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EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

FINANCE BUSINESSACT, No. 42 OF 2011

DIRECTION issued by the Monetary Board of the Central Bank of Sri Lanka under Section 12 of the Finance Business Act, No. 42 of 2011.

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

Colombo,
26th July 2013.

Finance Companies (Debt Instruments) Direction No. 03 of 2013

1. This Direction may be cited as the Finance Companies (Debt Instruments) Direction No. 03 of 2013 and shall apply to every finance company licensed in terms of the Finance Business Act, No. 42 of 2011 and shall come into operation from the date of this Direction. Citation.

2. 2.1 This Direction shall be applicable to debt instruments issued by a finance company to borrow money. A debt instrument shall mean, a bond, debenture, commercial paper, promissory note or any other debt instruments as may be determined by the Director. Debt Instruments

2.2 Every issue of debt instruments shall be for cash considerations or any other consideration determined by the Monetary Board.

2.3 A finance company may issue debt subject to the provisions of this Direction, Finance Companies (Interest Rates) Direction and Finance Companies (Liquid Assets) Direction.

3. The date of redemption of any debt instrument should not be less than one month and should not exceed sixty months from the date of issue of such debt instrument. Maturity of debt instruments



Funding
maturities.

4. 4.1 Issue of debt instruments with maturities of one year or less ;

- (i) Shall be through private placements ; and,
- (ii) Shall be of a value not less than rupees one million (1,000,000).

4.2 Issue of debt instruments with maturities Over one year,

- (i) Shall list on the Colombo Stock Exchange subject to the debt listing rules of Securities and Exchange Commission of Sri Lanka ; and,
- (ii) Shall apply and obtain written approval of the Director, prior to the issue of debt instrument.

Interest/coupon
rates/discount
rate.

5. The maximum annual rate of interest/discount/coupon which may be paid for debt instruments issued by a finance company shall be subject to the provisions of the Finance Companies (Interest Rates) Direction.

Liquidity
requirement.

6. Every finance company shall maintain liquidity for debt instruments subject to the provisions of the Finance Companies (Liquid Assets) Direction.

Debt instrument
format.

7. 7.1 Every finance company that borrows money shall issue a debt instrument to every person who invests in such debt instrument, which for all purposes shall be deemed to be an acknowledgement of acceptance of such sum of money by the finance company.

7.2 Every such debt instrument shall be signed by at least two officers, who are authorized by the Board of Directors for the purpose of issuing of debt instruments.

7.3 Every debt instrument shall contain the following :

- (i) Serial number ;
- (ii) Name and registered address of the finance company ;
- (iii) Date of issue ;
- (iv) Name, National Identity Card number or Passport number and the address of the investor ;
- (v) Amount of money received in words and figures ;
- (vi) The annual rate of interest payable and the basis of payment ;
- (vii) Date on which the debt instrument is redeemable ; and,
- (viii) Names and designations of the authorized officers.

Documentation.

8. In addition to the requirements imposed under the Financial Transactions Reporting Act, No. 6 of 2006 and any rules issued thereunder, every finance company shall maintain separate register for each type of debt instruments including the following particulars :—

- (i) Serial number ;
- (ii) Name, address, contact details and National Identity Card number or Passport number of each investor or in the case of corporate investors, name, registered address, principal place of business, company registration number ;
- (iii) Amount of money received ;

- (iv) Date of redemption of the debt instrument ;
- (v) Interest rates and the basis of payment of interest (monthly/quarterly/biannual, annual or at redemption) ; and,
- (vi) Date and amount of each payment (interest and/or principal).

9. 9.1 Every advertisement published directly or indirectly soliciting debt from the public by a finance company shall contain :-

Advertisement and other requirements for debt instrument maturities over one year.

- (i) That such company has been licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act, No. 42 of 2011 ;
- (ii) The date of incorporation of the company ;
- (iii) Credit rating for the company and the debt instrument assigned by a credit rating agency acceptable to the Central Bank of Sri Lanka ;
- (iv) Periodicity of payment of interest, the annual coupon rate and maturities of such debts ; and,
- (v) Terms and conditions subject to which such debts are accepted.

9.2 A finance company shall not use any term which will lead to unfair and unethical competition among other financial institutions when advertising under this section. Where the Director is of the opinion that any advertisement published/transmitted/broadcasted/displayed under this section, does not comply with the provisions of this section or contains information which is likely to mislead the public, the Director may direct the finance company to publish/transmit/broadcast/display a revised version or discontinue such advertisement in the manner specified by the Director within a reasonable period of time .

9.3 A finance company shall apply for and obtain the written approval of the Director, prior to the publication or display of any advertisement soliciting subscription to a debt issue. A finance company shall forward to the Director a copy of any advertisement, in print or electronic form, at least 3 working days prior to the publication/display of such advertisement.

10. In this Direction :-

Definitions.

- (i) "Board of Directors" means, the Board of Directors of the finance company.
- (ii) "Director" means, the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka ;
- (iii) "Financial Institution" means, a bank licensed under the Banking Act, No. 30 of 1988 or a finance company which is licensed under the Finance Business Act, No. 42 of 2011 or a finance leasing establishment registered under the Finance Leasing Act, No. 56 of 2000.
- (iv) "Private placement" means, the issue of any debt instrument, without the issue of a prospectus or advertising through the mass media, including the internet, posts, facsimile, electronic mail, leaflets, banners, posters or booklets or through any kind of propaganda carried out by any means whatsoever.