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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

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.

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

Colombo,
29th June 2007.

Finance Companies (Lending) Direction, No. 1 of 2007

1. This Direction may be cited as the Finance Companies (Lending) Direction No. 1 of 2007 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation with immediate effect.

2. No finance company shall grant any accommodation –

- (i) to a director and/or a relative of a director of the finance company ;
- (ii) to its holding company ;
- (iii) on the security of its own shares or on the security of the shares of any of its subsidiary companies ;
- (iv) to purchase its own shares ; or
- (v) on the guarantee or indemnity of a director of the finance company, a relative of a director of the finance company or any employee of the finance company.

3. Notwithstanding the provisions of paragraph 2 hereof, subject to the prior approval of the Director, a finance company may grant accommodation, in accordance with any scheme for the time being in force, for the purchase of or subscription for fully paid shares in the finance company being a purchase or subscription by Trustees of or for shares to be held by or for the benefit of, employees of the company :

Provided that the aggregate principal amount of such accommodation outstanding at any time, shall not exceed the equivalent of ten per centum of the total amount of the issued and paid up share capital of the finance company or ten per centum of the unimpaired adjusted capital funds of the finance company as per its last audited balance sheet, whichever is greater.

4. A finance company may grant accommodation to its subsidiary companies or associate companies subject to the limits specified in the Finance Companies (Single Borrower Limit) Direction, No. 4 of 2006 and on such terms as may be applicable to similar facilities granted to other borrowers of the finance company, and the particulars of such accommodations including the name of the borrower company, the date of grant of such accommodation, amount granted, repayment programme, security and the rate of interest shall be reported to the Director within 14 days from the date of grant of such accommodation.

5. No finance company shall recover on any accommodation, charges of any description, other than interest, in excess of 5 per cent of the principal amount granted.

6. Every finance company shall submit to the Director within 3 months after the end of each financial year details of all accommodations outstanding as at the end of the financial year on a format given by the Director.

7. For the purpose of this Direction,

- (i) "accommodation" shall mean loans ; facilities under hire purchase or leasing agreements ; provision of funds through debt securities such as bonds, debentures, asset backed securities, commercial paper/ promissory notes ; or such other financial facility as may be determined by the Director.
- (ii) "associate company" shall mean a company in which the finance company holds 20 per cent or more, but less than 50 per cent of the issued ordinary share capital of the investee company.
- (iii) "adjusted capital funds" shall mean the aggregate of the paid up capital, the Reserve Fund as provided for in the Finance Companies (Capital Funds) Direction No. 1 of 2003 and permanent free reserves.
- (iv) "relative" shall mean the spouse and/or dependent child of an individual.
- (v) "subsidiary company" shall have the same meaning as contained in section 529 of the Companies Act, No. 7 of 2007.
- (vi) "the Director" shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
- (vii) "Trustee" shall mean a person appointed under or named in a trust deed executed in respect of an employee share ownership plan of a finance company.

8. The Finance Companies (Lending) Direction, No. 5 of 2006 is hereby revoked.

FINANCE COMPANIES ACT, No. 78 OF 1988

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.

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

Colombo,
29th June, 2007.

**Finance Companies (Business Transactions With Directors and Their Relatives)
Direction, No. 2 of 2007**

1. This Direction may be cited as the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988, and shall come into operation with immediate effect.

2. A finance company shall not, without the approval of the Director, conduct any business transaction with a director of the company or a relative of a director of the company where the total value of transaction/s exceeds Rs. 50,000 per month or Rs. 500,000 for a financial year. Conducting of any business transaction by a finance company with a director of the company or a relative of a director of the company shall be subject to the Finance Companies (Lending) Direction, No. 01 of 2007.

3. The provisions of paragraph 2 hereof, shall not apply to accepting of time and savings deposits from a director of the company or a relative/s of a director of the company in conformity with the Finance Companies (Deposits) Direction, No. 1 of 2005 and the Finance Companies (Interest) Direction, No. 2 of 2005 and on the terms and conditions that are, for the time being, applicable to the other depositors of the finance company, and to payment of interest on similar deposits.

4. For the purpose of this Direction,

(a) “relative” shall mean the spouse and/or dependent child of an individual.

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

5. The Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 6 of 2006 is hereby revoked.

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