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EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

FINANCE COMPANIES ACT, No. 78 OF 1988 AS AMENDED BY ACT, No. 23 OF 1991

THE Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991.

SUNIL MENDIS,
Chairman,
Monetary Board of the Central Bank of Sri Lanka.

Colombo,
30th January, 2006.

Finance Companies (Minimum Core Capital) Direction No. 1 of 2006

1. This Direction may be cited as the Finance Companies (Minimum Core Capital) Direction No.1 of 2006 and shall apply to every finance company registered in terms of Section 2 of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991 and shall come into operation with effect from 01st February, 2006.

2. Subject to paragraph 3 hereof, every finance company shall maintain at all times an unimpaired core capital of not less than Rs. 200 million.

3. The Director may grant a finance company that does not meet the minimum core capital requirement of Rs. 200 million on 01st February, 2006 an extended period of 30 months, on written request by such company, to enhance its core capital, subject to the following : –

- (i) A finance company with a core capital of less than Rs. 100 million shall –
 - (a) enhance its core capital to at least Rs. 100 million within the first twelve months from the commencement of the Direction ; and
 - (b) bring in the balance Rs. 100 million or the deficient amount to meet the core capital requirement of Rs. 200 million within 18 months after the period of 12 months referred to in 3 (i) (a) above.
- (ii) A finance company with a core capital between Rs. 100 million and Rs. 200 million shall bring in –
 - (a) at least 50 per cent of the deficient amount to meet the core capital requirement of Rs. 200 million within the first twelve months from the commencement of the Direction ; and
 - (b) the balance of the deficient amount to meet the core capital requirement of Rs. 200 million within 18 months after the period of 12 months referred to in 3 (ii) (a) above.

4. In this Direction –

“The Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

“core capital” shall have the definition given therefor in the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006.

02-509/1

FINANCE COMPANIES ACT, No. 78 OF 1988 AS AMENDED BY ACT, No. 23 OF 1991

THE Direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991.

SUNIL MENDIS,

Chairman,

Monetary Board of the Central Bank of Sri Lanka.

Colombo,
30th January, 2006.

Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2006

1. This Direction may be cited as the Finance Companies ((Risk Weighted Capital Adequacy Ratio) Direction No.2 of 2006 and shall apply to every finance company registered under the Finance Companies Act, No. 78 of 1988 as amended by Act, No. 23 of 1991 and shall come into operation with effect from 01st February, 2006.

2. For the purpose of computing the capital adequacy ratio of finance companies, the constituents of capital shall be –

- (i) Tier 1– Core capital : representing permanent shareholders’ equity (paid-up shares/common stock) and reserves created or increased by appropriations of retained earnings or other surpluses, *i.e.* share premia, retained profits and other reserves ; and
- (ii) Tier 2– Supplementary capital : representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt, such as, hybrid capital instrument and unsecured subordinated term debt.

3. Every Finance company shall, subject to the provisions of the Finance Companies (Minimum Core Capital) direction No. 1 of 2006, at all times, maintain its capital (adjusted for the items that may be specified by the Director), at a level not less than 10 per cent of its risk weighted assets with the core capital constituting not less than 5 per cent of its risk weighted assets, computed as per instructions issued by the Director.

4. Every finance company shall furnish to the Director :

- (i) A return in respect of each quarter, on the format given in the instructions issued under paragraph 3 within thirty days from the end of each quarter ;
- (ii) A return based on the audited balance sheet as at the end of the each financial year, on the same format given for the quarterly return, referred to in sub paragraph 4 (i) above, within six months from the end of each financial year.

5. In this Direction “the Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

6. The Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 2 of 2003 is hereby revoked.

02-509/2