



**BANK OF CEYLON (AMENDMENT) LAW,
No. 10 OF 1974**

OF

THE NATIONAL STATE ASSEMBLY

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*Bank of Ceylon (Amendment) Law,
No. 10 of 1974*

L. D. O. 23/72.

A LAW TO AMEND THE BANK OF CEYLON ORDINANCE.

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Bank of Ceylon (Amendment) Law, No. 10 of 1974.

Short title.

2. Section 4 of the Bank of Ceylon Ordinance (hereinafter referred to as the "principal enactment") is hereby repealed and the following new section substituted therefor:—

Replacement of section 4 of Chapter 897.

Central office. 4. The central office of the bank shall be at Colombo in Sri Lanka."

3. Section 6 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of section 6 of the principal enactment.

Board of directors of the bank.

6. (1) The management and administration of the affairs of the bank shall be vested in a board, consisting of six directors appointed by the Minister, one of whom shall be a representative of the Ministry in charge of the Minister to whom the subject of Finance is assigned (hereinafter referred to as the "*ex officio* director").

(2) The board may exercise, discharge or perform the powers, functions or duties of the bank for the purpose of carrying on the business, and administering the affairs, of the bank.

(3) No act or proceeding of the board shall be invalid by reason only of the existence of any vacancy among the directors or any defect in the appointment of a director or authorization by the *ex officio* director under subsection (8).

(4) A Member of Parliament shall not be qualified to be a director.

(5) The Minister shall appoint one of the appointed directors as the chairman of the board.

(6) Every appointed director shall hold office for a period of three years; unless he is earlier removed from office or vacates his office.

(7) If any appointed director is temporarily unable to discharge the duties of his office on account of ill health, or absence from Sri Lanka, or any other cause, the Minister may appoint some other person to act as a director in his place.

(8) If the *ex officio* director is unable to attend any meeting of the board, he may authorize any other officer to be present on his behalf at such meeting; and the officer so authorized shall be deemed for the purpose of such meeting to be a member of the board.

(9) An appointed director may resign his office by letter addressed to the Minister.

(10) The Minister may, if he thinks it expedient to do so, remove an appointed director from office.

(11) A director who vacates office by resignation or effluxion of time shall be eligible for reappointment.

(12) The *ex officio* director shall have all the same rights and privileges as the appointed directors.

(13) The provisions of subsections (1), (2) and (3) shall be deemed to have come into operation on October 12, 1961.

Replacement
of section 7 of
the principal
enactment.

4. Section 7 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“ Capital.

7. (1) The capital of the bank shall be one hundred and twenty million rupees divided into one hundred and twenty thousand shares of one thousand rupees each.

(2) The thirty thousand convertible preference shares of fifty rupees each and sixty thousand ordinary shares of fifty rupees each presently held by the

Government shall be converted into ninety thousand shares of one thousand rupees each, so however that the balance sum of nine hundred and fifty rupees due on each of the aforesaid convertible preference shares and ordinary shares amounting to eighty-five million and five hundred thousand rupees shall be the reserve liability of the Government.

(3) The liability of the Government at any time as sole shareholder shall be limited to the total amount of the capital represented by the shares held for the time being by the Government."

5. Section 8 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of
section 8 of the
principal
enactment.

'Permanent
reserve fund.

8. (1) The board shall, out of the profits available for payment of dividend and before any dividend is declared, set aside a sum equivalent to twenty *per centum* of such profits to the credit of a fund called the permanent reserve fund of the bank until such permanent reserve fund is equivalent to one-half of the paid-up capital of the bank for the time being; and in the event that at any time thereafter the amount of such permanent reserve fund is less than one-half of the paid-up capital of the bank for the time being, the board shall as soon as practicable carry to that fund such further sum or sums out of the profits available for dividend as may be necessary until the amount of the permanent reserve fund is equivalent to one-half of the paid-up capital of the bank for the time being. The board may from time to time in its discretion carry to the permanent reserve fund out of profits such further sums as it may deem fit, in addition to the sums required by the preceding provisions of this subsection to be carried thereto.

(2) The permanent reserve fund shall be shown separately in the balance sheet of the bank."

Replacement of
section 9 of
the principal
enactment.

6. (1) Section 9 of the principal enactment is hereby repealed and the following new section substituted therefor:—

"Contingency
fund.

9. (1) In addition to the permanent reserve fund the board shall create a fund called the contingency fund of the bank and shall carry to that fund such sums out of the profits of the bank as the board thinks proper.

(2) The contingency fund may be applied from time to time in such manner as the board shall determine—

(a) for meeting depreciation and losses;

(b) for equalizing dividends;

(c) for repairing, improving or maintaining any of the property of the bank;

(d) for any other purposes which the board may think proper.

(3) The board may divide the contingency fund into such special funds as it thinks fit, and may consolidate into one fund any special funds or any parts of any special funds into which the contingency fund may have been divided as it thinks fit, with full power to employ the whole or any part of the assets constituting the contingency fund in the business of the bank without being under any obligation to keep the same separate from the other assets of the bank. The board may also, (subject to the provisions of this Ordinance), without placing the same to reserve, carry over any profits which it may think it is not prudent to divide.

(4) It shall not be necessary to show the contingency fund separately in the balance sheet of the bank."

Replacement of
section 10 of the
principal
enactment.

7. Section 10 of the principal enactment is hereby repealed and the following new section substituted therefor:—

"Government
guarantee.

10. (1) The Minister in charge of the subject of Finance shall guarantee the repayment of any sum due to the bank on

any loan, overdraft, advance or other accommodation granted by the bank with the approval of such Minister under clause 3 (a) of Part II in the First Schedule hereto.

(2) Any sum required for the fulfilment of a guarantee provided under subsection (1) may, with the approval of the National State Assembly, be paid out of the Consolidated Fund.

(3) Immediately after a guarantee is given under subsection (1), the Minister in charge of the subject of Finance shall lay a statement of the guarantee before the Cabinet of Ministers.

(4) Where any sum is paid out of the Consolidated Fund in fulfilment of a guarantee provided under subsection (1), the Minister in charge of the subject of Finance shall forthwith lay before the National State Assembly a statement that such sum has been paid."

8. Section 11 of the principal enactment is hereby repealed and the following new section substituted therefor:—

"Disclosure of interest by a director.

11. A director who or whose spouse or dependent child or a firm or company in which such director, his spouse or dependent child has a substantial interest is directly or indirectly interested in any business transacted or proposed to be transacted by the bank shall disclose the nature of such interest at the meeting of the board where such business is discussed. The disclosure shall be recorded in the minutes of the board and such director shall not take part in any deliberation or decision of the board with regard to that business and shall withdraw from such meeting whilst such deliberation is in progress or decision is being made."

Replacement of section 11 of the principal enactment.

Replacement of
section 12 of the
principal
enactment.

9. Section 12 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Director to
disclose any
obligation to
other banks and
lending
institutions:

12. A director for the time being of the bank who incurs an obligation or debt to any other bank or to a lending institution shall, within one month of the date on which such obligation or debt was incurred, disclose to the bank the particulars relating to such obligation or debt.”

Replacement of
section 13 of the
principal
enactment.

10. Section 13 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Provisions
relating to
applications for
loans, &c., and
their disposal.

13. (1) Every application for any loan, overdraft, advance or other accommodation shall be made to the general manager or an officer nominated by him for the purpose.

(2) Every application made under subsection (1) which requires the approval of the board shall be submitted to the board together with the written observations of the general manager on such application.

(3) The manner in which every application made under subsection (1), which does not require the approval of the board is disposed of by the general manager or other officer under the powers delegated by the board shall be reported to the board.”

Replacement of
section 14 of the
principal enact-
ment.

11. Section 14 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Nominations
by persons
having a
deposit or
savings account.

14. (1) Any person over sixteen years of age who has a deposit or savings account may nominate a person, (hereinafter called a “nominee”), to whom the moneys lying to the credit of such first-mentioned person (hereinafter called a “nominator”) shall be paid upon his death and, if his death should occur while the account exists, the moneys shall be so paid subject to the provisions of this Ordinance.

(2) A nomination made under subsection (1) shall have effect upon the death of the nominator notwithstanding anything in his last will to the contrary.

(3) Any nomination made under subsection (1) shall be deemed to be revoked by the death of the nominee in the lifetime of the nominator or by written notice of revocation signed by the nominator in the presence of a witness (who shall attest the signature of the nominator) or by any subsequent nomination made by the nominator.

(4) The moneys lying in his deposit or savings account to the credit of the person who has made a nomination under subsection (1) shall, in the event of his death, be deemed not to form part of the estate or property of that person for the purpose of probate or administration proceedings under the Administration of Justice Law, No. 44 of 1973, and the transfer of such property shall not be an offence under section 279 of that Law.

(5) Upon the death of any person who has a savings account, and who has made a nomination under subsection (1), the bank shall communicate in writing by registered post with the Commissioner of Inland Revenue informing him of the name and address of such person, the fact of his death, the name and address of the nominee and the amount of the moneys lying to the credit of the nominator at the time of his death, and inquiring whether any, and if so what, sum of money should be withheld against payment of estate duty in respect of such moneys.

(6) If the Commissioner of Inland Revenue informs the bank, in reply to the communication made under subsection (5), what sum of money should be withheld, the bank may withhold that sum and pay it to the Commissioner of Inland Revenue.

(7) If no reply, specifying what sum of money should be withheld, is received by the bank from the Commissioner of Inland Revenue to the communication made under subsection (5) within one month of the date of posting or handing over that communication, the bank may take action as if no sum of money need be withheld.

(8) No payment shall be made by the bank to any nominee unless the nominee—

(a) submits an affidavit stating that he is the nominee; and

(b) produces a certificate as to his identity from a person acceptable to the bank.

(9) A payment made subject to the deduction, if any, made under subsection (6) and the conditions set out in subsection (8), to any nominee of a nominator who has died shall be a complete discharge of the obligations of the bank in respect of the moneys lying to the credit of such nominator.

(10) Where, upon the death of any person who has a deposit or savings account, other than a nominator, there is a sum of money to the credit of such person in the bank, any officer or person who is duly authorized to make payments in respect of accounts may, if satisfied that such first-mentioned person died intestate and that letters of administration to the estate of such person are not required by any written law, pay such sums of money, subject to the provisions of this Ordinance, to the person or persons to whom such sum is required, in accordance with any rule in that behalf, to be paid:

Provided that until rules are made in that behalf, any such sum may be paid to the person or persons legally entitled to the payment thereof.

12. Sections 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 and 32 of the principal enactment are hereby repealed and the following new sections substituted therefor:—

Replacement of sections 15 to 32 of the principal enactment

"Default of payment.

15. Where default is made in the payment of any sum due on any loan, overdraft, advance or other accommodation granted on the mortgage of movable or immovable property, whether that sum is due on account of principal or interest or both, default shall be deemed to have been made in respect of the whole of the unpaid portion of that loan, overdraft, advance or other accommodation and the interest due thereon up to date.

Action by board where default is made.

16. Where under the provisions of this Ordinance, default is made or deemed to have been made in respect of the whole of the unpaid portion of any loan, overdraft, advance or other accommodation and the interest due thereon, the board may, in its discretion, take action as specified either in section 17 or in section 19:

Provided that where the board has in any case taken action, or commenced to take action, in accordance with section 17, nothing shall be deemed to prevent the board at any time from subsequently taking action in that case by resolution under section 19 if the board deems it necessary or advisable to do so.

Authorization of manager to take possession of mortgaged property.

17. Subject to the provisions of section 20, the board may by resolution to be recorded in writing authorize any person specified in the resolution to enter upon and take possession of any immovable property or seize any movable property mortgaged to the bank as security for any loan, overdraft, advance or other accommodation in respect of which default has been made and to manage and maintain such property, and to exercise the same powers in the control and management of such property as might have been exercised by the mortgagor if he had not made default.

Procedure where
manger is
appointed.

18. (1) Any person authorized by resolution of the board under section 17 in respect of any property shall be entitled generally to take action in terms of the resolution and in particular—

- (a) to sell the produce of such property;
- (b) to receive the rents, profits or other income from such property;
- (c) to pay the expenses incurred in the control and management of such property out of the income from such property;
- (d) to appropriate to himself out of such income such sum (if any) as the board may deem fit to fix as remuneration for his services;
- (e) to remain in possession of such property until all moneys due to the bank under the mortgage on such property have been fully paid or until he is directed by the board to yield possession of such property under subsection (2).

(2) Every person authorized by resolution of the board under section 17 in respect of any property shall—

- (a) pay monthly, out of the income of such property such sum (if any) as the board may in its discretion fix, to the mortgagor for his maintenance;
- (b) pay quarterly or as otherwise directed by the board to such person or persons and in such manner as the board may direct the balance of the income from such property remaining after the payments herein before authorized have been made;

- (c) keep and render to the board at such intervals as the board may determine, clear and accurate records of all sums received or paid out by him in respect of such property;
- (d) yield possession of such property to the mortgagor or some other person as directed by the board and pay to the board any balance of the income from such property remaining in his hands after the payments herein before authorized have been made.

(3) The board shall when all sums due to the bank under the mortgage have been fully paid surrender possession of the mortgaged property to the mortgagor and return to him any balance remaining of the income from such property.

Authorization
of sale of
mortgaged
property.

19. Subject to the provisions of section 20 the board may by resolution to be recorded in writing authorize any person specified in the resolution to sell by public auction any movable or immovable property mortgaged to the bank as security for any loan, overdraft, advance or other accommodation in respect of which default has been made in order to recover the whole of the unpaid portion of such loan, overdraft, advance or other accommodation, and the interest due thereon up to the date of the sale, together with the moneys and costs recoverable under section 26.

Where borrower
is dead.

20. (1) Save as otherwise provided in subsection (2), the provisions of sections 17 and 19 shall apply in the case of any default notwithstanding that the borrower may have died or that any right, title or interest whatsoever in the property mortgaged as security for the loan, overdraft, advance or other accommodation may have passed by voluntary conveyance or by operation of law to any other person.

(2) Where the borrower is dead and probate of his will or letters of administration to his estate have not been issued, the District Court of Colombo or the District Court of the district in which that property is situate or kept may, upon application made in that behalf by the board and after service of notice of the application on such persons, if any, as the court may order, and if satisfied that the grant of probate or the issue of letters of administration is likely to be unduly delayed, appoint a person to represent the estate of the borrower for the purposes of this section; and the provisions of sections 17 and 19 shall not apply in the case of any default made by the borrower unless and until a representative of his estate is appointed under this section.

Notice of resolution of board to sell mortgaged property.

21. Notice of every resolution under section 19 authorizing the sale of any property shall be published, in addition to the *Gazette*, in three daily newspapers in Sinhala, Tamil and English respectively, and copies of such notice shall be served on the borrower, if he is alive.

Notice of sale.

22. Notice of the date, time and place of every sale shall, not less than fourteen days before the date fixed for the sale, be published in the *Gazette* and copies of such notice shall—

- (a) be served on the borrower, if he is alive;
- (b) where immovable property is to be sold, be posted on or near such property; and
- (c) be affixed to the walls of the kachcheri and the several District Courts and Magistrates' Courts within the jurisdiction of which the property is situate or kept.

Payment before sale.

23. (1) If the amount of the whole of the unpaid portion of the loan, overdraft, advance or other accommodation (together with all interest due thereon

according to the terms of the mortgage), and of the moneys and costs, if any, recoverable by the board under section 26 is tendered to the board at any time before the date fixed for the sale, the property shall not be sold and no further steps shall be taken in pursuance of the resolution under section 19 for the sale of that property.

(2) If the amount of the instalment or other payment in respect of which default has been made, together with any interest due thereon according to the terms of the mortgage, and of the moneys and costs, if any, recoverable by the board under section 26, is tendered to the board at any time before the date fixed for the sale, the board may, in its discretion, direct that the property shall not be sold, and that no further steps shall be taken in pursuance of the resolution under section 19 for the sale of that property.

Upset price.

24. The board may fix an upset price below which the property shall not be sold to any person other than the Bank.

Default in respect of one of several loans on same property.

25. In any case where more than one loan, overdraft, advance or other accommodation has been granted by the bank on the security of the same property and default is made in the payment of any sum due upon any one or more of such loans, overdrafts, advances or other accommodation, the foregoing provisions of this Ordinance shall apply notwithstanding that default may not have been made in respect of any of the other loans, overdrafts, advances or other accommodation, and the board may, in any such case, by resolution under section 19 authorize the sale of the property for the recovery of the total amount due to the bank in respect of all such loans, overdrafts, advances and other accommodation, as the case may be, and the provisions of this Ordinance shall apply accordingly.

Recovery of
expenses and
costs incurred
by the bank.

26. In addition to the amount due on any loan, overdraft, advance of other accommodation, the board may recover from the borrower, or any person acting on his behalf—

(a) all moneys expended by the bank in accordance with the covenants contained in the mortgage bond executed by the person to whom the loan, overdraft, advance, or other accommodation was made or in the payment of premiums and other charges in respect of any policy of insurance effected on the property mortgaged to the bank, and in the payment of all other costs and charges authorized to be incurred by the bank, under the covenants contained in such mortgage bond; and

(b) the costs of advertising the sale and of selling the mortgaged property:

Provided that the costs incurred under this paragraph shall not exceed such percentage of the loan, overdraft, advance or other accommodation as may from time to time be fixed by resolution of the board.

Payment of
excess
balance.

27. If the mortgaged property is sold, the board shall, after deducting from the proceeds of the sale the amount due on the mortgage and the money and costs recoverable under section 26, pay the balance remaining, if any, either to the borrower or any person legally entitled to accept the payments due to the borrower, or where the board is in doubt as to whom the money should be paid, into the District Court of the district in which the mortgaged property is situate or kept.

Certificate of
sale.

28. (1) If the mortgaged property is sold, the board shall sign a certificate of sale and thereupon all the right, title and interest of the borrower to and in the property shall vest in the purchaser; and thereafter it shall not be competent for any person claiming through or under any disposition whatsoever of the right, title or interest of the borrower to and in the property, made or registered after the date of the mortgage of the property to the bank, in any court to move to invalidate the sale for any cause whatsoever or to maintain any right, title or interest to or in the property as against the purchaser.

(2) A certificate signed by the board under subsection (1) shall be conclusive proof, with respect to the sale of any property, that all the provisions of this Ordinance relating to the sale of that property have been complied with.

(3) If the purchaser is some person other than the bank, the certificate shall be substantially in Form A in the Third Schedule hereto and, if the purchaser is the bank the certificate shall be substantially in Form B in that Schedule.

(4) Every certificate of sale shall be liable to stamp duty and charges as if it were a conveyance of property and to any registration and other charges authorized by law, all of which shall be payable by the purchaser.

Order for
delivery of
possession.

29. (1) The purchaser of any immovable property sold in pursuance of the preceding provisions of this Ordinance shall, upon application made to the District Court of Colombo or the District Court having jurisdiction over the place where that property is situate, and upon production of the certificate of sale issued in respect of that property under section 28, be entitled to obtain an order for delivery of possession of that property.

(2) Every application under subsection (1) shall be made, and shall be disposed of, by way of summary procedure in accordance with the provisions of Chapter XXIV of the Civil Procedure Code; and on all documents filed for the purpose of each such application and on all proceedings held thereupon, stamp duties and other charges shall be payable at the respective rates payable under any written law for the time being in force, on application for, and proceedings connected with or incidental to, the execution of a decree of a District Court for the delivery of possession of any immovable property of the same value as the land to which such application relates.

(3) Where any immovable property sold in pursuance of the preceding provisions of this Ordinance is in the occupancy of the debtor or of some person on his behalf or of some person claiming under a title created by the debtor subsequently to the mortgage of the property to the bank, the District Court shall order delivery to be made by putting the purchaser, or any person whom he may appoint to receive possession on his behalf, in possession of the property.

(4) Where any immovable property sold in pursuance of the preceding provisions of this Ordinance is in the occupancy of a tenant or other person entitled to occupy the same, the District Court shall order delivery to be made by affixing a notice that the sale has taken place, in the Sinhala, Tamil and English languages, in some conspicuous place on the property, and proclaiming to the occupant by beat of tom-tom, or in such other mode as may be customary, at some convenient place, that the interest of the debtor has been transferred to the purchaser. The cost of such proclamation shall be fixed by the court and shall in every case be prepaid by the purchaser.

(5) Every order under subsection (3) or subsection (4) shall be deemed, as the case may be, to be an order for delivery of possession made under section 287 or 288 of the Civil Procedure Code, and be enforced in like manner as an order so made, the debtor and the purchaser being deemed, for the purpose of the application of any provision of that Code, to be the judgment-debtor and judgment-creditor, respectively.

Cancellation of
sale.

30. (1) Where the property sold has been purchased on behalf of the bank, the board may, at any time before it resells that property, cancel the sale by an endorsement to that effect on a certified copy of the certificate of sale, upon the debtor or any person on his behalf paying the amount due in respect of the loan, overdraft, advance or other accommodation, for which the property was sold (including the costs of seizure and sale) and interest on the aggregate sum at a rate not exceeding the prescribed rate.

(2) An endorsement made under this section shall—

(a) in the case of movable property, immediately on the endorsement being made, and

(b) in the case of immovable property, upon registration in the office of the Registrar of Lands,

have the effect of revesting the property in the debtor as though the sale under this Ordinance had not taken place.

Resale by
bank.

31. (1) If the property sold has been purchased on behalf of the bank, and the sale is not cancelled under section 30, the board may, at any time, resell the property and transfer to the purchaser by endorsement on a certified copy of the certificate referred to in subsection (3) of section 28, all the right, title and interest which would have been acquired by the purchaser at the original sale.

(2) An endorsement made under this section shall be liable to the same stamp duty and charges as a certificate to a purchaser at the original sale and shall—

(a) in the case of movable property, immediately on the endorsement being made, and

(b) in the case of immovable property, upon registration in the office of the Registrar of Lands,

have the effect of vesting the property in the purchaser as though the sale under this Ordinance had not taken place.

Board not precluded from other methods of recovery.

32. Nothing in sections 16 to 31 shall be deemed to preclude the board from recovering the amount due on any mortgage bond in accordance with the provisions of any other written law.”

Replacement of section 38 of the principal enactment.

13. Section 33 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“ Powers of the Minister in relation to the board.

33. The Minister may, after consultation with the board, give to the board general or special directions in writing as to the transaction of the business of the bank and the board shall give effect to such directions.”

Repeal of sections 34 to 40 of the principal enactment.

14. Sections 34 to 40 (both sections inclusive) of the principal enactment are hereby repealed.

Repeal of sections 45 to 55 of the principal enactment.

15. Sections 45 to 55 (both sections inclusive) of the principal enactment are hereby repealed.

Replacement of section 56 of the principal enactment.

16. Section 56 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“ Appointment of staff.

56. (1) The board shall have power to appoint the staff of the bank including the subordinate staff:

Provided that the appointment of the general manager shall not be made without the previous approval in writing of the Minister:

Provided further that the Minister's approval shall not be necessary for the appointment of an officer of the bank to act for the general manager during his absence if such appointment is for a period not exceeding four months.

(2) The board may, with the approval of the Minister, from time to time alter or revise the salaries, emoluments, travelling allowances, provident fund and pension rights of any officer or member of the subordinate staff of the bank."

17. Section 57 of the principal enactment is hereby amended, by the substitution for subsection (1) thereof, of the following new subsection:—

Amendment of section 57 of the principal enactment.

"(1) Every officer and member of the subordinate staff of the bank shall give security to the satisfaction of the board for the due and faithful performance of his duties."

18. Section 58 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of section 58 of the principal enactment.

"Dismissal of general manager.

58. No general manager of the bank shall be dismissed except—

(a) on a resolution of the board passed by a majority of two-thirds of the directors for the time being holding office; and

(b) with the written approval of the Minister."

19. Section 60 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of section 60 of the principal enactment.

"Reimbursement for expenses incurred on behalf of the bank.

60. Every director, manager, secretary or other officer of the bank shall be indemnified by the bank from all losses and expenses incurred by him in or about the discharge of his duties, other than such losses and expenses as the board may deem to have been occasioned by his misconduct or wilful default."

Amendment of section 61 of the principal enactment.

20. Section 61 of the principal enactment is hereby amended by the substitution, for paragraph (a) thereof, of the following new paragraph:—

“(a) when required to do so—

(i) by the directors, or

(ii) by a court of law, or

(iii) by the person to whom such matters relate;”.

Replacement of section 64 of the principal enactment.

21. Section 64 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Inspection of documents.

64. No person, unless he is a director, auditor, officer, accountant or clerk of the bank or other person whose duties require him to do so, shall be entitled to inspect any of the books, accounts, documents or writings of the bank, except where he is authorized to do so under any written law.”.

Replacement of section 65 of the principal enactment.

22. Section 65 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Application of the provisions of Part II of Finance Act, No. 38 of 1971.

65. The provisions of Part II of the Finance Act, No. 38 of 1971, shall *mutatis mutandis* apply to the financial control and accounts of the bank.”.

Repeal of sections 66 and 67 of the principal enactment.

23. Sections 66 and 67 of the principal enactment are hereby repealed.

Replacement of sections 68 and 69 of the principal enactment.

24. Sections 68 and 69 of the principal enactment are hereby repealed and the following new sections substituted therefor:—

“Money Lending Ordinance, Debt Conciliation Ordinance and Conciliation Boards Act, No. 10 of 1958, not to apply to debts due to the bank.

68. Nothing in the Money Lending Ordinance, the Debt Conciliation Ordinance or the Conciliation Boards Act, No. 10 of 1958, shall apply or be deemed to apply to any debt due to the bank, or to prejudice or affect the rights of the bank in respect of the recovery of any such debt.

Pawnbrokers Ordinance not to apply to debts due to the bank.

69. The Pawnbrokers Ordinance shall not apply to the bank where the bank carries on the business of a pawnbroker.”.

25. The following new sections are hereby inserted immediately after section 69 of the principal enactment and shall have effect as sections 69A, 69B, 69c and 69D of that enactment:—

Insertion of new sections 69A to 69D in the principal enactment.

“ Bank may possess rubber in excess of quantity prescribed by Rubber Control Act.

69A. Notwithstanding the provisions of section 10 of the Rubber Control Act the bank may lawfully possess a quantity of rubber in excess of the quantity prescribed under that Act.

Bank may possess made tea in excess of quantity prescribed by Tea Control Act, No. 51 of 1957.

69B. Notwithstanding the provisions of section 15 of the Tea Control Act, No. 51 of 1957, the bank may lawfully possess a quantity of made tea in excess of the quantity prescribed under that Act.

Bank may possess excise articles in excess of quantity declared to be limit of sale by retail.

69c. Notwithstanding the provisions of section 17 of the Excise Ordinance the bank may lawfully possess a quantity of any excisable article in excess of the quantity declared under section 4 of that Ordinance to be the limit of sale by retail.

Tea and Rubber Estates (Control of Fragmentation) Act, No. 2 of 1958, not to apply to transfer of property authorized to be sold under section 19.

69D. The provisions of the Tea and Rubber Estates (Control of Fragmentation) Act, No. 2 of 1958, shall not apply to the transfer of ownership by the bank of any immovable property the sale of which is authorized by the board under section 19 of this Ordinance.”

26. Section 73 of the principal enactment is hereby repealed.

Repeal of section 73 of principal enactment.

27. Section 75 of the principal enactment is hereby repealed.

Repeal of section 75 of the principal enactment.

28. Section 76 of the principal enactment is hereby amended as follows:—

Amendment of section 76 of the principal enactment.

(a) by the insertion, immediately before the definition of “ bank ”, of the following new definition:—

“ “ approved society ” means a society approved for the purposes of this Ordinance by the Minister by Order published in the *Gazette*; ” ;

(b) by the insertion, immediately after the definition of "capital", of the following definition:—

“ “central office” means the central office of the bank;”;

(c) by the repeal of the definition of “Deputy Secretary to the Treasury”;

(d) by the repeal of the definitions of “elected director”, “extraordinary resolution” and “general meeting”;

(e) by the repeal of the definition of “head office”, and the substitution therefor, of the following definition:—

“ “mortgage” includes any charge on property for securing money or money’s worth;”;

(f) by the repeal of the definition of “ordinary meeting”;

(g) by the repeal of the definitions of “special resolution,” and “shareholder”;

(h) by the insertion, immediately after the definition of “Secretary to the Treasury”, of the following new definition:—

“ “substantial interest” —

(a) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up of which exceeds five hundred thousand rupees or five *per centum* of the paid-up capital of the company, whichever is less; and

(b) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than five *per centum* of the total capital subscribed by all the partners of the said firm.”.

29. (1) Section 8 of the Finance Act, No. 65 of 1961 is hereby repealed.

Repeal of
section 8 of
Finance Act,
No. 65 of 1961.

(2) Notwithstanding the repeal of section 8 of the Finance Act, No. 65 of 1961, by subsection (1) of this section, the directors appointed under that section and holding office on the date on which this Law comes into force shall be deemed for all purposes to have been appointed under section 6 of the principal enactment (inserted by this Law) and shall, subject to the provisions of the said section 6, continue to hold office for the unexpired portion of their period of office.

30. The First and Second Schedules to the principal enactment are hereby amended in the manner and to the extent specified in the Schedule hereto.

Amendment of
Schedules to
principal
enactment.

31. The following new Schedule is hereby inserted immediately after the Second Schedule to the principal enactment and shall have effect as the Third Schedule to that enactment:—

Insertion of
Third Schedule
in the principal
enactment.

“ THIRD SCHEDULE

(Section 30)

FORM A

FORM OF CERTIFICATE OF SALE WHERE THE BANK IS NOT THE
PURCHASER

Whereas a sum of _____ rupees is due to the Bank of Ceylon from _____ and the property _____ hereinafter more fully described has been *mortgaged by the said _____ on* bond No. _____ dated _____ as security for the payment of the aforesaid sum in the manner provided in the said* bond:

*Alter whenever
necessary.

And whereas the moneys due in respect of the said* bond have not been paid by or on behalf of the said _____

And whereas the aforesaid property was sold in conformity with the Bank of Ceylon Ordinance on the _____ day of _____ and the same was purchased by _____ of _____ for the sum of _____ rupees, which has been duly paid by the said _____

Now Know Ye that the Bank of Ceylon by virtue and in the exercise of the powers in the said Bank vested in this behalf by or under the Ordinance aforesaid, doth hereby certify that the following property, to wit (*here insert full and accurate description of property*) has been sold and purchased by the said _____ for the sum of _____ rupees, which he has duly paid, and that the said property shall henceforward be vested in the said _____ his heirs, executors, administrators and assigns.

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Given under the Common Seal of the Bank of Ceylon this
_____ day of _____ 19 .

The Common Seal of the
withinnamed Bank of Ceylon is
hereto affixed in the presence of
_____ } (SEAL)
of the said Bank of Ceylon who
do hereby attest the sealing
thereof.

(Not to be notarially attested)

(Section 30)

FORM B

FORM OF CERTIFICATE OF SALE WHERE THE
BANK IS THE PURCHASER

*Alter
whenever
necessary

Whereas a sum of _____ rupees is due to the Bank of
Ceylon from _____ and the property _____ hereinafter
more fully described has been * mortgaged by the said _____
on * bond No. _____ dated _____ as security for the
payment of the aforesaid sum in the manner provided in the
said * bond:

And whereas the moneys due in respect of the said * bond
have not been paid by or on behalf of the said _____.

And whereas the aforesaid property was sold in conformity
with the Bank of Ceylon Ordinance on the _____
day of _____ and the same was purchased for and on behalf
of the Bank of Ceylon _____ by _____ for the sum of
_____ rupees, which has been duly credited to the said
Bank, in part (or full, as the case may be) satisfaction of the
sum due as aforesaid:

Now Know Ye that the Bank of Ceylon by virtue and in
the exercise of the powers in the said Bank vested in this
behalf by or under the Ordinance aforesaid, doth hereby certify
that the following property, to wit, _____ (*here insert
full and accurate description of the property*) has been sold and
purchased by the said _____ for and on behalf of the said
Bank of Ceylon for the sum of _____ rupees, and that the
said property shall henceforward be absolutely vested in the said
Bank of Ceylon.

Given under the Common Seal of the Bank of Ceylon
this _____ day of _____ 19 .

The Common Seal of the
withinnamed Bank of Ceylon is
hereto affixed in the presence of
_____ } (SEAL)
of the said Bank of Ceylon who
do hereby attest the sealing
thereof.

Witnesses:

(Not to be notarially attested)."

SCHEDULE

1. The First Schedule to the principal enactment is hereby amended as follows:—

Amendment of
the First
Schedule to the
principal
enactment.

(1) in clause 1 of Part I of that Schedule—

(a) by the substitution, for paragraph (f) thereof, of the following new paragraph:—

(f) To buy, sell, invest, underwrite, deal in and dispose of stocks, shares, debentures, mortgages, bonds, or securities issued or guaranteed by the Government of Sri Lanka or by the Government of any other country or by any company or corporation:

Provided, however, that the bank shall not enter into any transaction affecting the stocks, shares, debentures, mortgages, bonds or securities issued or guaranteed by any other country or by any such company or corporation except with the approval of not less than four directors of the bank given after considering the written observations of the general manager of the bank, and with the written consent of the Minister.”;

(b) in paragraph (g) thereof, by the substitution, for the proviso thereto, of the following new proviso:—

“ Provided, however, that the power contained in this paragraph shall only be exercised with the approval of not less than four directors of the bank given after considering the written observations of the general manager of the bank, and with the written consent of the Minister.”;

(c) by the substitution, for paragraph (h) thereof, of the following new paragraph:—

“To acquire
property.

(h) To purchase, take on lease or in exchange, hire or otherwise acquire, any immovable or movable property and any rights or privileges.”;

(d) by the substitution, for paragraph (i) thereof, of the following new paragraph:—

“To enter into
arrangement
for profit
sharing.

(i) To enter into any arrangement for sharing profits, union of interest, co-operation, joint adventure, reciprocal concession or otherwise with any person or company carrying on or engaged in or about to carry on or engaged in any business or transaction.”;

(e) in paragraph (l) thereof, by the substitution, for the proviso thereto, of the following new proviso:—

“Provided, however, that the powers contained in this paragraph shall only be exercised with the approval of at least four directors of the bank given after considering the written observations of the general manager of the bank, and with the written consent of the Minister.”;

(f) by the substitution, for paragraph (m) thereof, of the following new paragraph:—

“To deal with the property of the bank.

(m) To construct buildings on or improve or develop any land belonging to or taken on lease or possessed or occupied by the bank and to manage, exchange, lease, mortgage, dispose of, sell, turn to account or otherwise deal with all or any part of the property and rights of the bank.”;

(g) by the substitution, for paragraph (p) thereof, of the following new paragraph:—

“To procure recognition of the bank.

(p) To procure the bank to be registered or recognized in any foreign country or place.”;

(h) by the substitution, for paragraph (q) thereof, of the following new paragraph:—

“To obtain concessions.

(q) To give any guarantee or indemnity and to enter into any arrangements with any Government or any local authority in order to obtain any rights, concessions and privileges.”;

(i) by the substitution, for paragraph (r) thereof, of the following new paragraph:—

“To do hire-purchase business.

(r) To do hire-purchase business and receive discounts, commissions and other remuneration.”;

(j) by the substitution, for paragraph (s) thereof, of the following new paragraph:—

“To form companies.

(s) To form any company for carrying on any business, to acquire and undertake the business of, purchase any interest in, or acquire or hold shares or stock in, any company carrying on any business.”;

(k) by the insertion, immediately after paragraph (s) thereof, of the following new paragraphs:—

“To carry on any trade or business.

(t) To carry on such other trade or business or engage in such other activity, which can in the opinion of the bank be advantageously carried on or engaged in by the bank.

General.

(u) To do all things incidental or conducive to the attainment of the above objects or the exercise of the above powers.”;

(2) in clause 3 of Part II of that Schedule—

(a) by the substitution, for paragraph (a) thereof, of the following new paragraph:—

“Loans,
overdrafts,
advances and
other
accommodation
to be granted
only in certain
circumstances.

(a) No loan, overdraft, advance or other accommodation shall be granted by the bank to any person unless the board is satisfied that he is worthy of credit up to the amount of such advance, loan or other accommodation or that such amount is secured by adequate security, or that the project or scheme to which such amount is to be applied is financially sound :

Provided that the bank may grant any loan, overdraft, advance or other accommodation to any Government department, corporation, statutory body, local authority, co-operative society, approved society or unincorporate body of persons which is unable to satisfy the board as to the requirement contained in the preceding provisions of this paragraph if the grant of such loan, overdraft, advance or other accommodation is approved by the Minister in consultation with the Minister in charge of the subject of Finance and if the Minister in charge of the subject of Finance guarantees under section 10 the repayment of such advance, loan or other accommodation. ” ;

(b) by the substitution, for paragraph (b) thereof, of the following new paragraph:—

“Loans to
directors and
companies.

(b) (i) Where prior to the date of his appointment as a director no sum has been granted by way of loan, overdraft, advance or other accommodation to such director or any company or firm in which he has a substantial interest, then, no loan, overdraft, advance, or other accommodation shall be granted to any such company or firm, but a sum not exceeding fifty thousand rupees in the aggregate may be granted to such director by way of loans, overdrafts, advances and other accommodation.

(ii) Where prior to the date of his appointment as a director any sum has been granted by way of loan, overdraft, advance or other accommodation to such director or any company or firm in which he has a substantial interest, then, such director, company or firm may be granted by way of loans, overdrafts, advances or other accommodation a sum which does not exceed the aggregate of the sums granted to such director, company or firm prior to the date of such appointment, less any sum remaining unpaid :

Provided that where any sum so granted to a director prior to his appointment as a director is a sum not exceeding fifty thousand rupees such director may be granted by way of loans, advances, overdrafts and other accommodation a sum not exceeding fifty thousand rupees in the aggregate, in addition to any sum remaining unpaid.

(iii) No loan, overdraft, advance or other accommodation shall be granted to a director for the time being of the bank or a firm, or company in which he has a substantial interest unless security approved by the bank is given and the loan, overdraft, advance or other accommodation is sanctioned at a meeting of the board by not less than four other directors."

(c) by the substitution, for paragraph (f) thereof, of the following new paragraph:—

"Guarantee by employees. (f) No loan, overdraft, advance or other accommodation shall be granted by the bank on the guarantee of an employee of the bank other than to another employee of the bank."; and

(d) by the omission of paragraph (g) thereof.

Amendment of
the Second
Schedule to the
principal
enactment.

2. The Second Schedule to the principal enactment is hereby amended as follows:—

(a) by the repeal of Parts I, II, III, IV and V thereof;

(b) by the renumbering of Part VI as Part I thereof;

(c) by the repeal of by-law 70;

(d) by the renumbering of by-laws 60, 61, 62, 63, 64, 65, 66, 67, 68, 69 and 71 as by-laws 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 respectively;

(e) in the renumbered by-law 6 by the substitution, for subparagraph (c) of paragraph (1) of the following new paragraph:—

"(c) the proceedings and resolutions of all meetings of the board and committees.";

(f) by the substitution, for the renumbered by-law 10, of the following new by-law:—

"Exceptions from provisions of by-law 9.

10. Nothing in by-law 9 shall apply to any contract made by or on behalf of the bank to give to the directors or any of them any security for advances or by way of indemnity.";

(g) by the substitution, for the renumbered by-law 11, of the following new by-law:—

“Delegation of functions of board.

11. (1) The board may delegate any of its powers, other than the power to appoint the general manager, to committees consisting of two or more directors, or to a director, or to the general manager or to any other officer of the bank selected by the board; and may from time to time revoke any such delegation either wholly or in part and either as to persons or purposes. Every such committee, director, general manager or other officer shall, in the exercise of the powers delegated to it or him, conform to all such regulations as are prescribed by the board.

(2) The general manager may, with the consent of the board, in writing delegate to any of the officers of the bank selected by him any of the powers delegated to him under paragraph (1). Every such officer shall in the exercise of the powers delegated to him under this paragraph conform to all such regulations as are prescribed by the board and the general manager.

(3) All acts done by any such committee, director, general manager or other officer in conformity with such regulations and in fulfilment of the purposes of its or his appointment, but not otherwise, shall have the like force and effect as if done by the board.”;

(h) by the renumbering of Part VII as Part II thereof;

(i) by the renumbering of by-law 72 as by-law 12;

(j) by the substitution, for the renumbered by-law 12, of the following new by-law:—

“Credits and loans.

12. No loan, overdraft, advance or other accommodation shall be sanctioned by the board without the recommendation of the general manager unless such loan, overdraft, advance or other accommodation is approved by all the directors for the time being of the bank, after considering the written observations of the general manager of the bank.”;

(k) by the repeal of by-law 73;

(l) by the renumbering of by-law 74 as by-law 13;

(m) by the renumbering of Part VIII as Part III thereof;

(n) by the renumbering of by-law 75 as by-law 14;

(o) by the substitution, for the renumbered by-law 14, of the following new by-law:—

“Remuneration of directors.

14. A director may be remunerated out of the funds of the bank in such manner and at such rates as the Minister may determine.”.

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- (p) by the repeal of by-law 76;
- (q) by the renumbering of by-laws 77 and 78 as by-laws 15 and 16;
- (r) by the repeal of by-law 79;
- (s) by the renumbering of by-law 80 as by-law 17;
- (t) by the substitution, for the renumbered by-law 17, of the following new by-law:—

“Remuneration of directors for special services.

17. Where any director is entrusted with any special mission or function or by request performs special services on behalf of the bank, the board may grant him such additional remuneration as it thinks fit. The directors may be repaid by the bank all such reasonable travelling, hotel and incidental expenses as they may incur in attending meetings of the board or of committees of the board or which they may otherwise incur in or about the business of the bank.”;

- (u) by the renumbering of by-law 81 as by-law 18;
- (v) by the substitution, for the renumbered by-law 18, of the following new by-law:

“Remuneration of state officers who are directors to be paid to Consolidated Fund.”

18. All remuneration to which directors who are state officers become entitled shall be paid to the Consolidated Fund.”;

- (w) by the renumbering of Part IX as Part V thereof;
- (x) by the repeal of by-laws 82, 83 and 84 ;
- (y) by the renumbering of by-law 85 as by-law 19;
- (z) by the substitution, for the renumbered by-law 19, of the following new by-law:—

“Half-yearly dividends

19. The board may—

- (i) on the report of the general manager that the profits earned by the bank during any half-year justifies the payment of a half-yearly dividend; and

(ii) with the approval of the Minister, declare a half-yearly dividend.”;

- (aa) by the repeal of by-law 86;
- (bb) by the renumbering of by-law 87 as by-law 20;
- (cc) by the substitution, for the renumbered by-law 20, of the following new by-law:—

“Investment of reserve fund.

20. Any amounts standing to the credit of any reserve funds and also any other funds of the bank not for the time being employed in

or required for the purposes of the business of the bank shall be invested with the approval of the Minister in stock, shares, debentures, bonds or securities—

(a) recommended in writing by the general manager and approved at a meeting of the board by a majority of not less than two directors ; or

(b) unanimously approved by all the directors for the time being of the bank after considering the written observations of the general manager of the bank.”;

(dd) by the repeal of by-laws 88, 89 and 90; and

(ee) by the repeal of Part X thereof.