



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

BANKING
ACT, No. 30 OF 1988

[Certified on 25th August, 1988]

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Banking Act. No. 30 of 1988

[Certified on 25th August, 1988]

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AN ACT TO PROVIDE FOR THE INTRODUCTION AND OPERATION OF A PROCEDURE FOR THE LICENSING OF PERSONS CARRYING ON BANKING BUSINESS ; FOR THE REGULATION AND CONTROL OF MATTERS RELATING TO THE BUSINESS OF BANKING ; AND TO PROVIDE 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 Banking Act, No. 30 of 1988.

Short title and date of operation.

(2) The provisions of this Act other than Part V shall come into operation on such date as may be appointed by the Minister by Order published in the *Gazette* (hereinafter referred to as the "appointed date").

(3) The provisions of Part V of this Act shall come into operation on such later date as may be appointed by the Minister by Order published in the *Gazette*.

PART I

LICENSING OF PERSONS CARRYING ON BANKING BUSINESS

2. (1) On or after the appointed date, no banking business shall be carried on except by a company under the authority of a licence issued by the Monetary Board with the approval of the Minister.

Licensing of banks.

(2) Where such company is a company incorporated outside Sri Lanka no licence shall be issued unless such company has complied with the provisions of Part XIII of the Companies Act, No. 17 of 1982.

(3) Any company which has been issued a licence under the provisions of this Act shall, hereinafter be referred to as a "licensed commercial bank".

(4) Notwithstanding the provisions of subsections (1) and (2) of this section and of section 3 of this Act, all commercial banks specified in Schedule I to this Act, which on the appointed date are carrying on banking business, shall be issued a licence in accordance with the provisions of this Act.

(5) Any company which carries on banking business in contravention of subsection (1) shall be guilty of an offence under this Act.

For the purposes of this section "company" means a company formed and registered under the Companies Act, No. 17 of 1982, and includes a company duly incorporated outside Sri Lanka, or formed in pursuance of any statute of any foreign country, Royal Charter or letters patent and a body corporate established by or under any written law and shall not include the Central Bank, or a private company incorporated outside Sri Lanka except the banks specified Schedule I.

Applica-
tion
for a
licence.

3. (1) An application for a licence shall be made in writing to the Monetary Board in such manner as may be determined by the Monetary Board.

(2) Every application for a licence shall be accompanied by—

(a) a copy of the Memorandum and the Articles of Association of the company or the constitution of the company or any other document associated with the same ;

(b) a copy of the balance sheet and profit and loss account if any, of the company in respect of the year, preceding the year in which the licence is applied for ; and

(c) in the case of an application by a company incorporated outside Sri Lanka, an affidavit from the Chairman of such company supported by a resolution of its Board of Directors, stating that such company shall on demand by the Central Bank provide such funds as may be necessary to cover all obligations and liabilities incurred in the carrying on of banking business in Sri Lanka.

(3) On receipt of an application under subsection (1) the Monetary Board may, where such Board considers it necessary, require the applicant to furnish such other documents or particulars, in order to determine whether, a licence should be issued or not.

(4) No company incorporated in Sri Lanka under any written law shall make an application for the issue of a licence—

(a) unless such company is registered as a public company;

(b) unless the Memorandum of Association of the company sets out as the primary objects of such company, the carrying on of the business of accepting deposits of money subject to withdrawal on demand by cheque, draft, order or otherwise; and

(c) if the Memorandum of Association of the company provides for the carrying on of any other form of business, unless the Memorandum of Association of the company limits such forms of business to one or more of the forms of business specified in Schedule II to this Act.

(5) Any person who submits an application and other documents under subsections (1), (2) and (3) containing information which is to his knowledge false or misleading in any material particular, shall be guilty of an offence under this Act.

4. (1) The Monetary Board may require any company incorporated outside Sri Lanka, which has applied for a licence under section 3, to undertake to remit to Sri Lanka, prior to the commencement of their business in Sri Lanka, a sum of money, determined with the approval of the Minister, in United States Dollars, or its equivalent in any designated foreign currency. The amount so remitted may form part of the assigned capital of such company and shall be kept as a deposit with the Central Bank or in such other manner as may be determined from time to time by the Monetary Board.

Companies incorporated outside Sri Lanka to remit currency to Sri Lanka.

(2) The Monetary Board may, where such Board considers it necessary or expedient to do so in the interest of national economy, from time to time, make further determinations as regards the remittance of money after the expiry of a period of six months from the date of the last of such determinations.

(3) A determination made under this section shall apply uniformly to all companies incorporated outside Sri Lanka which apply for a licence after each such determination.

Issue of licence.

5. (1) On receipt of an application under section 3, the Monetary Board, having considered the documents and particulars accompanying such application, and having satisfied itself that the terms and condition of such licence will be observed by the applicant, shall, with the approval of the Minister, issue a licence to the applicant authorizing such applicant to carry on banking business in Sri Lanka.

(2) The licence shall specify—

(a) whether the bank shall carry on domestic banking business or offshore banking business, or both such business; and

(b) the place or places or area within which any bank may carry on business.

(3) Every licensed commercial bank shall display a copy of the licence issued to it under subsection (1) in a conspicuous place within the premises of any such bank.

Limits imposed on all licensed commercial banks.

6. (1) Subject to the provisions of section 17, no licensed commercial bank shall—

(a) carry on any banking business other than the business specified in the licence; or

(b) carry on any other form of business other than those specified in Schedule II to this Act.

Bank of Ceylon, People's Bank &c. not to be restricted by preceding provisions in the exercise of powers.

7: Nothing contained in the provisions of section 6 shall be construed so as to restrict the Bank of Ceylon or the People's Bank, established under the Bank of Ceylon Ordinance (Chapter 397), the People's Bank Act, No. 29 of 1961, respectively, and any Regional Rural Development Bank established under the Regional Rural Development Bank Act, No. 15 of 1985, in the exercise of the powers conferred on each such bank by and under the aforesaid statutes applicable to each of such banks, respectively.

Payment of licence fee.

8. (1) Every licensed commercial bank shall pay to the Central Bank an annual licence fee as may be determined by the Monetary Board, having regard to the different classes of banking business carried on by such bank.

(2) The Monetary Board shall inform each such licensed commercial bank the amount payable as licence fee, and the manner in which such fee shall be paid.

(3) Where a licence fee is determined in respect of classes of banking business such fee shall apply to all banks carrying on such classes of business.

9. (1) Where the Monetary Board is satisfied that any licensed commercial bank has—

(a) failed to commence business within nine months of the issue of the licence under section 5 ; or

(b) failed to pay up any debts incurred by it, on such debts becoming due ; or

(c) where a petition or action for relief has been filed against it, had appointed in respect of it, under any bankruptcy law or any other law which provides for relief of debtors or which relates to debtors, a custodian or receiver ; or

(d) ceased to carry on banking, business,

the Monetary Board may, give notice that it would cancel the licence issued to such bank and shall communicate such notice to the licensed commercial bank.

(2) A licensed commercial bank may tender objections in writing to the Monetary Board against the notice of cancellation under subsection (1), within thirty days of the date of receipt of such notice, giving reasons why the licence issued to it under section 5 should not be so cancelled.

(3) After the expiration of sixty days from the date of notification of the cancellation and after considering the objections tendered to the Board under subsection (2), the Monetary Board may withdraw such notice or cancel the licence issued to the licensed commercial bank, and shall notify the bank accordingly.

Consequences
of failure
to commence
business on
the issue
of a licence
&c.

(4) A cancellation of a licence under subsection (3) shall take effect—

- (a) where no appeal against the cancellation is preferred under subsection (5), after the period for preferring such appeal has expired; or
- (b) where an appeal against the cancellation is preferred under subsection (5), after the cancellation is upheld by the Court of Appeal,

and notification of such cancellation shall be published in the *Gazette*.

(5) Any person aggrieved by a decision of the Monetary Board in respect of any cancellation under subsection (3), may appeal against such decision to the Court of Appeal within fourteen days of his being informed by the Board of such cancellation.

(6) Until rules are made under Article 136 of the Constitution pertaining to appeals under this section, the rules made under that Article pertaining to applications by way of revision to the Court of Appeal shall apply to every appeal made under this section.

(7) The Court of Appeal may on an appeal made to it under subsection (5), confirm, revise, modify or set aside the decision against which the appeal is made and make any other order as the interests of justice may require.

10. (1) Where notice for the cancellation of a licence has been issued by the Monetary Board under subsection (1) of section 9, the Board may give directions to the licensed commercial bank—

- (a) prohibiting it from dealing with or disposing of its assets in any manner specified in such direction;
- (b) prohibiting it from entering into any transaction or class of transactions so specified; or
- (c) prohibiting it from soliciting deposits.

(2) Whereas a licensed commercial bank has failed to comply with the directions issued under subsection (1) the Monetary Board may further direct—

- (a) such bank to forthwith suspend its business within Sri Lanka, and, in the case of a bank incorporated or established in Sri Lanka, its business within and outside Sri Lanka; and

Directions
of Board
where
notice
of
cancellation
is
issued.

(b) the Director of Bank Supervision to take charge of its business, and of its books, records, and assets, and it shall be lawful for the Director of Bank Supervision to take such steps as are necessary for him to comply with the directive of the Monetary Board.

(3) Where the Director of Bank Supervision takes charge of all books, records and assets under subsection (2) and the Monetary Board withdraws the cancellation unconditionally, the Monetary Board shall direct the Director of Bank Supervision to deliver forthwith to such bank the books, records and assets taken into his custody.

(4) Notwithstanding anything in any written law for the time being in force, no action or proceedings may be instituted by any licensed commercial bank in any court in respect of any directions given *bona fide* under this section, and any loss or damage incurred or likely to be incurred or alleged to be incurred by reason of any such direction.

11. (1) Where a licence of a licensed commercial bank is cancelled, the Monetary Board shall direct the licensed commercial bank forthwith to suspend its business in Sri Lanka and, in the case of a licensed commercial bank incorporated or established within Sri Lanka, the business both within and outside Sri Lanka, and shall also direct the Director of Bank Supervision to take charge of its business and its books, records and assets and to take such steps as may be necessary to prevent the continuance of the business of banking by such bank. It shall be lawful for the Director of Bank Supervision to take such action as he may be deem necessary to comply with the directive of the Monetary Board.

Commer-
cial
bank to
suspend
business.

(2) Where the cancellation of a licence has been made in respect of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law for the time being in force, the Director of Bank Supervision shall forthwith make application to a court of competent jurisdiction to commence proceedings for the winding up of the business of such bank, and he shall be appointed liquidator for the purposes of winding up of the bank in accordance with the provisions of Part VIII of this Act.

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1988

(3) Where cancellation of a licence has been made in respect of a licensed commercial bank incorporated outside Sri Lanka, the Director of Bank Supervision shall forthwith inform the head office of such bank that it should honour the obligations and liabilities incurred in the carrying on of the business of the branch established within Sri Lanka, and shall take such steps as may be necessary to enforce any such undertaking as may have been given in this regard in accordance with the provisions of subsection (2) of section 3.

(4) The Monetary Board may, in addition to the procedures laid down in subsections (1), (2) and (3) of this section, take such other steps in respect of the licensed commercial bank, as it may deem necessary by—

- (a) requiring such bank to forthwith take any action or to do any act or thing which the Board may consider necessary in relation to the business of such bank;
- (b) appointing a fit and proper person to advise such bank in regard to the proper conduct of the business of such bank;
- (c) assuming control of and carrying on business of such bank, or by delegating the control so assumed by the Board, to another person in order to carry on the business of the bank;
- (d) re-organising such bank by increasing its capital, arranging for new shareholders and reconstituting its board of directors; and
- (e) making such arrangements as are necessary for the amalgamation of such bank with any other licensed commercial bank, that consents to such amalgamation.

12. (1) The written approval of the Monetary Board given with the concurrence of the Minister, shall be required—

- (a) for a licensed commercial bank to open or close a branch, agency or office of such bank, in any part of Sri Lanka or to effect a change in the location of any existing place of business;

Approval of the Monetary Board necessary prior to carrying on certain transactions &c.

- (b) for a licensed commercial bank incorporated or established within Sri Lanka by or under any written law to open or close a branch, agency, or office in any place outside Sri Lanka ;
- (c) for a licensed commercial bank to acquire the business of another licensed commercial bank or of any branch of another licensed commercial bank ;
- (d) for any person or nominee of such person, partnership, company or corporation to acquire a material interest in a licensed commercial bank incorporated or established within Sri Lanka by or under any written law ;

For the purposes of this paragraph "material interest" means the holding of over ten *per centum* of the issued capital of such licensed commercial bank ; and

- (e) for banks incorporated or established outside Sri Lanka to open a representative office or such other place of business within Sri Lanka.

(2) The approval under this section may be granted subject to such terms and conditions as may be specified by the Monetary Board with the concurrence of the Minister.

13. (1) The Monetary Board may, with the approval of the Minister, on a report by the Director of Bank Supervision, by order made in writing, withdraw the approval or vary the terms and conditions of an approval granted under section 12, including the closure of a branch, agency or office of a licensed commercial bank. Notice of the decision of the Monetary Board shall be communicated by the Director of Bank Supervision to such bank which shall carry out all the obligations and meet all the liabilities of the branch, agency or office.

Withdrawal
or variation
of approval
under
section 12.

(2) Any licensed commercial bank to whom notice has been issued under subsection (1) may within thirty days of the date of such order, tender objections in writing to the Monetary Board giving reasons why such approval should not be withdrawn or the terms and conditions varied.

(3) After the expiration of sixty days from the date of the notice and after considering the objections placed before the Board under subsection (2), the Monetary Board shall, with the approval of the Minister—

(a) by order made in writing, cancel the notice of withdrawal or the variation unconditionally; or

(b) by order made in writing and published in the *Gazette*, confirm the withdrawal or variation with or without modification.

(4) Where the order for the closure has been made under subsection (1), the Monetary Board shall direct the Director of Bank Supervision to take all steps as may appear necessary in the circumstances, to satisfy himself that all persons who have deposited moneys in that branch, agency or office are given the opportunity to withdraw such moneys expeditiously and to ensure that such measures as would safeguard the interest of such depositors are taken. It shall be lawful for the Director of Bank Supervision to take such steps accordingly.

Compliance
of persons
and banks
suspected of
carrying on
banking
business.

14. (1) Where the Governor of the Central Bank has reasonable grounds to believe that any person or any commercial bank is carrying on banking business without a licence, the Governor may direct the Director of Bank Supervision or any other officer of the Central Bank to examine the books, accounts and records for the purpose of ascertaining whether such person or bank has contravened, or is contravening any of the provisions of this Act.

(2) The Director of Bank Supervision or such other officer so authorized by the Governor in terms of subsection (1) may require such person or the bank to furnish to him such information or to produce for inspection any books, minutes, accounts, cash, securities, vouchers, other documents and records as he may consider necessary to obtain for the purpose of such examination, and it shall be the duty of such person or bank to furnish such information and to submit to such officer for examination such books, minutes, accounts, cash, securities, vouchers, other documents and records, as the case may be, when so required.

(3) Any person who fails to furnish such information or to produce any books, minutes, accounts, cash, securities, vouchers, other documents and records when required to do so under subsection (2) shall be guilty of an offence under this Act.

(4) Any refusal by any person or commercial bank to furnish such information or to submit such books, minutes, accounts, cash, securities, vouchers, other documents and records in contravention of the provisions of subsection (2) shall be prima facie evidence of such person or bank carrying on banking business without a licence.

15. The provisions of this Part shall not be construed to mean that a licence under section 5, or approval under section 12, shall be required for the Monetary Board or the Central Bank to exercise, perform or discharge the powers, duties or functions, in respect of banking business conferred on, or imposed on, or assigned to, the Monetary Board under the Monetary Law Act or any written law.

Provisions of this Part not to apply to the Monetary Board or Central Bank.

PART II

BANKING NAMES AND DESCRIPTIONS

16. (1) No company other than a licensed commercial bank shall use as part of its name or its description any of the words "bank", "banker", or "banking" or any of its derivatives, or its transliterations, or their equivalent in any other language and no licensed commercial bank shall carry on the business of banking in Sri Lanka, unless it uses as part of its name at least one of such words:

Restriction on use of certain names and descriptions.

Provided, however, a licensed commercial bank incorporated outside Sri Lanka and carrying on the business of banking and whose name does not contain the word "bank", "banker", or "banking" in any language may carry on such business in Sri Lanka notwithstanding the omission of these words in its name.

(2) No firm, individual or group of individuals, shall for the purpose of carrying on any business, use as part of its or his name or description any of the words "bank", "banker" or "banking" or any of its derivatives, or its transliterations, or their equivalent in any other language

(3) Nothing in this section shall apply to—

(a) a subsidiary of a licensed commercial bank formed for one or more of the purposes mentioned in subsection (1) of section 17 of this Act;

(b) any association of licensed commercial banks formed for the protection of their interests;

(c) a trade union registered under the Trade Unions Ordinance (Chapter 138) which is an association or combination of workers, who are employees of a banking institution within the meaning of section 127 of the Monetary Law Act, or of the Central Bank;

(d) an agency, institution, person or body of persons which falls within the meaning of paragraphs (b) and (d) of the definition of "banking institution" contained in section 127 of the Monetary Law Act;

(e) a company which, within one week of its incorporation, applies for a licence under section 2 and until such time as the decision of the Monetary Board in respect of the application is conveyed to the company;

(f) the representative office of a commercial bank incorporated or established outside Sri Lanka.

17. (1) A licensed commercial bank incorporated or established in Sri Lanka shall not have as its subsidiary a company which is not a licensed commercial bank:

Provided however, such bank may, with the written permission of the Monetary Board, have a subsidiary which—

(a) carries on the sole business of providing training in any one of the subjects relating to banking, accountancy, valuation, project appraisal and credit appraisal;

(b) carries on the sole business of engaging in hire purchase transactions;

(c) carries on the sole business of providing medium and long term credit for development;

Licensed commercial bank not to have as its subsidiary a company which is not a licensed commercial bank.

- (d) carries on the sole business of factory leasing and warehousing ;
- (e) carries on the sole business of providing management consultancy services ;
- (f) becomes the subsidiary only by reason of a licensed commercial bank having to acquire the share of a company consequent to such licensed commercial bank capitalising the capital and the interest accrued thereon and which is unpaid by the company to the bank, on loans granted by the licensed commercial bank ;
- (g) carries on any form of business which is not specified in Schedule II to this Act :

Provided, further that the provisions of this subsection shall not apply to a subsidiary formed before the appointed date by any licensed commercial bank incorporated or established in Sri Lanka.

(2) A licensed commercial bank shall not accord to any of its subsidiary companies, treatment which is more favourable than the treatment accorded to other constituents of the bank, carrying on the same business as any such subsidiary company.

(3) For the purposes of this Act a company shall, subject to the provisions of subsection (4) of this section, be deemed to be a subsidiary of another if, and only if—

- (i) that other company holds more than half in nominal value of its equity share capital ; or
- (ii) that other company is a shareholder of it and controls the composition of its board of directors ; or
- (iii) the first-mentioned company is a subsidiary of any company which is that other's subsidiary.

(4) In determining whether one company is a subsidiary of another—

- (a) any shares held or power exercisable by that other in a fiduciary capacity shall be treated as not held or exercisable by it ;

(b) subject to the provisions of paragraphs (c) and (d), any shares held or power exercisable—

(i) by any person as a nominee for that other except where that other is concerned only in a fiduciary capacity ; or

(ii) by, or by a nominee for, a subsidiary of that other, not being a subsidiary which is concerned only in a fiduciary capacity,

shall be treated as held or exercisable by that other ;

(c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first mentioned company or of a trust deed for securing the issue of such debentures shall be disregarded ;

(d) any shares held or power exercisable by, or by a nominee of, that other or its subsidiary (not being held or exercisable as referred to in paragraph (c)) shall be treated as not held or exercisable by that other, if the ordinary business of that other or its subsidiary, as the case may be, includes the lending of money, and the shares are held or power is exercisable as aforesaid by way of security, only for the purposes of a transaction entered into in the ordinary course of that business.

(5) For the purposes of this Act, a company shall be deemed to be another's holding company if, and only if, that other is its subsidiary.

(6) In this Part the expression "equity share capital" in relation to a company, means its issued share capital excluding any part thereof which, neither in respect of dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

PART III

CAPITAL REQUIREMENTS, RESERVE FUNDS AND
MAINTENANCE OF LIQUID ASSETS

18. Notwithstanding anything contained in any other written law no licensed commercial bank shall on or after the appointed date, commence or carry on business in Sri Lanka unless it complies with all the requirements specified in this Part.

Compliance with provisions of this Part essential

19. (1) Every licensed commercial bank shall at all times maintain an unimpaired capital in an amount not less than twenty-five million rupees.

Capital.

(2) The unimpaired capital shall be—

(a) paid up if it is a licensed commercial bank incorporated or established in Sri Lanka by or under any written law ;

(b) assigned to such bank by the head office if it is a licensed commercial bank incorporated or established outside Sri Lanka :

Provided however, the Monetary Board may having regard to the deposit liabilities or to the total liabilities including contingent liabilities, or to the total assets or to any specified categories of such assets, of a bank, after a period of five years from the appointed date, vary from time to time the amount specified as the minimum amount required to be maintained by a licensed commercial bank as unimpaired capital. The Monetary Board shall, in writing, communicate to all licensed commercial banks any variation made by it in respect of the unimpaired capital required to be maintained by a licensed commercial bank. Where any licensed commercial bank is required by such variation to augment its capital, it shall upon application to the Monetary Board, be afforded a period of twelve months, or such longer period as may be granted by the Monetary Board, in which to comply with that requirement.

(3) For the purpose of computing the minimum required capital, when such amount is prescribed in reference to liabilities or assets, both capital and liabilities or assets shall be of such kind and computed in such manner as the Monetary Board may from time to time determine, having regard to the interests of national economy.

(4) In the case of a licensed commercial bank incorporated or established in Sri Lanka by or under any written law, the limit of foreign participation in the capital of such bank, shall at no time exceed the limit, established from time to time, by the Monetary Board.

(5) A licensed commercial bank shall not reduce its—

- (a) paid-up capital; or
- (b) capital assigned to such bank,

without the prior written approval of the Monetary Board.

(6) A licensed commercial bank shall not create any charge upon any unpaid capital of such bank and any such charge created in contravention of these provisions shall be null and void.

(7) (a) Every licensed commercial bank shall at all times maintain capital funds in an aggregate amount equivalent to such percentage of the average of its month-end liabilities including contingent liabilities, incurred during the preceding twelve months as may from time to time be determined by the Monetary Board, having regard to the interests of national economy.

(b) Any variation in the percentage referred to in paragraph (a) shall be communicated to every licensed commercial bank by the Monetary Board in writing, provided that every licensed commercial bank which is required by such variation to augment its capital funds, shall be afforded a period of twelve months or such longer period as may be granted by the Monetary Board, in which to comply with such requirement.

(8) Nothing contained in subsections (1) and (7) shall be construed to mean that the licensed commercial banks set out in Schedule I of this Act are required to comply with the provisions of the preceding subsections before the expiry of twelve months from the appointed date.

(9) Where the capital or capital funds of a licensed commercial bank have become deficient in terms of the provisions of the preceding subsections the Monetary Board may, grant a reasonable period of time for the rectification of such deficiency.

20. (1) Every licensed commercial bank shall maintain a reserve fund and shall, out of the net profits after the payment of tax of each year, before any dividend is declared or any profits are transferred to the head office or elsewhere, transfer to such reserve fund—

Reserve fund.

(a) a sum equivalent to not less than five *per centum* of such profits until the amount of the said reserve fund is equal to fifty *per centum* of the paid-up or assigned capital of such bank, as the case may be; and

(b) a further sum equivalent to not less than two *per centum* of such profits until the amount of the said reserve fund is equal to the paid-up or assigned capital of such bank as the case may be:

Provided, however, that an amount not less than twenty-five *per centum* of the net profits shall be utilised for setting off such intangible assets as may be determined by the Monetary Board, before such profits are transferred to the reserve fund.

(2) The reserve fund of any licensed commercial bank shall not be reduced nor impaired:

Provided, however, that the Monetary Board may, specify circumstances in which the reserve fund may be reduced, and shall permit a reduction when a transfer is made for the purpose of increasing the paid-up or assigned capital, as the case may be. The Monetary Board shall permit an impairment of the reserve fund when it is the only means of preventing an impairment of paid-up or assigned capital, as the case may be, subject to the condition that within a given period of time, the deficiency shall be rectified.

Liquid Assets

21. (1) Every licensed commercial bank shall maintain liquid assets in such amount as may from time to time be determined by the Monetary Board having regard to the nature of the business carried on by such bank, which shall not in a daily average each month, be less than such percentage of the total of its liabilities, less its liabilities to the Central Bank and to the shareholders:

Provided, however, the percentage determined by the Monetary Board shall not be less than twenty *per centum* and not more than forty *per centum* of the total of its liabilities, less its liabilities to the Central Bank and to the shareholders.

(2) The Director of Bank Supervision may, by notice in writing, require every licensed commercial bank to furnish to him such return or returns as he may deem necessary for the purposes of satisfying himself that the provisions of subsection (1) have been complied with, and every licensed commercial bank so noticed, shall furnish such return or returns as may be required.

(3) Any licensed commercial bank which fails to comply with the provisions of subsection (1) shall, within such time as may be determined by the Monetary Board, pay to the Central Bank a charge on the amount of the deficiency calculated at such rate as may be determined by the Monetary Board.

(4) Any licensed commercial bank which fails to comply with the provisions of subsection (3) shall be guilty of an offence under this Act.

Payment of dividends.

22. No licensed commercial bank incorporated or established within Sri Lanka by or under any written law shall pay any dividend on its shares and no licensed commercial bank incorporated outside Sri Lanka shall transfer abroad any profits earned in Sri Lanka, until all its capitalised expenses, including preliminary expenses and other items of expenditure not represented by tangible assets, have been completely written off.

PART IV

OFF-SHORE BANKING BUSINESS

23. No off-shore banking business shall be carried on except by a commercial bank Licensed to carry on off-shore banking and such bank shall carry on its business in accordance with such off-shore banking scheme formulated by the Monetary Board :

Licence to engage in off-shore banking.

Provided that the banks specified in Schedule I, which on the appointed date are carrying on off-shore banking business under the "Foreign Currency Banking Scheme" established by the Monetary Board shall be issued a licence in terms of section 5 enabling such banks to carry on off shore banking business under this Part.

24. All off-shore operations of a licensed commercial bank under this Part shall be carried on by its off-shore unit, and Parts III, V and VI of this Act shall not apply in respect of off-shore banking business.

Parts III, V and VI not to apply to off-shore banking.

25. The Monetary Board may, by order made with the approval of the Minister, authorize an off-shore unit of a licensed commercial bank subject to such terms and conditions as the Monetary Board may, with the approval of the Minister, impose, having regard to the interests of national economy, to carry on all or any of the following businesses :—

Nature of business an off-shore unit is authorized to carry on.

- (a) accept time and demand deposits from any non-resident in any designated foreign currency provided that, in the case of time deposits, such deposits shall not be less than ten thousand United States dollars, or its equivalent, or such higher amount as may be determined by the Monetary Board, and provided that no savings accounts from which funds are withdrawable by cheque shall be opened by such off-shore unit ;
- (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 off-shore unit ; and
- (e) engage in any other transaction authorized by the Monetary Board with the approval of the Minister, in any designated foreign currency.

Monetary Board to authorise off-shore banking business.

26. The Monetary Board may with the approval of the Minister, by order authorize licensed commercial banks to engage in off-shore banking business in any or all of the businesses specified under section 25, subject to such terms and conditions as the Monetary Board may specify with the approval of the Minister having regard to the interests of national economy.

Off-shore unit to prepare balance sheet and profit and loss account.

27. Every licensed commercial bank shall, in respect of its off-shore unit, prepare—

- (a) a balance sheet as at the last working day of each financial year of such licensed commercial bank;
- (b) a profit and loss account in respect of such year.

Monetary Board to specify form of balance sheet and profit and loss account.

28. The Monetary Board may specify the form of the balance sheet and profit and loss account referred to in section 27 and the balance sheet and profit and loss account shall be prepared in such form as is specified.

Off-shore banking units exempt from provisions of the Monetary Law Act.

29. The provisions of Part III, Part VI and Part VII of Chapter V of the Monetary Law Act, shall not apply in respect of off-shore units.

Preparation of Annual Report.

30. (1) Every commercial bank engaged in off-shore banking business, shall appoint annually, a qualified auditor to audit the accounts of its off-shore unit and such auditor shall submit a report to such licensed commercial bank in respect of the accounts, balance sheet and profit and loss account of such off-shore unit. The auditor shall state in his report whether in his opinion, the balance sheet and profit and loss account are full and fair and properly drawn up and whether they exhibit a true and correct statement of affairs of the licensed commercial bank.

(2) A certified copy of the report shall be sent to the Monetary Board, and if the Monetary Board is of the opinion that the auditor has not discharged his duty to the best of his ability the Board may, order the licensed commercial bank to appoint another auditor for the purpose of preparing a fresh report

31. The Monetary Board may cause an examination of any off-shore unit to be made by officers duly authorized by it, in that behalf, in consequence of the auditor's report, or the auditor's failure to submit a report, or because of other relevant information that affords the Monetary Board reasonable grounds to believe that the off-shore unit is not in a sound financial condition or that it is engaging in fraudulent unsafe or unsound banking practices or that the requirements of this Part have not been complied with in the carrying on of its business.

Monetary Board to cause examination consequent to auditor's report.

32. Every off-shore banking unit shall maintain the books, minutes, accounts, cash securities, vouchers, other documents and records as may be determined by the Monetary Board, having regard to the nature of the business carried on by such off-shore unit.

Maintenance of books, accounts, &c.

33. (1) It shall be lawful for the Director of Bank Supervision or any officer of the Department of Bank Supervision or any officer authorized under section 31—

Powers of the Director of bank Supervision over off-shore unit.

(a) to require any director, officer or employee of any off-shore unit to furnish him with such information as he may consider necessary to obtain, for the purpose of ascertaining the true condition of the affairs of any off-shore unit;

(b) to require any such director, officer, or employee to produce for inspection by him at such time as he may specify any books, minutes, accounts, cash, securities, vouchers other documents and records in the possession of such director, officer or employee containing or likely to contain any such information.

(2) It shall be the duty of every director, officer or employee of any off-shore unit to afford to the Director of Bank Supervision or to any officer of his department or any officer authorized under section 31 whenever required so to do, in terms of subsection (1), the fullest opportunity to examine books, minutes, accounts, cash, securities, vouchers, other documents and records in his possession containing or likely to contain any such information.

(3) If any books, minutes, accounts, cash, securities, vouchers, other documents and records are not produced or information not furnished in accordance with the provisions of subsection (2), the officer so defaulting shall be guilty of an offence under this Act.

Power of Monetary Board to call for information.

34. Subject to the provisions of this Part, the Monetary Board may, from time to time, call for information, reports and returns as it may deem necessary for the purposes of this Part and may publish information and data extracted therefrom which does not disclose particulars of individual transactions.

PART V

ACCOUNTS, AUDIT, INFORMATION AND INSPECTION

Preparation of balance sheet and profit and loss account.

35. Every licensed commercial bank shall prepare at the expiration of each financial year—

- (a) a balance sheet as at the last working day of such financial year ; and
- (b) a profit and loss account in respect of such year.

Balance sheet.

36. (1) The balance sheet of a licensed commercial bank shall set out the state of affairs of such bank as at the end of the financial year to which such balance sheet relates.

(2) There shall be shown in the balance sheet or in any statement annexed thereto—

- (a) capitalised expenses not represented by tangible assets under separate headings, so far as they are not written off ;
- (b) the market value of investments ;
- (c) the method adopted to value fixed assets if there had been any valuation of such assets during the financial year ;
- (d) the aggregate amounts of advances after the provisions for bad and doubtful debts ;
- (e) any increase or decrease in the provision for depreciation, renewals or diminution in the value of fixed assets ;
- (f) the sources and applications of funds ;
- (g) reserves, provisions and liabilities distinguishable from each other ;
- (h) except in the case of the first balance sheet after the coming into force of this Part of this Act the corresponding amounts at the end of the immediately preceding financial year for all items shown in the balance sheet.

37. There shall be shown in the profit and loss account or in any statement annexed thereto—

Profit and
loss
account.

- (a) the amount charged to revenue by way of provision for depreciation, renewals or diminution in value of fixed assets ;
- (b) the amount charged to revenue for Sri Lanka income tax and other Sri Lanka taxation on profits and distinguishable from such accounts, the amounts, of material, set aside or proposed to be set aside for liabilities in respect of tax due in the current year of taxation or a succeeding year ;
- (c) the aggregate amount of dividends paid or proposed to be paid ;
- (d) the amount of remuneration of auditors ;
- (e) the amount charged to revenue representing the aggregate amount of the emoluments of directors ;
- (f) the amount set aside or proposed to be set aside to, or withdrawn from, reserves ;
- (g) under separate headings, the profit or loss or the income and expenses arising from transactions such as are not usually carried on by banking companies and are carried on owing to circumstances of an exceptional or non-recurrent nature or by a change in the basis of accounting ;
- (h) except in the case of the first profit and loss account after the coming into force of this Part of this Act, the corresponding amount at the end of the immediately preceding financial year for all items shown in the profit and loss account.

38. (1) Every licensed commercial bank incorporated or established within Sri Lanka by or under any written law shall transmit to the Director of Bank Supervision, and publish within five months after the close of the financial year its balance sheet as at the close of the financial year, and exhibit them in a conspicuous place of each of its places of business until the balance sheet and profit and loss account for the succeeding financial year are prepared and exhibited.

Publications
of balance
sheet and
profit and
loss
account.

(2) Every licensed commercial bank incorporated outside Sri Lanka shall transmit to the Director of Bank Supervision within five months of the close of each financial year its balance sheet as at the close of the financial year and its profit and loss account for such financial year in respect of its business in Sri Lanka.

(3) The Monetary Board may specify the form of the balance sheet and profit and loss account referred to in this Part and where such form is specified, the balance sheet and profit and loss account of every licensed commercial bank shall be prepared in such form as may be specified.

(4) Every commercial bank licensed to carry on banking business in Sri Lanka shall within six months of the close of the financial year, exhibit in a conspicuous place within the place of business of such commercial bank—

(a) the profit and loss account for such financial year in respect of its business within Sri Lanka including the business of its off-shore unit; and

(b) the consolidated balance sheet as at the end of such financial year setting out the state of affairs of such commercial bank and of its affiliates and subsidiaries, until its next profit and loss account and balance sheet are exhibited.

Appointment
of auditor.

39. (1) Every licensed commercial bank shall appoint annually a qualified auditor to audit the accounts of such bank. The duties of such auditor shall be—

(a) in the case of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law, to prepare a report in respect of the accounts balance sheet and profit and loss account examined by him, to be submitted to each of its shoreholders; and

(b) in the case of a licensed commercial bank incorporated outside Sri Lanka, to submit a report to its head office in respect of the accounts, balance sheet and the profit and loss account examined by him.

(2) Every such report, which shall be completed within three months of the end of the financial year, shall contain a statement by the auditor as to whether in his opinion the balance sheet and profit and loss account contain a full and fair and properly drawn up statement and whether

they represent a true and correct statement of the bank's affairs, and if the auditor has called for an explanation or any information from the officers or agents of such licensed commercial bank whether such explanation or information is satisfactory.

(3) The report of the auditor made in accordance with subsections (1) and (2) shall, in the case of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law, be read together with the report of the Board of Directors of the licensed commercial bank at the annual general meeting of its share-holders, and, in the case of a licensed commercial bank incorporated outside Sri Lanka, be transmitted to the head office of such licensed commercial bank. A copy of such report shall be transmitted to the Director of Bank Supervision. Where the Director of Bank Supervision is not satisfied with the report of the auditor, he may make a request to the Monetary Board for the appointment of a new auditor to submit a fresh report.

(4) If a licensed commercial bank fails to appoint an auditor under subsection (1) or the Director of Bank Supervision has made a request to the Monetary Board in terms of subsection (3), the Monetary Board shall have the power to appoint an auditor for such licensed commercial bank.

(5) Every auditor appointed under subsection (1) or (4) shall have a right of access at all times to the books, accounts and vouchers and all documents and records belonging to the licensed commercial bank, which he considers necessary for the performance of his duties, and he shall be entitled to require from the officers of such bank such information and explanations as he thinks necessary for the performance and proper discharge of his duties and functions as auditor.

(6) The remuneration of the auditor, whether appointed by the licensed commercial bank or by the Monetary Board, shall be paid by the licensed commercial bank and, in the case of an auditor appointed by the Monetary Board under subsection (4), he shall be paid such amount as may be determined by the Monetary Board.

(7) No person having an interest in any licensed commercial bank or any director, officer, employee, agent of such licensed commercial bank shall be eligible for appointment as auditor for that licensed commercial bank. Any person appointed as auditor who shall after such appointment acquire any interest in or become a director, officer, employee or agent of such licensed commercial bank shall forthwith cease to act as such auditor.

(8) Nothing contained in this section shall apply to the audit of the accounts of any licensed commercial bank which is a public corporation.

**Consequences
of failure
to submit
audit report
&c.**

40. Where any licensed commercial bank has, due to circumstances beyond its control, failed to comply with the provisions of section 35, or where an auditor appointed by such licensed commercial bank has, due to reasons beyond his control, failed to complete the audit report as specified, the Monetary Board may, on an application made by such licensed commercial bank, grant a reasonable period of time for compliance with the preceding provisions of this Part.

**Monetary
Board to
cause
examination
of a licensed
commercial
bank or any
of its
subsidiaries.**

41. (1) The Monetary Board shall, from time to time, cause an examination of any licensed commercial bank or any of its subsidiaries, to be made by an officer duly authorized by it, whenever it appears to the Board that such examination is necessary or expedient in order to examine whether such licensed commercial bank is in a sound financial condition and whether the carrying on of business by the licensed commercial bank has been in accordance with the provisions of this Act or any other written law.

(2) Every licensed commercial bank and any subsidiary of such licensed commercial bank referred to in subsection (1) shall permit the officer authorized by the Monetary Board, to inspect at any time as requested by such officer all books, minutes, accounts, cash, securities, vouchers other documents and records relating to its business and shall be required to furnish such information concerning its business as may be requested by such officer.

(3) If any books, minutes, accounts, cash, securities, vouchers, other documents and records are not produced or information not furnished in accordance with the provisions of subsection (2) or if any information furnished or item produced is false in any material particular the defaulting licensed commercial bank or subsidiary or both, as the case may be, shall be guilty of an offence under this Act.

PART VI

DISQUALIFICATION FOR APPOINTMENT AS DIRECTOR, SECRETARY,
&C. OF LICENSED COMMERCIAL BANKS

42. (1) No person shall be appointed or elected as a director of a licensed commercial bank if he—

- (a) is a person who, having been declared insolvent or a bankrupt under any law in Sri Lanka or in any other country, is an undischarged insolvent or bankrupt ; or
- (b) is serving or has served a sentence of imprisonment imposed by any court in Sri Lanka or any other country ; or
- (c) has been convicted of any act which is of a fraudulent or illegal character.

Disqualifica-
tion for
being
appointed
or elected
director.

(2) A director of a licensed commercial bank shall be removed from the office of director if—

- (a) he becomes subject to any of the disqualifications mentioned in subsection (1) ; or
- (b) he becomes permanently incapable of performing his duties ; or
- (c) he has been convicted of any act which is of a fraudulent or illegal character ; or
- (d) has done an act or thing which is manifestly opposed to the objectives and interests of the licensed commercial bank.

43. No licensed commercial bank shall have as Secretary of such licensed commercial bank, a person other than an employee of such licensed commercial bank.

Secretary
of a licen-
sed commer-
cial bank.

44. (1) No person shall be appointed as Manager, Secretary or other official of a licensed commercial bank and any person appointed as Manager, Secretary or other official of such bank shall be removed from office if he—

- (a) is a person, who, having been declared insolvent or a bankrupt under any law in Sri Lanka or in any other country, is an undischarged insolvent or bankrupt ;
or

Disqualifica-
tion for
being
appointed
as Manager
or Secretary
of a licensed
commercial
bank.

(b) is serving or has served a sentence of imprisonment imposed by any court in Sri Lanka or by any other country ; or

(c) has been convicted of any act which is of a fraudulent or illegal character.

(2) No person who has been a director or has been a chief executive officer of a licensed commercial bank which has been wound up by an Order of court shall, without the written approval of the Monetary Board, act as a director or chief executive officer of a licensed commercial bank.

(3) No licensed commercial bank shall employ or be managed by a managing agent other than an employee of such licensed commercial bank.

PART VII

CONTROL OVER LICENSED COMMERCIAL BANKS

Power of
the Director
of Bank
Supervision.

45. (1) Where the Director of Bank Supervision is of the opinion that a licensed commercial bank—

(a) is engaging in unsafe or unsound practices in the carrying on of its business, which—

(i) is likely to jeopardise its obligations to its depositors ; or

(ii) is likely to result in such bank being unable to meet its obligations ; or

(b) has contravened or failed to comply with the provisions of the Monetary Law Act or the provisions of this Act,

he may issue an order directing such licensed commercial bank—

(a) to cease and desist from any such practice or contravention ; or

(b) to comply with the provisions of the Monetary Law Act or the provisions of this Act ; or

(c) to take necessary action to correct the conditions resulting from such practice or contravention.

(2) Any licensed commercial bank dissatisfied with an order given under subsection (1), may, before the expiry of thirty days from the date of the issue of such order, appeal in writing to the Monetary Board and the Monetary Board shall render its decision within fifteen days of receipt of such appeal.

46. (1) The Monetary Board may give directions as it may deem necessary to all or any licensed commercial bank specifying—

Monetary Board to give directions to licensed commercial banks.

- (a) the class or classes of advances which may or may not be made by such bank ;
- (b) the margins to be maintained in respect of secured advances ;
- (c) the maximum amount of accommodation which, having regard to the paid-up capital, reserves and deposits of such licensed commercial bank and other relevant considerations, as may be made by such bank to any one company, public corporation, firm, association of persons or individuals, or in the aggregate, to an individual, his close relations or a company or firm in which he has a substantial interest ;
- (d) the maximum percentage of the share capital in a licensed commercial bank incorporated in Sri Lanka—
 - (i) held by a company, an incorporated body, or an individual ;
 - (ii) in the aggregate by—
 - (a) a company and one or more of the following :—
 - (aa) its subsidiaries ;
 - (bb) its holding company ;
 - (cc) a subsidiary of its holding company ; or
 - (dd) a company in which such company or its subsidiary, or its holding company, or a subsidiary of its holding company has a substantial interest ; or

(b) an individual and one or more of the following:—

(aa) his close relations ;

(bb) a company in which he has a substantial interest or in which his close relation has a substantial interest ;

(cc) the subsidiary of such company ;

(dd) a holding company of such company ;

(ee) a subsidiary of such company's holding company ;

(ff) a company in which such company, or its subsidiary, or its holding company or a subsidiary of its holding company has a substantial interest ; or

(gg) an incorporated body other than a company in which such individual or his close relation has a substantial interest.

(2) A direction issued under subsection (1) shall have effect notwithstanding that such direction will require a licensed commercial bank to effect a change in the nature or amount of any of its assets or liabilities, whether acquired or incurred before or after the date of the coming into operation of this Act, provided that a licensed commercial bank which is required to so effect a change, is afforded a period of twelve months from the date of such direction or such longer period as may be granted by the Monetary Board in which to comply with that requirement.

(3) In order to comply with a direction issued to it under paragraph (d) of sub-section (1), a licensed commercial bank may direct a person holding shares in such bank to reduce the number of shares held by such person in such bank, whether such shares were acquired by such person before or after the appointed date, within such period as may be specified in such direction ; and it shall be the duty of such person to comply with such direction.

(4) A person who fails to comply with a direction given to him under sub-section (3) shall be guilty of an offence under this Act, and shall on conviction after summary trial by a Magistrate be liable to imprisonment for a term not exceeding eighteen months or to a fine not exceeding one thousand rupees or to both such imprisonment and fine.

47. (1) The provisions of this section shall apply only to licensed commercial banks carrying on domestic banking business.

Conditions for the grant of a loan by way of accommodation.

(2) No licensed commercial bank shall grant accommodation against the security of—

- (a) its own shares ; or
- (b) shares of companies which have a substantial interest in it ; or
- (c) shares of companies in which the companies referred to in paragraph (b) have substantial interest.

(3) No licensed commercial bank shall grant any accommodation to any of its directors or to a close relation of such director, unless such security as may from time to time be approved by the Monetary Board, is given, and such accommodation is sanctioned at a meeting of the Board of Directors with not less than two thirds of the number of directors constituting the Board of Directors of the licensed commercial bank (other than the director concerned), voting in favour of such accommodation.

(4) Accommodation granted by a licensed commercial bank to a director or to a close relation of such director shall not exceed the amount of the accommodation, if any, extended to him or such close relation, and outstanding on the day prior to the date of his appointment as a director or on the day prior to the appointed date, whichever is later, or rupees five hundred thousand, whichever is more, and such accommodation is secured by such security as may from time to time be approved by the Monetary Board for the purposes of this section.

(5) No licensed commercial bank shall grant accommodation to any concern in which such director who on the day prior to the date of his appointment as a director or on the date prior to the appointed date, whichever is earlier, has a substantial interest, unless such a security, as may from time to time be approved by the Monetary Board is given, and such accommodation is sanctioned at a meeting of the Board of Directors, with not less than two thirds of the number of directors constituting the Board of Directors of the licensed commercial bank (other than the director concerned), voting in favour of such accommodation.

(6) Where any accommodation has been granted by a licensed commercial bank to a person or a close relation of a person or to any concern in which the person has a subs-

tantial interest and if the person is a director of that licensed commercial bank on the appointed date or is appointed a director after the appointed date, steps shall be taken to obtain such security as may be approved for that purpose by the Monetary Board, within one year from the appointed date or from the date of appointment as director, whichever is applicable.

(7) Where such security has not been provided as specified in subsection (6), the licensed commercial bank shall take steps to recover any amount due on account of any accommodation together with interest, if any, due thereon—

- (a) within the period specified at the time of the grant of accommodation or at the expiry of a period of six months of the termination of the period specified in subsection (6), whichever is earlier ;
- (b) where no period has been specified, at the expiry of a period of one year of the termination of the period specified in subsection (6) :

Provided that the Monetary Board may, in any case, on an application in writing made to it by the licensed commercial bank in that behalf, extend the period for the recovery of the accommodation until a date, not beyond the period of three years commencing from the expiry of six months specified in paragraph (a) :

Provided further, that the provisions of this subsection and of subsection (6) shall not apply if and when the director concerned vacates such office whether by death, retirement, resignation or otherwise.

(8) Where no security has been provided within the period specified in subsection (6), or the amount due has not been repaid in terms of subsection (7) in respect of an accommodation granted to a director or to a concern in which the director has a substantial interest such Director shall be deemed to have vacated office on the expiry of the period specified in subsection (7).

(9) Every director of a licensed commercial bank, who is in any manner whatsoever, whether directly or indirectly, interested in any accommodation or proposed accommodation from that licensed commercial bank, shall as soon as is practicable, declare the nature of his interest to the Board

of Directors and the Secretary or Manager of such licensed commercial bank shall cause the declaration to be circulated forthwith to all the directors.

(10) A director shall not take part in any deliberations or decisions of the Board with regard to any business transacted or proposed to be transacted by a licensed commercial bank in which the director or a close relation of the director, or a concern in which the director has a substantial interest, is interested, and the director shall withdraw from the meeting of the Board at which such business is discussed or transacted while the deliberation is in progress or decision is being made.

(11) No accommodation or any part thereof granted by a licensed commercial bank to a director or to a close relation of the director or to a concern in which the director has a substantial interest shall be remitted without the prior approval of the Monetary Board, and any remission without such approval shall be void and of no effect.

(12) Any director who contravenes the provisions of subsections (9) and (10) shall be guilty of an offence under this Act.

(13) For the purpose of this section—

“company” shall not include a company incorporated outside Sri Lanka ;

“director” shall not include a director of a licensed commercial bank incorporated outside Sri Lanka.

48. (1) Notwithstanding anything contained in any other written law or in any contract, no licensed commercial bank shall directly or indirectly deal in the buying or selling or bartering of goods, except in connection with the realization of security given to or held by it, or engage in any trade, or buy, sell or barter goods for others, otherwise, than in connection with bills of exchange received for collection or negotiation or with such of its business as is referred to in Schedule II or in any other law or in the Bank of Ceylon Ordinance (Chapter 397) or in the People's Bank Act, No. 29 of 1961, where the provisions of these enactments are applicable.

Licensed
commercial
bank not to
engage in
buying,
selling, &c.

(2) The provisions of the preceding subsection shall not apply to any such business as aforesaid, which was being carried on by a bank on the appointed date :

Provided that the said business shall be completed before the expiry of one year from the appointed date.

Prohibition
in the sale,
transfer, &c.
of immovable
assets.

49. Without the prior approval obtained in writing of the Monetary Board, no licensed commercial bank shall sell, transfer, assign or dispose of any of its immovable assets below the market value of the assets or increase the valuation of the assets as recorded in the books of the bank above the market value of the assets.

PART VIII

LIQUIDATION OF LICENSED COMMERCIAL BANKS INCORPORATED WITHIN SRI LANKA AND CLOSURE OF BRANCHES OF LICENSED COMMERCIAL BANKS INCORPORATED OUTSIDE SRI LANKA

Liquidator.

50. The Director of Bank Supervision shall be appointed as the liquidator for the purposes of this Part.

Liquidation.

51. No voluntary liquidation of a licensed commercial bank incorporated or established in Sri Lanka by or under any written law shall be effected without the prior authorization of the Monetary Board obtained in writing. The authorization shall be granted only if it appears to the Monetary Board that—

- (a) the licensed commercial bank is solvent and has sufficient liquid assets to repay its depositors and other creditors without delay; and
- (b) the liquidation has been approved by the affirmative vote of the shareholders of at least three-fourths of the outstanding shares entitled to vote at a meeting called expressly for this purpose:

Provided that if the liquidation is to be affected in whole or in part through the sale of any of the assets of the licensed commercial bank to, and the assumption of its deposit liabilities by, another licensed commercial bank, the Monetary Board may, upon a finding of imminent danger of insolvency, waive the requirement for shareholder approval:

Provided further, that the provisions of paragraph (c) of subsection (1) of section 12 shall not apply to such assumption of liabilities.

Licensed
commercial bank
to cease to
carry on
business

52. Where a licensed commercial bank has received the authorization of the Monetary Board to liquidate, such bank shall—

- (a) immediately cease to carry on business, exercising only such powers as are necessary to effect an orderly liquidation;

- (b) repay sums of money due to its depositors and other creditors;
- (c) wind up all operations undertaken prior to the receipt of the authorization.

53. Any licensed commercial bank which is subject to voluntary liquidation shall, within thirty days of the receipt of the authorization referred to in section 51 cause a notice of voluntary liquidation, to be sent by registered post to all depositors, to the creditors, and persons otherwise entitled to the funds or property held by such licensed commercial bank as a fiduciary, lessor or a safe deposit box or bailee. The Monetary Board shall specify the information to be included in the notice. The Monetary Board may, where it considers it expedient so to do, exempt the posting of such notice to specified persons upon a showing of reasonable cause therefor by such licensed commercial bank. The notice shall be kept displayed in a conspicuous place within the place of business of the licensed commercial bank, and shall be given such other publicity as the Monetary Board may direct.

Notice of liquidation to be sent to depositors, creditors &c.

54. The authorization to go into voluntary liquidation shall not prejudice the rights of a depositor or other creditor or owner to payment in full of his claim, and the rights on an owner of funds or other property held by the licensed commercial bank. All lawful claims shall be paid promptly and all funds and other property held by the licensed commercial bank shall be returned to their rightful owners within such maximum period as the Monetary Board may determine.

Safeguard rights of depositors and creditors.

55. Where the Monetary Board is of the opinion that any licensed commercial bank has discharged all its obligations as referred to in section 54 the name of such bank shall be removed from the list of licensed commercial banks and the outstanding assets shall be distributed among its rightful owners in proportion to their respective rights. No distributions shall be made until—

Licensed commercial bank removed from list of licensed commercial banks.

- (a) all claims of depositors or other creditors or owners have been paid and, in the case of disputed claims, before the licensed commercial bank has transmitted to the Central Bank sufficient funds to meet any liability that may arise after a judicial decision ;

- (b) any funds payable to depositors, other creditors and owners who have not claimed them, have been transmitted to the Central Bank ;
- (c) any other funds or property held by the licensed commercial bank which could not be returned to the rightful owner in accordance with the provisions of this section, have been dealt with in accordance with section 72.

Compulsory liquidation.

56. Where the Monetary Board is of the opinion that—

- (a) the assets of a licensed commercial bank whose voluntary liquidation, it has authorized, will not be sufficient for the full discharge of all its obligations ; or
- (b) the completion of voluntary liquidation is unduly delayed,

it shall forthwith take steps to revoke the licence issued to such bank and commence proceedings for the compulsory liquidation of such bank in conformity with the procedures set out hereunder.

Director to take charge of all books records and assets.

57. When the cancellation of the licence of a licensed commercial bank incorporated or established in Sri Lanka has become final in terms of subsection (3) of section 9, the licensed commercial bank shall forthwith suspend its business within and outside Sri Lanka, and the Director of Bank Supervision shall direct that liquidation proceedings in accordance with the provisions of this Act be taken. As soon as possible after initiating the liquidation proceedings an inventory of the assets and contingent liabilities of the licensed commercial bank shall be made and a copy thereof transmitted to the Monetary Board, which copy shall be available at the office of the Monetary Board for examination by the parties having an interest in the business of such bank.

Director of Bank Supervision to have full management and control for the purpose of liquidation.

58. The Director of Bank Supervision shall be vested with the full and exclusive power of management and control of the affairs of any licensed commercial bank for the purpose of compulsory liquidation and shall have the power—

- (a) to wind up its operations by the institution of liquidation proceedings in Court ;

- (b) to stop or limit the payments of its obligations ;
- (c) to execute any instrument in the name of the licensed commercial bank ; and
- (d) to initiate, defend and conduct in its name any action or proceedings to which the licensed commercial bank may be a party.

59. Under liquidation proceedings—

- (a) any term, statutory, contractual or otherwise, on the expiration of which a claim or right of the licensed commercial bank would expire or be extinguished, shall by the operation of this section, be extended by six months from the date of the commencement of the proceedings ;
- (b) any attachment or lien, except a lien existing six months prior to the date as specified in paragraph (a), shall be vacated, and no attachment of lien, except a lien created by the Director of Bank Supervision, in the application of the provisions of this Part, shall attach to, any property or assets of the licensed commercial bank in liquidation ;
- (c) any transfer of any assets of the licensed commercial bank made after or in contemplation of its insolvency shall be void.

Claims
&c. to be
extended
where
liquida-
tion proceed-
ings have
been
instituted.

60. (1) Within a period of six months from the date on which the cancellation of a licence becomes final, the Director of Bank Supervision may, subject to the provisions of any other law for the time being in force, terminate—

- (a) any contract of employment entered into with such bank ;
- (b) any contract for services to which such licensed commercial bank was a party ; or
- (c) any obligation of the licensed commercial banks including its obligations, if any, as a lessee.

Power of
Director
of Bank
Super-
vision to
terminate
contracts
&c.

(2) A lessor who shall have received ninety days notice that the Director of Bank Supervision is exercising discretionary powers to terminate the lease shall have no claim for rent other than rent accrued on the date of termination of the lease, nor for damages by reason of such termination.

61. As soon as possible after the cancellation of a licence becomes final, the Director of Bank Supervision shall make a final distribution by taking such steps as are necessary to terminate all functions performed in a fiduciary capacity by the licensed commercial bank and return all assets and property held by the licensed commercial bank as a fiduciary to the owners thereof, and settle its fiduciary accounts.

Termination of fiduciary functions.

62. As soon as possible after the cancellation of a licence becomes final, the Director of Bank Supervision shall dispatch by registered post to all depositors, owners, other creditors, safe deposit box lessees, and the bailors of property held by the licensed commercial bank, a statement of the nature and amount for which their claim is shown in the licensed commercial bank's books. The statement shall specify that any objections if any must be filed with the Director of Bank Supervision before a specified date not later than sixty days from the issue thereof, and shall invite safe deposit box lessees and bailors to withdraw their property in person. The Director of Bank Supervision may, subject to confirmation by the Monetary Board, obtained prior to the commencement of the sixty day period, exempt the dispatch of the statements by post to specified persons upon the licensed commercial bank showing reasonable cause therefor.

Director of Bank Supervision to issue statement to depositors &c.

63. (1) Any safe deposit box, the contents of which have not been withdrawn before the date specified, shall be opened in the manner prescribed by the Director of Bank Supervision. The contents and any unclaimed property shall be held by the licensed commercial bank as bailee, and—

Safe deposit boxes.

(a) all monies shall, upon direction by the Monetary Board, be transferred to a special account in the Central Bank ;

(b) any article other than money shall, upon direction by the Monetary Board, be referred to the Minister for a direction as to the method of disposal of the same.

(2) The money referred to in paragraph (a) and articles referred to in paragraph (b) shall be deemed to be abandoned property in terms of the provisions of Part IX, if the owner thereof, has, over a period of ten years from the date

of deposit of such money or articles, as the case may be, not evidenced an interest in the same. The provisions of section 72 shall apply in respect of such items as from the date of their transfer.

64. Within three months after the date specified in the notice for filing of objections or such longer period as may be determined by Monetary Board, the Director of Bank Supervision shall—

- (a) reject any claim if he doubts the validity thereof ;
- (b) determine the amount, if any, owing to each identifiable depositor or other creditor and the priority attaching to his claim under the provisions of this Act ;
- (c) prepare a Schedule of the scheme of work he proposes to take ;
- (d) notify each person whose claim has not been allowed in full, and publish once a week for three consecutive weeks, a notice in three daily newspapers in the Sinhala, Tamil and English languages, which contains an intimation of the date and place, where the Schedule of the scheme of work he proposes to take, will be available for inspection. The date so intimated, shall be a date not sooner than thirty days from the date of the third publication in the newspaper, upon which the Director of Bank Supervision will file the Schedule in Court.

Functions of Director of Bank Supervision in relation to liquidation proceedings of a licensed commercial bank.

65. Within twenty one days after the filing of the Schedule referred to in paragraph (c) of section 64, any depositor creditor, shareholder or other interested person may file objections to any step proposed to be taken. Any objections so filed shall be considered by the Court upon such notice to the Director of Bank Supervision and interested parties as the Court may specify. If an objection is sustained, the Court shall direct that an appropriate modification be made to the Schedule. After filing the Schedule the Director of Bank Supervision may, from time to time, make partial distribution to the holders of claims which are undisputed or which have been allowed by the Court, on condition that

Objection to Schedule.

a proper reserve is established for the payment of disputed claims. As soon as possible after all objections have been decided upon, the Director of Bank Supervision shall make the final distribution.

**Priority
of claims.**

66. (1) The claims set out hereunder shall have priority as against the general assets of the licensed commercial bank in the order indicated below—

- (a) necessary and reasonable expenses incurred by the Director of Bank Supervision in the application of the provisions of this Part ;
- (b) wages and salaries of officers and employees of the licensed commercial bank in liquidation for the three month period preceding the revocation of the licence of the licensed commercial bank ;
- (c) taxes, rates, and deposits owed to the Government and Local authorities ;
- (d) fees and assessments due to the Monetary Board ;
- (e) savings and time deposits to the extent of rupees five thousand or less ;
- (f) other deposits.

(2) After payment of all other claims filed, with interest thereon calculated, at a rate to be fixed by the Director of Bank Supervision, with the approval of the Court, any remaining claims which were not filed within the prescribed time shall be paid.

(3) If the amount available in respect of a particular category of claims is insufficient to provide payment in full, the said amount shall be distributed pro-rata among the parties of that claim.

**Distribu-
tion of
assets.**

67. Any assets remaining after all claims have been paid shall be distributed among all the shareholders in proportion to their participation.

**Unclaimed
funds.**

68. Funds remaining unclaimed after the final distribution referred to in section 61 is made, which are not subject to the other provisions under this Act, shall, upon direction by the Monetary Board, be transferred to a special account in the Central Bank. The Monetary Board may utilise such funds for such purposes as may be determined by the Mone-

tary Board after consultation with the Minister. The funds shall be abandoned property, in terms of Part IX of this Act, if the owner has not, within the ten years immediately preceding the date of the final distribution under section 61, evidenced any interest in the funds. Section 72 shall apply in respect of such funds as from the time of their transfer under this section.

69. Once all assets have been distributed in accordance with the provisions of this Act, the Director of Bank Supervision shall render an audited account to Court. Upon approval of the account by Court, and where the Court makes an order to terminate the liquidation, the Monetary Board shall be relieved of any liability in connection with the liquidation. The Director of Bank Supervision shall proceed to terminate the judicial existence of the licensed commercial bank concerned, in accordance with such provisions of the Companies Act, No. 17 of 1982, and applicable thereto, which are not inconsistent with the provisions of this Act.

Audited
account to be
submitted
to Court.

70. (1) When a licensed commercial bank incorporated outside Sri Lanka wishes to close down its business in Sri Lanka the approval of the Monetary Board for the closure shall be granted, subject to such terms and conditions as the Board may specify. Where approval is granted by the Board the affairs of the licensed commercial bank in Sri Lanka shall be wound up in accordance with the procedures set out in subsection (4).

Closure of
licensed
commercial
banks incor-
porated
outside
Sri Lanka.

(2) When a cancellation of the licence of a licensed commercial bank incorporated outside Sri Lanka has been made final under subsection (3) of section 9, the licensed commercial bank shall terminate its business in Sri Lanka and its affairs shall be wound up in accordance with the provisions of subsection (4).

(3) When liquidation proceedings in respect of a licensed commercial bank incorporated outside Sri Lanka are started at the place where the head office is located, the Monetary Board shall order the closure of the licensed commercial bank in Sri Lanka.

(4) When the business of the licensed commercial bank is closed down under subsections (1) or (2) or (3), the licensed commercial bank which is the subject of liquidation, shall retain only such powers as are necessary to wind up its affairs within Sri Lanka, which shall be done expeditiously and in an orderly manner. The Director of Bank

Supervision shall supervise the winding up under subsection (1) or (2) or (3) of this section, in accordance with the provisions of subsections (1) and (3) of section 11, take all measures necessary to ensure that no assets owned by the licensed commercial bank, which is the subject of liquidation are removed from Sri Lanka until all obligations and liabilities incurred by such bank, to which the undertaking referred to in paragraph (c) of subsection 2 of section 3 relates, have been met in accordance with the undertaking. The provisions of sections 63 and 68 shall apply to the winding up of the affairs under this section.

(5) Where the Monetary Board is of the opinion that the licensed commercial bank has discharged all the obligations referred to in the preceding provisions of this section, the name of such bank shall be removed from the list of licensed commercial banks.

71. In the event of conflict or inconsistency between the provisions of this Part of this Act and the provisions of the Monetary Law Act (Chapter 422) or the Companies Act, No. 17 of 1982, the provisions of this Part shall prevail.

PART IX

ABANDONED PROPERTY

72. (1) In addition to the articles referred to in sections 63 and 68 the articles enumerated in subsection (2) of this section, held by a licensed commercial bank other than such articles so held by an offshore unit of a licensed commercial bank, shall be presumed to be abandoned if the owner has, within a period of ten years immediately after the date of deposit, or payment of funds towards the purchase of shares or other interests, or issuing of instruments, or the date upon which funds held in a fiduciary capacity became payable, or capable of being distributed, or the expiration of the period for which the safe deposit box was rented, as the case may be—

(a) not increased or decreased the amount of the deposit or funds or presented the pass book or other record for the crediting of interest or dividends in respect of the articles enumerated in paragraphs (a) and (b) of subsection (2) of this section ;

(b) not increased or decreased the principal or accepted payment of principle or income in respect of funds held in a fiduciary capacity ;

This Part to prevail over any other law.

Abandoned property.

(c) not had any correspondence with the licensed commercial bank concerning such articles ;

(d) not otherwise indicated an interest in the articles as evidenced by a memorandum concerning them by the licensed commercial bank.

(2) The following shall be the articles referred to in subsection (1) :—

(a) any general deposit (demand, savings or matured time deposit) made in Sri Lanka with that licensed commercial bank together with any interest or dividend thereon excluding any lawful charges ;

(b) any funds paid in Sri Lanka towards the purchase of shares or other interests in a licensed commercial bank together with any interest or dividend, excluding any lawful charges ;

(c) any sum payable on cheques or on written instruments, on which the licensed commercial bank is directly liable ;

(d) any intangible personal property and any income or interest thereon held in a fiduciary capacity for the benefit of another person ;

(e) any contents of a safe deposit box upon which the rental period has expired and concerning which notice has been sent by registered post to the last known address of the lessee and to which the lessee has failed to respond within three years.

73. (1) Any licensed commercial bank holding any abandoned property referred to in section 72, shall make a report to the Monetary Board in such form as the Monetary Board may determine stating the nature of the articles held and in the case of money, the amount of money.

Abandoned property to be transferred to a special account.

(2) Notwithstanding anything in any other law, all monies included in the report shall, if the Monetary Board directs, be transferred by the licensed commercial bank to a special account in the Central Bank and may be utilised by the Monetary Board for such purposes as may be determined by the Monetary Board after consultation with the Minister.

(3) The articles included in the report that do not fall under subsection (2) shall be referred by the Monetary Board to the Minister for such action as he shall prescribe.

Publication of notice regarding abandoned property.

74. Within thirty days from the submission of the report required by subsection (1) of section 73, the licensed commercial bank shall publish a notice in the Sinhala, Tamil and English daily newspapers stating the name of the owner and particulars concerning the property and shall despatch, by registered post a notice to the owner to his last known address containing particulars concerning the property, provided that the Monetary Board may exempt the licensed commercial bank from the mailing of such notice upon the licensed commercial bank showing reasonable cause therefor.

Repayment by the Central Bank.

75. (1) Where any person furnishes proof to the satisfaction of the Monetary Board that moneys lying to the credit of an account which was in his name or in the name of a person from whom he derives title, have been transferred to a special account in the Central Bank under section 73 shall, subject to such terms, conditions or restrictions as are imposed in respect of such money by or under any written law be entitled to the repayment of such moneys by the Central Bank together with the interest payable on such moneys upto the date of such repayment, in accordance with such rates and conditions as are applicable to the account to the credit of which such money were lying before they were transferred to the special account in the Central Bank.

Failure to deliver property presumed to be abandoned to be an offence.

76. Any licensed commercial bank which fails to file the report or to pay or deliver property presumed to be abandoned as required by section 74 shall be guilty of an offence under this Act.

PART X

GENERAL

Declaration of secrecy.

77. Every director manager, officer or other person employed in the business of any licensed commercial bank shall, before entering upon his duties sign a declaration pledging himself to observe strict secrecy in respect of all transactions of the bank, its customers and the state of accounts of any person and all matters relating thereto, and shall by such declaration pledge himself not to reveal any other matters which may come to his knowledge in the discharge of his duties except—

(a) when required to do so—

- (i) by a court of law ;
- (ii) by the person to whom such matters relate ;
- (b) in the performance of his duties ; and
- (c) in order to comply with any of the provisions of this Act or any other law.

78. No suit or prosecution shall lie against any member of the Monetary Board or any officer or servant of the Central Bank for any act which in good faith is done or purported to be done by the Monetary Board or by any officer or servant of the Central Bank under this Act ; or against any director, officer or employee of any licensed commercial bank for any act which in good faith is done or purported to be done by him under this Act or on the direction of the Monetary Board.

Protection for action taken under this Act or on the directions of the Monetary Board.

79. (1) Any person who contravenes the provisions of subsection (1) of section 2, subsection (5) of section 3, subsection (2) of section 15, subsection (2) of section 16, subsection (1) of section 17, subsection (2) of section 33, subsection (2) of section 41, subsections (9) and (10) of section 47 and section 77 of this Act or any rule or regulation made thereunder, and the licensed commercial bank and every officer or servant of such bank who knowingly and wilfully authorizes or permits such default, shall be guilty of an offence under this Act and shall be liable, on conviction after summary trial before a Magistrate, to imprisonment of either description for a term not exceeding three years or to a fine not exceeding one million rupees or to both such imprisonment and such fine.

Offences.

(2) Every person who is guilty of an offence under this Act for which no punishment has been specified under subsection (1), shall, after summary trial before a Magistrate, be liable to imprisonment for a term not exceeding eighteen months or to a fine not exceeding five hundred thousand rupees or to both such imprisonment and such fine.

80. (1) Any person who, being a director, manager, officer or employee of a licensed commercial bank—

- (a) fails to take all reasonable steps to secure compliance by the licensed commercial bank with the requirements of that Act ; or
- (b) fails to comply with any direction issued by the Monetary Board under the provisions of this Act ;

Persons who fail to take reasonable steps &c. under the Act to be guilty of an offence.

- (c) fails to take all reasonable steps to secure the correctness of any statement submitted under the provisions of this Act ;
- (d) wilfully makes a false entry or causes such an entry to be made in any book or record or in any report, slip, document, or statement of the business, affairs, transactions, conditions, assets or liabilities or accounts of such licensed commercial bank ; or
- (e) wilfully omits to make an entry in any book or record in any report, slip, document or statement of the business, affairs, transactions, conditions, assets or liabilities or accounts of such licensed commercial bank or wilfully causes any such entry to be omitted ; or
- (f) wilfully alters abstracts, conceals or destroys an entry in any book or record or in any report, slip, document, or statement of the business, affairs, transactions, conditions, assets or liabilities or accounts of such licensed commercial bank or wilfully causes any such entry to be altered, abstracted, concealed or destroyed,

shall be guilty of an offence under this Act, and shall, on conviction after summary trial by a Magistrate, be liable to a term of imprisonment for a term not exceeding eighteen months or to a fine not exceeding one thousand rupees or to both such imprisonment and fine.

(2) In any proceedings against a person under subsection (1) it shall be a defence to prove that he had reasonable grounds to believe that another person was charged with the duty of securing compliance with the requirements of this Act or with the duty of ensuring that these statements were accurate and that such person was competent and in a position to discharge that duty.

81. Where an offence under this Act is committed by a body corporate, every person, who at the time of the commission of the offence was a director or an officer of the body corporate, shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, or that he exercised all due diligence to avoid the commission of such offence.

Offence by a
body corpo-
rate.

82. (1) The Minister may make regulations in respect of matters required by this Act to be prescribed or in respect of which regulations are authorized to be made. Regulations.

(2) 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.

(3) Every regulation made by the Minister shall, as soon as is convenient after its publication in the *Gazette*, be brought before Parliament for approval.

(4) Every 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. Notification of the date on which any regulation is deemed to be rescinded shall be published in the *Gazette*.

83. A licensed commercial bank which is granted a licence in terms of section 5 shall be deemed to be—

- (i) an approved credit agency for purposes of the Trust Receipt Ordinance (Chapter 85) and the Mortgage Act (Chapter 89);
- (ii) an "approved bank" for purposes of the Finance Act, No. 65 of 1961.

Licensed commercial bank deemed to be an approved credit agency.

PART XI

REPEAL

84. The Monetary Law Act, (Chapter 422) is hereby amended by the repeal of sections 116A, 121A and 121B of that Act.

Amendment to the Monetary Law Act (Cap. 422).

85. The Companies Act, No. 17 of 1982 is hereby amended by the repeal of Part XIV of that Act.

Amendment to the Companies Act, No. 17 of 1982.

PART XII

INTERPRETATION

86. In this Act, unless the context otherwise requires—

Interpretation.

"accommodatoin" means any loan or overdraft or advance or any commitment to grant any loan or overdraft or advance, including a commitment to accept a contingent liability;

“banking business” means the business of receiving funds from the public through the acceptance of money deposits payable upon demand by cheque, draft, order or otherwise, and the use of such funds either in whole or in part for advances, investments or any other operation either authorized by law or by customary banking practices ;

“capital funds” means paid-up or assigned capital and the reserve fund as provided for in section 2 ;

“Central Bank” means the Central Bank of Sri Lanka established under the Monetary Law Act, (Chapter 422) ;

“close relation” means spouse or dependant child ;

“company” means a company formed and registered under the Companies Act, No. 17 of 1982 ;

“concern” means a company or firm ;

“designated foreign currency” means a foreign currency determined as a designated foreign currency by the Monetary Board ;

“director” means—

(a) in relation to a licensed commercial bank incorporated in Sri Lanka, any person by whatever designation he may be called, carrying out or empowered to carry out substantially the same functions in relation to the direction of the licensed commercial bank as those carried out by a director of a company incorporated under the Companies Act ;

(b) in relation to a licensed commercial bank incorporated outside Sri Lanka, any person by whatever designation he may be called carrying out or empowered to carry out substantially the same functions in relation to the direction of the licensed commercial bank as those carried out by a director of a company incorporated under the Companies Act and the person in Sri Lanka responsible for carrying out the functions of such licensed commercial bank who shall be designated the principal authorized agent or his alternate ;

“Director of Bank Supervision” means the Heads of the Department of Bank Supervision of the Central Bank established under the Monetary Law Act, (Chapter 422) ;

“domestic banking business” means any banking business that is not subject to Part IV of this Act, dealing with off-shore banking ;

“head office of a commercial bank” means the place where the office of the Board of directors of the commercial bank is located ;

“liquid assets” means—

- (a) cash ;
- (b) balances with licensed commercial banks ;
- (c) money at call in Sri Lanka ;
- (d) treasury bills and securities issued or guaranteed by the Government of Sri Lanka which have a maturity not exceeding one year ;
- (e) goods receipts ;
- (f) import and export bills ;
- (g) such other assets as may be determined by the Monetary Board ;

“local Authority” means any Municipal Council, Urban Council or any Development Council and includes any Authority created and established by or under any 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 ;

“Monetary Board” means the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act, (Chapter 422) ;

“non-resident” means an individual company, body corporate or other judicial person or any unincorporated body not included in the definition of “resident” ;

“place of business” means any branch or office of a licensed commercial bank in Sri Lanka including a mobile office open to the public ;

“public corporation” means any corporation, board or other body which was or is established by or under any written law other than the Companies Ordinance, with funds or capital wholly or partly provided by the Government by way of grant, loan or otherwise ;

“qualified auditor” means—

(a) an individual who, being a member of the Institute of Chartered Accountants of Sri Lanka, or of any other Institute established by law, possesses a certificate to practise as an Accountant, issued by the Council of such Institute ;

(b) a firm of Accountants each of the resident partners of which, being a member of the Institute of Chartered Accountants of Sri Lanka or of any other Institute established by law, possesses a certificate to practise as an Accountant issued by the Council of such Institute ;

“resident” means—

(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 organization in Sri Lanka ;

(d) a branch subsidiary, affiliate, extension, office or any other unit of a company or other judicial person established under the laws of any foreign country, operating in Sri Lanka ;

“substantial interest” means—

(a) in relation to a company means the holding of a beneficial interest by another company or an individual or his close relation, whether singly or taken together, in the shares thereof

the paid-up value of which exceeds rupees one million or ten *per centum* of the paid-up capital of the company, whichever is less, or the existence of a guarantee or indemnity given by an individual or his close relation or by another company on behalf of such company ;

(b) in relation to a firm, means the beneficial interest held therein by an individual or his close relation, whether singly or taken together, which represents more than ten *per centum* of the total capital subscribed by all partners of the said firm or the existence of a guarantee or indemnity given by an individual or his or her spouse or parent or child on behalf of such firm.

SCHEDULE I

[Section 2(4)]

1. Algemene Bank Nederland N.V.
2. Amercian Express Bank Ltd.
3. Amsterdam-Rotterdam Bank N.V.
4. Bank of Ceylon
5. Bank of Credit & Commerce International (Overseas) Ltd.
6. Bank of Oman Ltd.
7. Banque Indosuez
8. Citibank N.A.
9. Commercial Bank of Ceylon Ltd.
10. Deutsche Bank AG.
11. Grindlays Bank P.I.c.
12. Habib Bank A.G. Zurich
13. Habib Bank Ltd.
14. Hatton National Bank Ltd.
15. Hongkong & Shanghai Banking Corporation
16. Indian Bank
17. Indian Overseas Bank
18. Middle East Bank Ltd
19. Overseas Trust Bank Ltd.
20. People's Bank
21. Standard Chartered Bank
22. State Bank of India
23. Union Bank of the Middle East Ltd.
24. Sampath Bank Ltd.
25. Seylan Trust Bank Ltd.
26. Any Bank established under the provisions of the Regional Rural Development Bank Act, No. 15 of 1985.

Schedule II

- (a) opening, maintaining and managing deposit, savings and other similar account ;
- (b) the borrowing, raising, or taking up of money ; the lending or advancing of money either upon or without security ; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hoondees, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debenture certificates, scripts and other instruments, and securities whether transferable or negotiable or not granting and issuing of letters of credit, travellers cheques and circular notes ; the buying, selling and dealing in buillion specie ; the buying and selling of foreign exchange including foreign bank notes, the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds, the purchasing and selling of bonds, scrips, or other forms of securities on behalf of constituents or others—the negotiating of loans and advances ; the receiving of all kinds of bonds, scrips or valuables on deposits, or for safe custody or otherwise and the carrying on of the business of safe deposits, the collecting and transmitting of money and securities ;
- (c) acting as agents for Government or local authorities or for any other person or persons ; the carrying on of agency business of any description other than the business of a managing agent of any company, which is not a banking company, but including the clearing and forwarding of goods the power to act as attorneys and to give discharges and receipts ;
- (d) contracting for public and private loans and negotiating and issuing the same ;
- (e) the promoting, effecting, insuring, guaranteeing, under writing, participating in managing and carrying out of any issue, public or private, of state municipal or other loans or of shares, stock debentures, or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue ;
- (f) carrying on and transacting every kind of guarantee and indemnity business ;
- (g) promoting or financing or assisting in promoting or financing any business undertaking or industry either existing or new, and developing or forming the same either through the instrumentality of syndicates or otherwise ;

- (h) acquisition by purchase, lease, exchange, hire or otherwise of any property immovable or movable and any rights or privileges which the company may think necessary or convenient to acquire or the acquisition of which in the opinion of the company is likely to facilitate the realisation of any securities held by the company or to prevent or diminish any apprehended loss or liability ;
- (i) managing, selling and realising all property movable and immovable which may come into the possession of the company in satisfaction or part satisfaction of its claims ;
- (j) acquiring, holding, and generally dealing with any property and any right, title or interest in any property movable or immovable which may from the security or part of the security for any loans or advances or which may be connected with any such security ;
- (k) undertaking and executing trusts ;
- (l) undertaking the administration of estates as executors, trustees or otherwise ;
- (m) taking or otherwise acquiring and holding shares in any other company having objects similar to those of the company ;
- (n) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trustees and conveniences calculated to benefit employees or ex-employees of the company or the dependants or connections of such persons, granting pensions and allowances and making payments towards insurance, subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful objects ;
- (o) the acquisition, construction, maintenance and alterations of any building or works necessary or convenient for the purposes of the company ;
- (p) selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company ;
- (q) acquiring and undertaking the whole or any part of the business of any person or company when such business is of a nature enumerated or described in this Act ;
- (r) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company ;
- (s) engaging in management consultancy services ;
- (t) providing for the training in banking, accounting, valuation, project and credit appraisal and allied subjects ;
- (u) engaging in the business of hire-purchase services, factories, leasing and warehousing ;
- (v) providing for medium and long term credit for development

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