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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 1,488/23 - 2007 මාර්තු 15 වැනි බ්‍රහස්පතින්දා - 2007.03.15
No. 1,488/23 - THURSDAY, MARCH 15, 2007

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

FINANCE COMPANIES ACT, No. 78 of 1988

THE Determination of the Monetary Board of the Central Bank of Sri Lanka under Section 46 of the Finance Companies Act, No. 78 of 1988.

NIVARD AJITH LESLIE CABRAAL,
Chairman,
Monetary Board of the Central Bank of Sri Lanka.

Colombo,
28th February, 2007.

Determination

The Monetary Board of the Central Bank of Sri Lanka (the Monetary Board), in terms of the provisions of Section 46 of the Finance Companies Act, No. 78 of 1988, has determined to include the face value of unsecured debentures in the capital funds of a finance company subject to the following conditions :

- (a) The debentures shall be fully paid and subordinated to the interests of depositors and other creditors of the finance company ;
- (b) The minimum original maturity of the debentures shall be 5 years ;
- (c) Any finance company that intends to include unsecured debentures that satisfy the conditions at (a) and (b) above in its capital funds, shall obtain prior approval, in writing, of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka (the Director) ;
- (d) Early repayment/redemption of the debentures that have been included in capital funds of a finance company shall not be made without the prior consent of the Director ;

- (e) The value of the debentures to be included in capital funds shall not exceed the value that is qualified to be included in Tier 2 Capital (Supplementary Capital) under the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006 issued by the Monetary Board or any other direction that would be issued by the Monetary Board in place of the said Direction ;
- (f) The amount of the debentures included in the capital funds shall be discounted by 1/5th each year during the four years preceding the maturity ; and
- (g) Any amount contributed to a debenture issue of a finance company by another company in the group of companies to which the finance company belongs shall not be included in capital funds of that finance company.

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