



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

MONETARY LAW (AMENDMENT)

ACT, No. 52 OF 1985

[Certified on 31st December, 1985]

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L. D.—O. 41/83.

AN ACT TO AMEND THE MONETARY LAW ACT

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:—

1. This Act may be cited as the Monetary Law (Amendment) Act, No. 52 of 1985.

Short title.

2. In the Monetary Law Act (hereinafter referred to as the "principal enactment") and in any other written law, there shall be substituted, for the words "Central Bank of Ceylon", the words "Central Bank of Sri Lanka", and accordingly in every context in which mention is made in any notice, communication, form or other document issued, made, required or authorized by or under the principal enactment or any other written law, there shall be substituted, for the words "Central Bank of Ceylon", the words "Central Bank of Sri Lanka".

The Central Bank of Ceylon to be known as the Central Bank of Sri Lanka in Chapter 422, and in any other written law.

3. Section 8 of the principal enactment is hereby amended in subsection (2), by the repeal of paragraph (b) thereof, and the substitution therefor, of the following paragraph:—

Amendment of section 8 of the principal enactment.

"(b) the person holding office for the time being as Secretary to the Ministry of the Minister in charge of the subject of Finance; and".

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 Section 11 of the principal enactment is hereby repealed and the following section substituted therefor:—

Amendment of section 11 of the principal enactment.

"Disqualification for appointment as Governor or as member of the Monetary Board.

11 (1) A person shall be disqualified for appointment as the Governor of the Central Bank if—

(a) he is a Member of Parliament, or a member of any local authority; or

(b) he is a public officer or a judicial officer within the meaning of the Constitution of the Democratic Socialist Republic of Sri Lanka, or holds any office or position (other than an academic position) either by election or appointment, for which salary or other remuneration is payable out of public funds or the funds of any local authority; or

(c) he is a director, officer, employee or shareholder of any banking institution (other than the Central Bank).

(2) A person shall be disqualified for appointment as a member of the Monetary Board under paragraph (c) of subsection (2) of section 8 if—

(a) he is a Member of Parliament or a member of any local authority ; or

(b) he is a public officer or a judicial officer within the meaning of the Constitution of the Democratic Socialist Republic of Sri Lanka, or holds any office or position (other than an academic position) either by election or appointment for which he is in receipt of a salary or other remuneration paid out of public funds or the funds of any local authority ; or

(c) he is a director, officer, employee or shareholder of any banking institution (other than the Central Bank).”.

Amendment
of section 12
of the
principal
enactment.

5. Section 12 of the principal enactment is hereby amended as follows :—

(1) by the repeal of subsection (1) thereof, and the substitution therefor, of the following subsection :—

“ (1) The Governor of the Central Bank shall be appointed by the President on the recommendation of the Minister in charge of the subject of Finance.”;

(2) in the proviso to subsection (2) thereof, by the substitution, for the words “accepting or holding any academic office or position”, of the words “accepting or holding any academic office or position or any office or position in an institution or organization, established for the purpose of carrying on research in the subjects of economics, money, banking, statistics and finance” ; and

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

“ (3) The Governor shall receive such salary as may be fixed by the President on the recommendation of the Minister in charge of the subject of Finance.”

6. The following new section is hereby inserted immediately after section 24 of the principal enactment, and shall have effect as section 24A of that enactment :—

Insertion of new section 24A in the principal enactment.

‘ Authority of Deputy Governor to obtain information.

24A. (1) A Deputy Governor may require any person—

(a) to furnish to him or to any officer or servant of the Central Bank designated by him within such time and in such manner as he may specify, such information as he may consider necessary to obtain for the purpose of the proper discharge of the functions and responsibilities of the Central Bank ; or

(b) to produce for inspection to him or to any officer or servant of the Central Bank, designated by him within such time and in such manner as he may specify, any books or records in the possession of such person containing or likely to contain any such information, as is referred to in paragraph (a) of this subsection.

(2) Any person who, without reasonable cause, fails or refuses to comply with any requirement under subsection (1), shall be guilty of an offence.

(3) In this section “ person ” includes any officer of any department of Government and any body of persons, corporate or unincorporate, whether established or constituted under any written law or otherwise.’

Insertion of
new sections
29A and 29B
in the
principal
enactment.

7. The following new sections are hereby inserted immediately after section 29 of the principal enactment, and shall have effect as sections 29A and 29B of that enactment :—

“ Continuous
supervision
of banking
institutions.

29A. The Director of Bank Supervision may for the purpose of the continuous supervision of banking institutions—

- (a) require any commercial bank, and if so authorized by the Monetary Board any banking institution other than a commercial bank, to furnish from time to time and within such period as may be specified by him, such statement and information relating to the business or affairs of a commercial bank or a banking institution, as the case may be, as he may consider necessary to obtain for the purpose of ascertaining the true condition of the affairs of the commercial bank or the banking institution ;
- (b) require the auditor of any commercial bank, and if so authorized by the Monetary Board of any banking institution other than a commercial bank, to furnish to him within such period as may be specified by him, any information in relation to an audit carried out by such auditor of the commercial bank or banking institution, as the case may be, as he may consider necessary to obtain for the purpose referred to in paragraph (a) ; and
- (c) examine or cause an examiner of his department to examine the books and accounts kept by any commercial bank, or other banking institution as he may deem necessary for the purpose of verifying the accuracy of any statement or information so furnished.

Director of Bank Supervision to examine books of any subsidiary or agency of a banking institution or of a Co-operative Society carrying on banking business.

29B. (1) The Director of Bank Supervision shall examine or cause an examiner of his department to examine the books and accounts of any subsidiary or agency of any commercial bank, or the books and accounts of any subsidiary or agency of any banking institution other than a commercial bank, if directions in that behalf are given by the Monetary Board, or the books and accounts of any society registered under the Co-operative Societies Law, No. 5 of 1972, which carries on banking business, if directions in that behalf are given by the Governor.

(2) The provisions of subsections (3), (4) and (5) of section 29 and sections 30, 31 and 32 of this Act shall, *mutatis mutandis* apply, to and in relation to, all or any of the institutions referred to in subsection (1) of this section."

8. Section 30 of the principal enactment is hereby amended as follows:—

Amendment of section 30 of the principal enactment.

(1) in subsection (3) thereof—

(a) by the substitution for the words "expiration of a period of thirty days", of the words "expiration of a period of six months";

(b) in paragraph (b) thereof, by the substitution for the words "of the institution", of the words "of the institution; or"; and

(c) by the addition immediately after paragraph (b) thereof, of the following new paragraph:—

"(c) to cause the Director of Bank supervision to make application to the competent court, to windup the affairs of a branch of an institution, incorporated outside Sri Lanka."; and

(2) by the repeal of subsection (9) thereof, and the substitution therefor, of the following subsection :—

“ (9) Where the business of a banking institution has been suspended under subsection (1), the Director of Bank Supervision may—

- (a) require such banking institution to forthwith take any action or to do any act or thing which the Monetary Board may consider necessary for carrying on of the business of such bank ;
- (b) appoint a fit and proper person to advise such banking institution with regard to the proper conduct of the business of such banking institution ;
- (c) assume control of, and carry on the business of such banking institution or delegate to another person, the carrying on of business of the banking institution ;
- (d) reorganize, such banking institution by increasing its' capital and arranging for new shareholders and by the reconstitution of its' board of directors ; and
- (e) make such arrangements as are necessary for the amalgamation of such banking institution with any other banking institution, that consents to such amalgamation.”

Amendment of section 32D of the principal enactment.

9. Section 32D of the principal enactment is hereby amended in subsection (2) thereof, by the substitution, for the words and figures “section 29, section 30,” of the words and figures “section 29, paragraph (b) of section 29A, section 30,”.

Amendment of section 45 of the principal enactment.

10. Section 45 of the principal enactment is hereby amended by the repeal of subsection (1) thereof, and the substitution therefor, of the following subsection :—

“ (1) Except in the performance of his duties under this Act, every officer and servant of the Central Bank shall preserve and aid in preserving secrecy with regard to all matters relating to the affairs of any banking institution or of any client of any such institution or of any matter relating to the affairs of any department of Government, corporation, company, partnership or person that may come to his knowledge in the performance of his duties under this Act, the Control of Finance Companies Act, No. 27 of 1979, or any other law for the time being in force, and any such officer or servant who communicates any such matter to any person, other than the Monetary

Board or an officer of the Central Bank authorized in that behalf by the Governor, or suffers or permits any unauthorized person to have access to any books, papers or other records relating to any banking institution, department of Government, corporation, company, partnership or person, shall be guilty of an offence.”.

11. Section 48 of the principal enactment is hereby repealed and the following section substituted therefor:—

‘Definition of currency.

48. For the purpose of this Act unless the context otherwise requires “currency” means all currency notes and coins issued or circulating in accordance with the provisions of this Act.’.

Replacement of section 48 of the principal enactment.

12. Section 58 of the principal enactment is hereby amended as follows:—

Amendment of section 58 of the principal enactment.

- (i) in paragraph (b) thereof, by the substitution, for the words “currency note, or” appearing at the end of that paragraph of the words “currency note,”;
- (ii) in paragraph (c) thereof, by the substitution, for the words “form of advertisement” of the words “form of an advertisement, or”; and
- (iii) by the addition, immediately after paragraph (c) thereof, of the following new paragraph:—

“(d) reproduces in any form whatsoever, or makes a facsimile of, any currency note,”.

13. Section 59 of the principal enactment is hereby amended in subsection (3) thereof, by the substitution, for the words “be in the following form:—” of the words “be substantially in the following form:—”.

Amendment of section 59 of the principal enactment.

14. Section 59A of the principal enactment is hereby amended in subsection (3) thereof, by the substitution for the words “be in the following form:—”, of the words “be substantially in the following form:—”.

Amendment of section 59A of the principal enactment.

15. Section 97 of the principal enactment is hereby repealed and the following section substituted therefor:—

‘Payment of interest on deficiency in the reserves of commercial banks.

97 (1) Whenever the reserves of any commercial bank are below the required reserves computed in the manner provided, in section 96, the bank shall within such time as may be prescribed by the Monetary Board pay to the Central Bank interest on

Replacement of section 97 of the principal enactment.

the amount of the deficiency, at such rate not exceeding one-tenth of one *per centum* per day, as may be prescribed by the Monetary Board :

Provided however, that a commercial bank shall not be required to pay interest in respect of any deficiency in reserves, occurring on one or more days of a week, if the aggregate of the amount lying to the credit of such commercial bank with the Central Bank at the close of business on each of the seven days of that week is not less than the aggregate of the reserves which the commercial bank ought to have maintained on each of the seven days of the same week as a minimum for compliance with the foregoing section. Where the former aggregate is less than the latter aggregate, interest at the rate prescribed by the Monetary Board shall be paid on the deficiency which shall be a sum equal to one-seventh of the difference of such two aggregates (any fraction of a cent not being taken into account) and interest on the deficiency so computed shall be paid on the basis that such deficiency has occurred on each of the seven days of the week and such payment shall be sufficient compliance with the provisions of this subsection.

(2) Where any bank continuously fails to maintain the required reserves, the Monetary Board may make order—

(a) that the proviso to subsection (1) shall not apply to that bank ;

(b) (i) prohibiting or restricting the making of new loans or investments by that bank ; and

(ii) prohibiting the application of the whole or any specified part of the net profits of that bank for the purpose of the payment of a dividend to its shareholders.

(3) For the purposes of this section "week" means, any seven consecutive days, as may be prescribed by the Monetary Board.'