Household Economy, Micro-Finance, Self Employment and Business Development	41401 Advances to Public Officers	20,000,000	13,000,000	70,000,000	—
66	State Minister of Rural Housing and Construction and Building Material Industries	41501 Advances to Public Officers	15,000,000	8,800,000	255,000,000	—
67	State Minister of Indigenous Medicine Promotion, Rural and Ayurvedic Hospitals Development and Community Health	41601 Advances to Public Officers	15,000,000	5,000,000	40,000,000	—
68	State Minister of Estate Housing and Community Infrastructure	41701 Advances to Public Officers	25,000,000	7,700,000	38,000,000	—
69	State Minister of Prison Management and Prisoners' Rehabilitation	41801 Advances to Public Officers	9,000,000	3,400,000	100,000,000	—
70	State Minister of Regional Co-operation	41901 Advances to Public Officers	1,000,000	400,000	20,000,000	—
71	State Minister of Provincial Councils and Local Government	42001 Advances to Public Officers	15,000,000	8,000,000	60,000,000	—
72	State Minister of Skills Development, Vocational Education, Research and Innovation	42101 Advances to Public Officers	30,000,000	15,000,000	125,000,000	—
73	State Minister of Dhamma Schools, Pirivenas and Bhikku Education	42201 Advances to Public Officers	200,000,000	120,000,000	200,000,000	—
74	State Minister of Production, Supply and Regulation of Pharmaceutical	42301 Advances to Public Officers	20,000,000	15,000,000	75,000,000	—
75	State Minister of Wildlife Protection, Adoption of Safety Measures Including the Construction of Electrical Fences and Trenches and Reforestation and Forest Resources Development	42401 Advances to Public Officers	2,000,000	600,000	5,000,000	—

76	State Minister of Promoting the Production & Regulating the supply of Organic Fertilizer, and Paddy and Grains,Organic Foods, Vegetables, Fruits, Chillies, Onion and Potato Cultivation Promoting, Seed Production and Advanced Technology Agriculture	42601 Advances to Public Officers	34,000,000	8,000,000	50,000,000	—
77	State Minister of Livestock Farm Promotion and Dairy and Egg Related Industries	42701 Advances to Public Officers	20,000,000	15,000,000	60,000,000	—
78	State Minister of Canals and Common Infrastructure Development in Settlements in Mahaweli Zones	42801 Advances to Public Officers	4,000,000	600,000	20,000,000	—
79	State Minister of Tanks, Reservoirs and Irrigation Development related to Rural Paddy Fields	42901 Advances to Public Officers	2,500,000	300,000	15,000,000	—
80	State Minister of Coconut, Kithul and Palmyrah Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification	43101 Advances to Public Officers	2,500,000	1,300,000	8,700,000	—
81	State Minister of Development of Minor Crops Plantation Including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion.	43201 Advances to Public Officers	2,800,000	2,200,000	20,000,000	—
82	State Minister of Rural and Divisional Drinking Water Supply Projects Development	43301 Advances to Public Officers	1,000,000	200,000	3,000,000	—
83	State Minister of Warehouse Facilities, Container Yards, Ports Supply Facilities and Boats and Shipping Industry Development	43401 Advances to Public Officers	3,000,000	600,000	5,000,000	—
84	State Minister of Rural Roads and other Infrastructure	43501 Advances to Public Officers	3,000,000	1,400,000	20,000,000	—
85	State Minister of Vehicle Regulation, Bus Transport Services and Train Compartments and Motor Car Industry	43601 Advances to Public Officers	5,000,000	500,000	6,000,000	—
86	State Minister of Aviation and Export Zones Development	43701 Advances to Public Officers	3,500,000	1,000,000	8,000,000	—
87	State Minister of Cooperative Services, Marketing Development and Consumer Protection	43801 Advances to Public Officers	8,000,000	3,000,000	20,000,000	—
88	State Minister of Batik, Handloom and Local Apparel Products	43901 Advances to Public Officers	4,000,000	1,000,000	20,000,000	—
89	State Minister of Gem and Jewellery related Industries	44001 Advances to Public Officers	1,000,000	200,000	10,000,000	—
90	State Minister of Primary Health Care, Epidemics and COVID Disease Control	44101 Advances to Public Officers	4,000,000	500,000	5,000,000	—
91	State Minister of National Security and Disaster Management	44201 Advances to Public Officers	30,000,000	14,000,000	80,000,000	—
92	State Minister of Coast Conservation & Law-Lying Lands Development	44301 Advances to Public Officers	500,000	50,000	1,000,000	—
93	State Minister of Digital Technology and Enterprise Development	44401 Advances to Public Officers	500,000	50,000	1,000,000	—
94	State Minister of Community Police Service	44501 Advances to Public Officers	800,000	550,000	10,000,000	—
95	Department of Buddhist Affairs	20101 Advances to Public Officers	40,000,000	20,000,000	100,000,000	—
96	Department of Muslim Religious and Cultural Affairs	20201 Advances to Public Officers	3,500,000	2,000,000	14,000,000	—
97	Department of Christian Religious Affairs	20301 Advances to Public Officers	2,500,000	1,200,000	12,000,000	—
98	Department of Hindu Religious and Cultural Affairs	20401 Advances to Public Officers	7,500,000	4,400,000	30,000,000	—
99	Department of Public Trustee	20501 Advances to Public Officers	3,800,000	2,300,000	14,000,000	—
100	Department of Cultural Affairs	20601 Advances to Public Officers	40,000,000	18,000,000	120,000,000	—
101	Department of Archaeology	20701 Advances to Public Officers	50,000,000	35,000,000	160,000,000	—
102	Department of National Museums	20801 Advances to Public Officers	25,000,000	10,000,000	70,000,000	—
103	Department of National Archives	20901 Advances to Public Officers	7,000,000	3,100,000	30,000,000	—
104	Department of Government Information	21001 Advances to Public Officers	13,000,000	8,700,000	50,000,000	—
105	Department of Government Printing	21101 Advances to Public Officers	70,000,000	60,000,000	350,000,000	—

106	Department of Examination	21201	Advances to Public Officers	25,000,000	22,000,000	100,000,000	—
107	Department of Educational Publications	21301	Advances to Public Officers	15,000,000	9,300,000	65,000,000	—
108	Department of Educational Publications	21302	Printing and Publicity and Sales of Publications	4,600,000,000	4,600,000,000	12,000,000,000	1,600,000,000
109	Department of Technical Education and Training	21501	Advances to Public Officers	60,000,000	40,000,000	150,000,000	—
110	Department of Social Services	21601	Advances to Public Officers	25,000,000	15,300,000	80,000,000	—
111	Department of Probation and Child Care Services	21701	Advances to Public Officers	15,000,000	10,000,000	60,000,000	—
112	Department of Sports Development	21901	Advances to Public Officers	13,000,000	9,500,000	50,000,000	—
113	Department of Ayurveda	22001	Advances to Public Officers	50,000,000	36,000,000	140,000,000	—
114	Department of Labour	22101	Advances to Public Officers	100,000,000	70,000,000	290,000,000	—
115	Sri Lanka Army	22201	Advances to Public Officers	3,550,000,000	3,000,000,000	4,000,000,000	—
116	Sri Lanka Navy	22301	Advances to Public Officers	500,000,000	400,000,000	600,000,000	—
117	Sri Lanka Navy	22302	Stores Advance Account (Explosive items)	550,000,000	450,000,000	200,000,000	—
118	Sri Lanka Air Force	22401	Advances to Public Officers	400,000,000	320,000,000	400,000,000	—
119	Department of Police	22501	Advances to Public Officers	1,200,000,000	1,000,000,000	1,200,000,000	—
120	Department of Immigration and Emigration	22601	Advances to Public Officers	40,000,000	30,000,000	180,000,000	—
121	Department of Registration of Persons	22701	Advances to Public Officers	45,000,000	40,000,000	170,000,000	—
122	Courts Administration	22801	Advances to Public Officers	500,000,000	350,000,000	1,500,000,000	—
123	Attorney General's Department	22901	Advances to Public Officers	25,000,000	17,000,000	80,000,000	—
124	Legal Draftsman's Department	23001	Advances to Public Officers	6,000,000	4,200,000	19,000,000	—
125	Department of Debt Conciliation Board	23101	Advances to Public Officers	1,000,000	400,000	5,000,000	—
126	Department of Prisons	23201	Advances to Public Officers	150,000,000	130,000,000	250,000,000	—
127	Department of Prisons	23202	Prisons Industrial and Agricultural Undertakings	110,000,000	120,000,000	65,000,000	15,000,000
128	Department of Government Analyst	23301	Advances to Public Officers	8,000,000	7,000,000	35,000,000	—
129	Office of the Registrar of the Supreme Court	23401	Advances to Public Officers	15,000,000	10,500,000	65,000,000	—
130	Law Commission of Sri Lanka	23501	Advances to Public Officers	2,000,000	700,000	7,000,000	—
131	Department of Official Languages	23601	Advances to Public Officers	7,000,000	5,200,000	29,000,000	—
132	Department of National Planning	23701	Advances to Public Officers	5,000,000	4,500,000	20,000,000	—
133	Department of Fiscal Policy	23801	Advances to Public Officers	3,500,000	1,800,000	16,000,000	—
134	Department of External Resources	23901	Advances to Public Officers	8,000,000	4,000,000	30,000,000	—
135	Department of National Budget	24001	Advances to Public Officers	8,000,000	5,000,000	35,000,000	—
136	Department of Public Enterprises	24101	Advances to Public Officers	4,000,000	3,400,000	18,000,000	—
137	Department of Management Services	24201	Advances to Public Officers	6,000,000	4,000,000	26,000,000	—
138	Department of Development Finance	24301	Advances to Public Officers	4,000,000	2,000,000	14,000,000	—
139	Department of Trade and Investment Policies	24401	Advances to Public Officers	3,500,000	2,700,000	14,000,000	—
140	Department of Public Finance	24501	Advances to Public Officers	4,000,000	3,900,000	15,000,000	—
141	Department of Inland Revenue	24601	Advances to Public Officers	90,000,000	85,300,000	415,000,000	—
142	Sri Lanka Customs	24701	Advances to Public Officers	60,000,000	52,000,000	250,000,000	—
143	Sri Lanka Customs	24702	Seized and forfeited goods Advance Account	18,000,000	6,000,000	85,000,000	—
144	Department of Excise	24801	Advances to Public Officers	46,000,000	40,000,000	200,000,000	—
145	Department of Treasury Operations	24901	Advances to Public Officers	8,000,000	6,000,000	35,000,000	—
146	Department of State Accounts	25001	Advances to Public Officers	4,500,000	2,800,000	16,000,000	—
147	Department of State Accounts	25002	Advances for Payments on behalf of other Governments	1,600,000	1,000,000	800,000	—
148	Department of State Accounts	25003	Miscellaneous Advances	10,000,000	2,000,000	200,000,000	—
149	Department of Valuation	25101	Advances to Public Officers	25,000,000	20,000,000	115,000,000	—
150	Department of Census and Statistics	25201	Advances to Public Officers	40,000,000	32,000,000	150,000,000	—
151	Department of Pensions	25301	Advances to Public Officers	42,000,000	40,000,000	200,000,000	—
152	Department of Registrar-General	25401	Advances to Public Officers	80,000,000	62,000,000	290,000,000	—
153	District Secretariat, Colombo	25501	Advances to Public Officers	60,000,000	50,000,000	250,000,000	—
154	District Secretariat, Gampaha	25601	Advances to Public Officers	80,000,000	80,000,000	380,000,000	—
155	District Secretariat, Kalutara	25701	Advances to Public Officers	80,000,000	62,000,000	350,000,000	—
156	District Secretariat, Kandy	25801	Advances to Public Officers	70,000,000	61,000,000	250,000,000	—
157	District Secretariat, Matale	25901	Advances to Public Officers	53,000,000	45,000,000	220,000,000	—
158	District Secretariat, Nuwara-Eliya	26001	Advances to Public Officers	40,000,000	35,000,000	120,000,000	—
159	District Secretariat, Galle	26101	Advances to Public Officers	80,000,000	65,000,000	300,000,000	—
160	District Secretariat, Matara	26201	Advances to Public Officers	80,000,000	60,000,000	275,000,000	—
161	District Secretariat, Hambantota	26301	Advances to Public Officers	50,000,000	44,000,000	250,000,000	—
162	District Secretariat/ Kachcheri-Jaffna	26401	Advances to Public Officers	70,000,000	55,000,000	225,000,000	—

163	District Secretariat/ Kachcheri-Mannar	26501 Advances to Public Officers	15,000,000	12,000,000	65,000,000	—
164	District Secretariat/ Kachcheri-Vavuniya	26601 Advances to Public Officers	14,000,000	13,000,000	65,000,000	—
165	District Secretariat/ Kachcheri-Mullaithivu	26701 Advances to Public Officers	14,000,000	9,000,000	55,000,000	—
166	District Secretariat/ Kachcheri-Killinochchi	26801 Advances to Public Officers	14,000,000	11,000,000	50,000,000	—
167	District Secretariat/ Kachcheri-Batticaloa	26901 Advances to Public Officers	40,000,000	32,000,000	140,000,000	—
168	District Secretariat - Ampara	27001 Advances to Public Officers	70,000,000	50,000,000	245,000,000	—
169	District Secretariat/ Kachcheri-Trincomalee	27101 Advances to Public Officers	35,000,000	24,000,000	140,000,000	—
170	District Secretariat, Kurunagala	27201 Advances to Public Officers	85,000,000	84,000,000	350,000,000	—
171	District Secretariat, Puttalam	27301 Advances to Public Officers	50,000,000	50,000,000	220,000,000	—
172	District Secretariat, Anuradhapura	27401 Advances to Public Officers	65,000,000	62,000,000	280,000,000	—
173	District Secretariat, Polonnaruwa	27501 Advances to Public Officers	30,000,000	25,000,000	120,000,000	—
174	District Secretariat, Badulla	27601 Advances to Public Officers	60,000,000	46,000,000	220,000,000	—
175	District Secretariat, Monaragala	27701 Advances to Public Officers	35,000,000	30,000,000	140,000,000	—
176	District Secretariat, Ratnapura	27801 Advances to Public Officers	60,000,000	47,000,000	285,000,000	—
177	District Secretariat, Kegalle	27901 Advances to Public Officers	50,000,000	46,000,000	200,000,000	—
178	Department of Project Management and Supervision	28001 Advances to Public Officers	4,000,000	3,000,000	20,000,000	—
179	Department of Agrarian Development	28101 Advances to Public Officers	350,000,000	280,000,000	500,000,000	—
180	Department of Irrigation	28201 Advances to Public Officers	230,000,000	165,000,000	800,000,000	—
181	Department of Forest Conservation	28301 Advances to Public Officers	60,000,000	45,000,000	316,000,000	—
182	Department of Wildlife Conservation	28401 Advances to Public Officers	50,000,000	45,000,000	270,000,000	—
183	Department of Agriculture	28501 Advances to Public Officers	250,000,000	200,000,000	1,000,000,000	—
184	Department of Agriculture	28502 Maintenance of Agricultural Farms and Seed Sales	660,000,000	660,000,000	70,000,000	—
185	Department of Land Commissioner General	28601 Advances to Public Officers	20,000,000	14,000,000	90,000,000	—
186	Department of Land Title Settlement	28701 Advances to Public Officers	15,000,000	15,000,000	70,000,000	—
187	Department of Surveyor General of Sri Lanka	28801 Advances to Public Officers	130,000,000	130,000,000	420,000,000	—
188	Department of Export Agriculture	28901 Advances to Public Officers	40,000,000	35,000,000	140,000,000	—
189	Department of Fisheries and Aquatic Resources	29001 Advances to Public Officers	20,000,000	18,000,000	110,000,000	—
190	Department of Coast Conservation and Coastal Resource Management	29101 Advances to Public Officers	12,000,000	8,000,000	45,000,000	—
191	Department of Animal Production and Health	29201 Advances to Public Officers	35,000,000	24,000,000	130,000,000	—
192	Department of Rubber Development	29301 Advances to Public Officers	20,000,000	18,000,000	65,000,000	—
193	Department of National Zoological Gardens	29401 Advances to Public Officers	30,000,000	15,000,000	105,000,000	—
194	Department of Commerce	29501 Advances to Public Officers	5,000,000	2,500,000	22,000,000	—
195	Department of Import and Export Control	29601 Advances to Public Officers	4,000,000	2,500,000	25,000,000	—
196	Department of the Registrar of Companies	29701 Advances to Public Officers	7,000,000	5,000,000	35,000,000	—
197	Department of Measurement Units, Standards and Services	29801 Advances to Public Officers	6,000,000	4,000,000	30,000,000	—
198	National Intellectual Property Office of Sri Lanka	29901 Advances to Public Officers	5,000,000	3,000,000	17,000,000	—
199	Department of Food Commissioner	30001 Advances to Public Officers	5,000,000	3,000,000	30,000,000	—
200	Department of Co-operative Development (Registrar of Co-operative Societies)	30101 Advances to Public Officers	5,000,000	3,000,000	30,000,000	—
201	Co-operative Employees Commission	30201 Advances to Public Officers	2,000,000	600,000	7,000,000	—
202	Department of Textile Industries	30301 Advances to Public Officers	5,000,000	3,000,000	25,000,000	—
203	Department of Meteorology	30401 Advances to Public Officers	10,000,000	8,600,000	55,000,000	—
204	Department of Sri Lanka Railways	30601 Advances to Public Officers	500,000,000	450,000,000	1,500,000,000	—
205	Department of Sri Lanka Railways	30602 Railway Stores Advance Account	2,500,000,000	2,000,000,000	8,200,000,000	1,500,000,000
206	Department of Motor Traffic	30701 Advances to Public Officers	26,000,000	25,000,000	150,000,000	—
207	Department of Posts	30801 Advances to Public Officers	800,000,000	704,000,000	2,200,000,000	—
208	Department of Buildings	30901 Advances to Public Officers	25,000,000	17,000,000	95,000,000	—
209	Department of Government Factories	31001 Advances to Public Officers	28,000,000	18,000,000	125,000,000	—
210	Department of Government Factories	31002 Government Factory Stores Advance Account	120,000,000	120,000,000	40,000,000	30,000,000

211	Department of Government Factories	31003	Government Factory Work Done Advance Account	400,000,000	390,000,000	190,000,000	1,000,000
212	Department of National Physical Planning	31101	Advances to Public Officers	12,000,000	6,400,000	50,000,000	—
213	Department of Civil Security	32001	Advances to Public Officers	600,000,000	480,000,000	900,000,000	—
214	Department of National Botanical Gardens	32201	Advances to Public Officers	26,000,000	22,200,000	110,000,000	—
215	Department of Legal Affairs	32301	Advances to Public Officers	1,000,000	400,000	4,000,000	—
216	Department of Management Audit	32401	Advances to Public Officers	3,500,000	2,500,000	20,000,000	—
217	Department of Community Based Corrections	32601	Advances to Public Officers	20,000,000	8,400,000	60,000,000	—
218	Department of Land Use Policy Planning	32701	Advances to Public Officers	18,000,000	14,000,000	80,000,000	—
219	Department of Manpower and Employment	32801	Advances to Public Officers	30,000,000	14,000,000	100,000,000	—
220	Department of Information Technology Management	32901	Advances to Public Officers	3,000,000	1,600,000	12,000,000	—
221	Department of Samurdhi Development	33101	Advances to Public Officers	400,000,000	280,000,000	800,000,000	—
222	Department of National Community Water Supply	33201	Advances to Public Officers	11,000,000	5,000,000	30,000,000	—
223	Office of the Comptroller General	33301	Advances to Public Officers	2,000,000	1,400,000	10,000,000	—
224	Department of Multi - purpose Development Task Force	33401	Advances to Public Officers	40,000,000	16,000,000	50,000,000	—
225	National Education Commission	33501	Advances to Public Officers	1,500,000	500,000	7,500,000	—
226	Merchant Shipping Secretariat	33601	Advances to Public Officers	2,000,000	1,000,000	7,500,000	—
Total				29,109,500,000	23,109,500,000	66,922,200,000	3,146,000,000

