



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

**NATIONAL SAVINGS BANK
(AMENDMENT)**

ACT, No. 28 OF 1995

[Certified on 28th November, 1995]

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**National Savings Bank (Amendment)
Act, No. 28 of 1995**

L.D.—O. 79/93

[Certified on 28th November, 1995]

**AN ACT TO AMEND THE NATIONAL SAVINGS BANK
ACT No. 30 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 National Savings Bank (Amendment) Act, No. 28 of 1995.

Short title.

2. Section 2 of the National Savings Bank Act, No. 30 of 1971 (hereinafter referred to as the "principal enactment") is hereby amended in subsection (1) of that section, by the substitution for the words "a Corporation which shall be called the "National Savings Bank" (hereinafter referred to as the "Bank") and which shall consist of the persons who are for the time being members of the Bank under section 6.", of the words "a bank called the National Savings Bank (hereinafter referred to as the "Bank").

**Amendment
Section 2
of Act
No. 30
of 1971**

3. The following new section is hereby inserted immediately after section 2, and shall have effect as section 2A of the principal enactment:—

**Insertion
of new
section 2A
in the
principal
enactment**

"Object
of the
Bank.

2A. The object of the Bank shall be the promotion of savings among the people of Sri Lanka, particularly among those with limited means, and the profitable investment of savings so mobilized."

4. Section 5 of the principal enactment is hereby repealed and the following section is substituted therefor:—

**Replac-
ment of
section 5
of the
principal
enactment.**

"Capital
of the
Bank.

5. (1) The authorized capital of the Bank shall be ten billion rupees divided into one billion shares of ten rupees each.

(2) The issued capital of the Bank shall be as determined from time to time by the Minister in consultation with the Board, by Order published in the Gazette, so however that such issued capital shall not be an amount less than one billion and two hundred million rupees divided into one hundred and twenty million shares of ten rupees each.

(3) All shares of the Bank shall be issued in the name of the Secretary to the Treasury in his official capacity and who shall not dispose of those shares in any manner whatsoever."

Replace-
ment of
section 6
of the
principal
enactment.

3. Section 6 of the principal enactment is hereby repealed and the following section is substituted therefor:—

“Authorized
activities
and func-
tions of
the Bank.

6. (1) Subject to the provisions of this Act, the Bank is authorized to undertake any or all of the following functions or activities:—

- (a) the promotion and mobilization of savings in Sri Lanka and any activity incidental thereto, including the opening of deposit accounts, savings accounts and the issue of savings certificates;
- (b) the purchasing of, and trading in any securities, debentures, treasury bills or any such financial instruments issued or guaranteed by the Government;
- (c) lending in the interbank call money market, subject to such overall ceiling as may be approved from time to time by the Monetary Board;
- (d) undertaking wholesale lending to licensed commercial banks and other financial institutions for on-lending to their clients;
- (e) undertaking retail lending to its own depositors against the security of their deposits;
- (f) providing housing loans on security provided by the mortgages of immovable property;
- (g) participating in the syndication of loans with other banks and financial institutions;
- (h) acquiring any immovable or movable property or any rights in such property and leasing, mortgaging, selling or otherwise disposing of such property;

- (i) constructing buildings on land purchased, leased or otherwise acquired by the Bank ;
- (j) carrying on such other activities as may be incidental or conducive to the functions and activities referred to above ;

(2) Investment by the Bank in financial instruments referred to in paragraph (b) of subsection (1) of this section shall constitute not less than sixty per centum of the money deposited in savings and deposit accounts in the Bank unless otherwise determined by the Monetary Board.”.

6. Section 8 of the principal enactment is hereby repealed and the following section is substituted therefor :—

Replace-
ment of
section 8
of the
principal
enactment.

“Const-
tution
of the
Board.

8. (1) The Board shall consist of seven directors of whom—

(a) five shall be appointed by the Minister (hereinafter referred to as the “appointed directors”) from among persons whom he considers to be capable of directing the affairs of the Bank efficiently and effectively in such a manner as will enable the Bank to achieve its object, and each of whom—

(i) has had experience at a senior managerial level, in banking, commerce, business or allied fields or has had administrative experience ; or

(ii) has professional qualifications in banking, economics, commerce, law, accountancy, business management or other discipline ; and

(b) one shall be the Secretary to the Treasury or his nominee ; and

(c) one shall be the Postmaster-General or his nominee.

(2) An appointed director shall unless he vacates office earlier by death, resignation or removal hold office for a term of three years.

(3) The Minister may, for cause assigned, remove an appointed director from office where he is satisfied that the continuance of that director in office is detrimental to the interest of the Bank.

(4) An appointed director may at any time resign his office by a letter addressed to the Minister and such resignation shall take effect upon it being accepted by the Minister in writing.

(5) An appointed director vacating office by resignation or effluxion of time shall be eligible for reappointment.

(6) If an appointed director vacates his office otherwise than by expiration of his term of office, a director may be appointed in his place by the Minister, and such second-mentioned director shall hold office during the unexpired part of the term of office of the director so vacating office.

(7) If an appointed director is temporarily unable to discharge the duties of his office on account of ill health or absence from Sri Lanka, the Minister, may appoint another eligible person to act for him.

Replace-
ment of
section 9
of the
principal
enactment.

7. Section 9 of the principal enactment is hereby repealed and the following section is substituted therefor:—

“Disqualifi-
cations for
being
appointed a
director of
the Board.

9. A person shall be disqualified from being appointed or continuing as a director of the Board under paragraph (a) of sub section (1) of section 8, if he—

(a) is a Member of Parliament or of any Provincial Council or any local authority; or

- (b) is, under any law in force in Sri Lanka found or declared to be of unsound-mind ; or
- (c) is a person who, having been declared insolvent or bankrupt under any law in force in Sri Lanka or in any other country, is an undischarged insolvent or bankrupt ; or
- (d) is convicted of an offence involving moral turpitude and punishable with a term of imprisonment.”.

8. Section 11 of the principal enactment is hereby repealed and the following section is substituted therefor :—

Replace-
ment of
section 11
of the
principal
enactment.

“ Chariman
of the
Board.

11. (1) The Minister shall nominate one of the directors of the Board to be its Chairman.

(2) The Chairman if present shall preside at meetings of the Board. If a Chairman has not been appointed or is not present at the time fixed for holding of a meeting of the Board, the directors present shall choose one of their number to preside at such meeting.

(3) Where the Minister is satisfied that the continuance of the Chairman in office is detrimental to the interests of the Bank, he may remove the Chairman from office.

(4) The Chairman may at any time resign from the office of the Chairman by letter addressed to the Minister. Such resignation shall take effect upon it being accepted by the Minister.

(5) Subject to the provisions of subsections (3) and (4), the term of office of the Chairman shall be his period of membership of the Board.”.

9. Section 13 of the principal enactment is hereby amended by the repeal of subsection (4) of that section and the substitution therefor of the following subsection :—

Amendment
of section
13 of the
principal
enactment.

" (4) The General Manager of the Bank appointed under section 26 of this Act, shall have the right to be present at, and participate in, meetings of the Board, except at any such meeting where the work or the general conduct of the General Manager is being discussed ".

Replace-
ment of
section 17
of the
principal
enactment.

10. Section 17 of the principal enactment is hereby repealed and the following section is substituted therefor :—

"Granting
of financial
accommo-
dation.

17. (1) The Bank shall grant financial accommodation under this Act on the basis of normal commercial criteria applicable to loans, and shall endeavour to obtain a return on such accommodation at the current market rate of interest chargeable for loans.

(2) Notwithstanding the provisions of subsection (1) of this section, the Minister may, having regard to the national economic interest of Sri Lanka and where he is of opinion that the grant of the financial accommodation is necessary to support any sector or sub-sector of the economy and having regard to any special circumstances relating to the application for the financial accommodation, direct the Board in writing to grant any financial accommodation—

(a) which in the opinion of the Board does not conform to normal prudent banking criteria; or

(b) at a rate of interest lower than that which the Bank would normally have charged for such accommodation.

(3) Where any direction is given by the Minister under—

(a) paragraph (a) of subsection (2), the Secretary to the Treasury shall prior to the grant of such accommodation, provide an irrevocable time bound guarantee,

on behalf of the Government of Sri Lanka, on terms acceptable to the Board for the repayment of such accommodation and the interest payable on it when such repayment or interest become due ; or

(b) under paragraph (b) of subsection (2) the Secretary to the Treasury shall pay as a subsidy to the Bank, the difference between the interest charged and the interest which the Bank would normally have charged for such an accommodation and such subsidy shall be paid annually or at such other intervals as may be agreed upon between the Secretary to the Treasury and the Board ; or

(c) under paragraphs (a) and (b) of subsection (2), the Secretary to the Treasury shall, prior to the grant of such accommodation, provide a guarantee as is referred to in paragraph (a) of this subsection, and also pay the subsidy as is referred to in paragraph (b) of this subsection.

(4) Where a guarantee has been provided under subsection (3) the Minister shall, at the earliest convenient opportunity, lay a statement relating to the guarantee before Parliament.

(5) Any sum required for the fulfilment of a guarantee provided under subsection (3) of this section shall be paid out of the Consolidated Fund, within one hundred and eighty days of demand being made therefor to the Secretary to the Treasury by the Bank."

11. The following new section is hereby inserted immediately after section 17 and shall have effect as section 17A of the principal enactment:—

"Information to be furnished to the Minister.

17A. The Minister may from time to time direct in writing the Board to furnish to him such information with respect to the business of the Bank as he may require and the Board shall carry out every such direction."

Insertion of new section 17A in the principal enactment.

12. Section 19 of the principal enactment is hereby repealed and the following section is substituted therefor :—

Expenses
of the
Bank.

19. All expenses incurred by the Bank in carrying out its functions and activities shall be met from the moneys of the Bank.”

13. Section 20 of the principal enactment is hereby amended as follows :—

(1) by the repeal of subsection (1) of that section and the substitution therefor of the following subsection :—

“ (1) The Bank shall establish—

(a) a general reserve ; and

(b) any other special reserves for such purposes as the Board thinks fit.” ; and

(2) in subsection (2) of that section, by the substitution for the words “After making allowance for the reserves of the Bank”, of the words “After making transfer to the reserves of the Bank”.

14. Sections 21, 22 and 23 of the principal enactment are hereby repealed.

15. Section 26 of the principal enactment is hereby repealed, and the following section is substituted therefor :—

Appoint-
ment of
the General
Manager.

26. (1) The Board shall appoint a fit and proper person to be the General Manager of the Bank.

(2) The Board may appoint such other officers and servants as it may consider necessary, for the conduct of the business of the Bank.

(3) The salaries, allowances and other benefits and conditions of service of the General Manager and officers and servants of the Bank, shall be determined by the Board.”

Replace-
ment of
section 19
of the
principal
enactment.

Amendment
of
section 20
of the
principal
enactment.

Repeal of
sections 21,
22 and 23
of the
principal
enactment.

Replace-
ment of
section 26
of the
principal
enactment.

16. Section 27 of the principal enactment is hereby repealed, and the following section is substituted therefor :—

Replacement of section 27 of the principal enactment.

*** Appoint-
ment of
advisers
and con-
sultants.**

27. The Board may from time to time appoint as advisers and consultants to the Bank persons possessing skills or professional qualifications such as accountants, lawyers, auditors and valuers required for the conduct of its business and discharge of its functions under this Act, and the advisers and consultants so appointed shall be remunerated in such manner and at such rates as the Board may determine."

17. Sections 28 and 29 of the principal enactment are hereby repealed.

Repeal of sections 28 and 29 of the principal enactment

18. Section 30 of the principal enactment is hereby repealed, and the following section is substituted therefor :—

Replacement of section 30 of the principal enactment.

*** No liability for damage or loss caused otherwise than by misconduct or wilful default.**

30. No director, officer or servant of the Bank or an adviser or consultant appointed under section 27 of this Act, shall be liable for any loss or damage suffered by the Bank unless such loss or damage was caused by his misconduct or wilful default."

19. Section 32 of the principal enactment is hereby amended, by the substitution for the words "Every director, general manager, auditor, secretary, advisor or other officer or servant of the Bank", of the words "Every director, officer and servant of the Bank and every adviser or consultant appointed under section 27 of this Act".

Amendment of section 32 of the principal enactment.

20. Section 33 of the principal enactment is hereby amended, by the substitution for the words "Every director, general manager, auditor, officer, servant, member of agency, accountant or other person employed in the business of the Bank shall", of the words "Every director, officer and servant of the Bank, and every adviser or consultant appointed under section 27 of this Act who is required to do so by the Board, shall".

Amendment of section 33 of the principal enactment.

21. Section 34 of the principal enactment is hereby amended, by the substitution for the words "Every director, general manager, auditor, secretary, advisor or other officer or servant of the Bank shall", of the words "Every director, officer or servant of the Bank and every adviser or consultant appointed under section 27 of this Act shall,".

Amendment of section 34 of the principal enactment.

Amendment
of section 35
of the
principal
enactment.

22. Section 35 of the principal enactment is hereby amended as follows:—

(1) by the insertion immediately after subsection (1) of that section of the following new subsections:—

“(1A) The Pension Fund shall be established as a separate Fund and be separated from the balance sheet.

“(1B) An actuarial valuation of the Pension Fund shall be made once in every two years in order to ensure that there are sufficient moneys available in the Fund to meet its liabilities.”; and

(2) in subsection (2) of that section, by the substitution for the words “security of immovable property”, of the words “security of movable or immovable property”.

Amendment
of section 36
of the
principal
enactment.

23. Section 36 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words “determined by the Board with the approval of the Minister.”, of the words “determined by the Board.”.

Replacement
of section 37
of the
principal
enactment.

24. Section 37 of the principal enactment is hereby repealed and the following section is substituted therefor:—

“Audit of
account
of the
Bank.

37. (1) The accounts of the Bank for each financial year shall be submitted to the Auditor-General for audit within three months of the close of that financial year.

(2) The provisions of the Article 154 of the Constitution relating to the audit of the accounts of public corporations shall apply to the audit of the accounts of the Bank.”.

Repeal of
sections 39
and 40
of the
principal
enactment.

25. Sections 39 and 40 of the principal enactment, are hereby repealed.

Replacement
of section
41 of the
principal
enactment.

26. Section 41 of the principal enactment is hereby repealed and the following section is substituted therefor:—

“Interest
on
accounts.

41. Interest shall be payable by the Bank on moneys deposited with it, at rates determined by the Board, provided that no interest shall be payable to moneys transferred to the unclaimed Deposits Reserve.”.

27. Section 42 of the principal enactment is hereby repealed.

Repeal of section 42 of the principal enactment.

28. Section 44 of the principal enactment is hereby amended by the repeal of subsections (5), (6), (7), (8), (9) and (10) of that section, and the substitution therefor, of the following subsections :--

Amendment of section 44 of the principal enactment.

" (5) No payment shall be made by the Bank to any nominee unless the nominee makes an application supported by evidence acceptable to the Bank, in respect of his identity.

(6) A payment made to a nominee of a deceased nominator shall be a complete discharge of the obligations of the Bank in respect of the moneys lying to the credit of such nominator."

29. Section 46 of the principal enactment is hereby amended, by the substitution for the words "with the approval of the Minister pay the money lying to his credit to such other person as the Bank thinks proper," of the words "with the approval of the Board pay the money lying to his credit to such other person as the Board thinks proper,".

Amendment of section 46 of the principal enactment.

30. Section 47 of the principal enactment, as amended by Act No. 3 of 1952, is hereby repealed, and the following section is substituted therefor :

Replacement of section 47 of the principal enactment.

Unclaimed Deposits Reserve.

47. (1) Where an account has lain dormant, that is to say—

(a) in the case of a savings account, the savings book has not been, presented to the Bank either for withdrawal from or deposit into the account or, for the insertion of interest, for a period of ten years by a person who commenced the account on or after reaching the age of sixteen years or for a period of ten years on or after reaching the age of sixteen years in the case of a person who commenced his account before reaching the age of sixteen years; or

(b) in the case of a deposit account, instructions for automatic renewal on maturity have not been issued to the Bank and the deposit receipt has not been presented for renewal for a period of ten years by a person who commenced the account on or after reaching the age of sixteen years, or for a period of ten years on or after reaching the age of sixteen years in the case of a person who commenced the account before reaching the age of sixteen years,

the money lying to the credit of such accounts shall be transferred to a special reserve, to be called the "unclaimed Deposits Reserve."

(2) The account from which moneys were transferred to the unclaimed Deposits Reserve shall, from the date of such transfer be no longer considered as a liability of the Bank.

(3) The whole or such part of the moneys lying to the credit of the unclaimed Deposits Reserve, as may be determine by the Minister, may be capitalised and shares to the value of the money capitalised, may be issued by the Bank to the Secretary to the Treasury.

(4) Where after the transfer of any money to the unclaimed Deposits Reserve, any claim is made to the Bank in respect of moneys which were lying to the credit of an account referred to in subsection (1), the Bank shall after an examination of such claim, pay an amount equivalent to the amount which was in the account, to the claimant and shall thereafter make an application to the Secretary to the Treasury for reimbursement of the amount paid and the Secretary to the Treasury shall as soon as possible after receipt of the application, pay out of the Consolidated Fund to the Bank the amount claimed."

31. Section 48 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

Amendment
of section
48 of the
principal
enactment

(1) in paragraph (a) of that subsection, by the substitution for the word "mortgage of immovable property; or", of the words "mortgage of movable, or immovable property or on the basis of a guarantee; or"; and

(2) in paragraph (c) of that subsection, by the substitution, for the words "any immovable property mortgaged to such Bank", of the words "any movable or immovable property mortgaged to such Bank".

32. Section 50 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words "has a substantial interest.", of the words "has a substantial interest, except for the purpose of purchase or construction, of a house on the mortgage of an adequate immovable property."

Amendment
of section
50 of the
principal
enactment

33. Section 51 of the principal enactment is hereby amended, by the substitution for the words "on the mortgage of any immovable property,", of the words "on the mortgage of any movable or immovable property,".

Amendment
of section
51 of the
principal
enactment

34. Sections 52 to 74 of the principal enactment (inclusive of both these sections) other than section 60 are hereby repealed.

Repeal
of sections
52 to 74
of the
principal
enactment.

35. Section 77 of the principal enactment is hereby amended by the repeal of subsections (2) and (3) of that section, and the substitution therefor of the following subsections:—

Amendment
of section 77
of the
principal
enactment.

" (2) Where any officer in the public service is temporarily appointed to the staff of the Bank, the provisions of subsection (2) of section 13 of the Transport Board Law, No. 19 of 1978, shall, *mutatis mutandis*, apply to and in relation to him.

(3) Where any officer in the public service is permanently appointed to the staff of the Bank, the provisions of subsection (3) of section 13 of the Transport Board Law, No. 19 of 1978, shall, *mutatis mutandis*, apply to and in relation to him."

Amendment
of section 78
of the
principal
enactment.

36. Section 78 of the principal enactment is hereby amended by the substitution for the words "Nothing in the Debt Conciliation Ordinance", of the words "Nothing in the Debt Conciliation Ordinance or the Mediation Boards Act, No. 72 of 1988".

Repeal of
section 79
of the
principal
enactment.

37. Section 79 of the principal enactment is hereby repealed.

Repeal of
section 81
of the
principal
enactment.

38. Section 81 of the principal enactment is hereby repealed.

Amendment
of section 84
of the
principal
enactment.

39. Section 84 of the principal enactment is hereby amended in subsection (2) of that section as follows:—

(1) by the repeal of paragraphs (d) and (e) of that subsection, and the substitution therefor of the following paragraphs—

" (d) the use of pass books or any similar documents by persons who have deposits and savings accounts;

(e) facilities for the drawing of cheques by persons who have accounts subject to such restrictions and qualifications as may be so specified by the Monetary Board including restrictions with regard to the type of accounts, the class of depositors, the maximum amount of each drawing and the frequency of drawings;";
and

(2) by the repeal of paragraphs (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r), (s), (t), (u), (v), (w), (x), (y), (z) and (aa) of that subsection.

Amendment
of Section 87
of the
principal
enactment.

40. Section 87 of the principal enactment is hereby amended as follows:—

(1) by the repeal of the definition respectively of the expressions "approved savings group", "lottery", "Panel of Valuers", and "prize competition";

(2) by the repeal of the definition of the expression "commercial bank", and the substitution therefor of the following definition:—

" "commercial bank" means a company carrying on banking business and licensed under the provisions of the Banking Act, No. 30 of 1988 as a licensed commercial bank;";

- (3) by the insertion immediately after the definition of the word "director", of the following new definition:—

“financial accommodation” means any direct or indirect advance granted by the Bank on behalf of a customer, where the Bank has guaranteed or otherwise committed itself on behalf, such customer;’;

- (4) by the insertion immediately after the definition of “prescribe”, of the following new definition:—

“Provincial Council” means a Provincial Council established under Chapter XVIIIA of the Constitution;’;

- (5) by the repeal of the definition of the expression “local authority” and the substitution therefor of the following definition:—

“local authority” means a Municipal Council Urban Council, a Pradeshiya Sabha and includes any authority created or established by or under any written law to exercise, perform and discharge, powers, duties and functions corresponding to or similar to the powers, duties and functions, exercised, performed and discharged by any such Council or Sabha;’; and

- (6) by the repeal of the definition of the word “purchaser” and the substitution therefor of the following definition—

“purchaser” when used with reference to savings certificate means the persons or body of persons to whom a savings certificate is issued under this Act;’.

41. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala text to prevail in case of inconsistency

42. For the avoidance of doubts it is hereby declared that any resolution made under section 52 of the principal enactment shall deemed for all purposes to be valid and effectual notwithstanding the repeal of that section and accordingly all acts done in pursuance of such resolution may be continued and completed as if there was no such repeal.

Avoidance of doubts.

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