



DEVELOPMENT FINANCE CORPORATION
OF CEYLON (AMENDMENT) LAW,

No. 12 OF 1974

OF

THE NATIONAL STATE ASSEMBLY

[Certified on 18th April, 1974]

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*Development Finance Corporation of Ceylon
(Amendment) Law, No. 12 of 1974*

L. D.—O. 37/69.

A LAW TO AMEND THE DEVELOPMENT FINANCE
CORPORATION OF CEYLON ACT.

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

1. This Law may be cited as the Development
Finance Corporation of Ceylon (Amendment) Law,
No. 12 of 1974.

Short title.

2. Section 5 of the Development Finance
Corporation of Ceylon Act (as amended by Act No. 1
of 1967), hereinafter referred to as the "principal
Act", is hereby repealed and the following new
section substituted therefor:—

Replacement
of section 5
of Chapter
165.

" Powers of
the Corpora-
tion.

5. In carrying out its purposes, the
Corporation may exercise all or any of
the following powers:—

- (i) provide finance in the form of
long-term or medium-term
loans with or without secu-
rity, or by purchasing or
subscribing for shares or
other securities, or by acquir-
ing any other interest;
- (ii) underwrite new issues of stocks,
shares, bonds, debentures and
other securities;
- (iii) guarantee loans from investment
sources;
- (iv) nominate a representative of the
Corporation to serve on the
governing body of any enter-
prise in which the Corpora-
tion has a financial interest;
- (v) make funds available for re-
investment by selling any
investments of the Cor-
poration when and as
appropriate;

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- (vi) borrow funds for the purposes of the business of the Corporation from sources either in Sri Lanka or abroad and give security for any loans obtained;
- (vii) furnish managerial, technical and administrative advice and assist in obtaining managerial, technical and administrative services to private industrial, agricultural and commercial enterprises in Sri Lanka;
- (viii) act as agents for, and administer the funds of, such statutory bodies, corporations, companies or other institutions as the board of directors may consider conducive to the attainment of the purposes of the Corporation;
- (ix) invest idle funds and reserves of the Corporation in appropriate securities;
- (x) acquire, hold, take or give on lease or hire, mortgage, pledge and sell or otherwise dispose of any immovable or movable property;
- (xi) accept, before the date on which it is due, any payment in respect of a loan granted by the Corporation;
- (xii) open deposit accounts with any bank;
- (xiii) draw, accept, or endorse bills of exchange for the purposes of the business of the Corporation;
- (xiv) give any guarantee or indemnity to, and enter into any arrangements with, the Government, any local authority,

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or any body corporate or other person, in order to obtain any rights, concessions and privileges that may seem to the Corporation to be conducive to any object of the Corporation;

(xv) make appropriate provision for the welfare of employees or ex-employees of the Corporation and of their dependants; and

(xvi) do all such other things as are incidental or conducive to the attainment of its purposes.”

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

Replacement
of section 10
of the
principal
Act.

Board of
directors.

10. (1) The board of directors shall be constituted in accordance with the provisions of this section.

(2) So long as there is outstanding any loan made by the Government to the Corporation pursuant to the provisions of this Act, the Minister in charge of the subject of Finance, acting in consultation with the Minister in charge of the subject of Industries, shall be entitled from time to time to appoint one person as a director (hereinafter called the “Government director”) of the Corporation, to remove such person from office and, on a vacancy being caused in such office whether by resignation, death, removal or otherwise, to appoint a director to fill the vacancy. The Government director shall not be liable to retire by rotation or be removed from office except by the Minister in charge of the subject of Finance as aforesaid and shall not be bound to hold any qualification shares. Subject as aforesaid the Government director shall be entitled to the same rights and privileges and be subject to the same obligations as any other director of the Corporation.

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(3) The Minister in charge of the subject of Industries shall be entitled from time to time to appoint one person as a director (hereinafter called the "appointed director") of the Corporation, to remove such person from office and, on a vacancy being caused in such office whether by resignation, death, removal or otherwise, to appoint a director to fill the vacancy. The appointed director shall not be liable to retire by rotation or be removed from office except by such Minister and shall not be bound to hold any qualification shares. Subject as aforesaid the appointed director shall be entitled to have the same rights and privileges and be subject to the same obligations as any other director of the Corporation.

(4) The following shall be *ex officio* directors of the Corporation without the right to vote:—

(a) The holder for the time being of the office of Director of the Ceylon Institute of Scientific and Industrial Research.

(b) The holder for the time being of the office of General Manager of the Corporation.

The *ex officio* directors shall not be required to hold any qualification shares.

(5) There shall be not less than six and not more than eight other directors (hereinafter referred to as "shareholder-directors"). The Minister in charge of the subject of Finance shall appoint the initial shareholder-directors. At the end of each financial year of the Corporation after the Corporation is entitled to transact business, one of the initial shareholder-directors so appointed shall retire. The director who shall so retire shall be determined by the drawing of lots. Any successor to an initial

shareholder-director who retires pursuant to this subsection or whose office becomes vacant for any other cause, and any new shareholder-director shall be elected and hold office in accordance with the regulations of the Corporation made under section 11. An initial shareholder-director shall be eligible to be elected to succeed himself if qualified to be elected under subsection (6). A majority of the shareholder-directors shall at all times be citizens of Sri Lanka.

(6) A person shall be qualified to be elected and hold office as a shareholder-director if and so long as he—

- (a) has, or is an officer, director or partner of a company or partnership which has, shares of the par value of not less than five thousand rupees in the capital of the Corporation,
- (b) is not a Member of Parliament or a member of a local authority,
- (c) is not a paid employee of the Corporation,
- (d) is not a person who, having been declared an insolvent or a bankrupt under any law in force in Sri Lanka or in any other country, is an undischarged insolvent or bankrupt,
- (e) is not found or declared to be of unsound mind under any law in force in Sri Lanka or in any other country; and
- (f) is not serving a sentence of imprisonment imposed by any court in Sri Lanka or in any other country:

Provided, however, that the initial shareholder-directors shall not be required to have the qualification specified in paragraph (a) of this subsection until two months have elapsed after the first issue of shares.

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(7) The members of the board of directors shall elect one of the shareholder-directors to be the chairman of the board of directors. Such election shall not take effect unless approved by the Minister in charge of the subject of Planning and Economic Affairs.’

Insertion of
new section
10A in the
principal
Act.

4. The following new section is hereby inserted immediately after section 10, and shall have effect as section 10A, of the principal Act:—

“ Minister’s
directions
to the
board of
directors.

10A. The Minister in charge of the subject of Finance may, from time to time, after consultation with the board of directors, issue to the board of directors general directions in writing on matters of policy, and the board of directors shall give effect to such directions.”

Replacement
of section
14 of the
principal
Act.

5. Section 14 of the principal Act, as amended by Act No. 1 of 1967, is hereby repealed and the following new section substituted therefor:—

“ Borrowing
from the
International
Bank for
Reconstruction
and
Development.

14. (1) The Government is hereby authorized to guarantee, on such terms and conditions as the Government may determine, loans raised by the Corporation from the International Bank for Reconstruction and Development, or from any other international or foreign organization approved by the Government. The loans authorized to be guaranteed under this subsection may be denominated in foreign currency. No guarantee shall be given under this subsection if the aggregate amount of all loans guaranteed under this subsection exceeds, or as a result of the loan to be guaranteed would exceed, the equivalent of seventy-two million rupees at the rate of exchange prevailing at the date of the loan agreement to which such guarantee would apply.

(2) All sums payable by the Government under any guarantee given under subsection (1) are hereby charged on the Consolidated Fund.

(3) All sums payable by the Corporation in respect of principal, interest and other charges on any loan to the Corporation from the International Bank for Reconstruction and Development or from any other international or foreign organization approved by the Government, or by the Government under any guarantee given under subsection (1) shall, notwithstanding anything to the contrary in any law of Sri Lanka, be paid—

(a) without deduction for, and free from, any taxes, duties or fees now or hereafter imposed by or under any law of Sri Lanka, and

(b) free from all restrictions now or hereafter imposed by or under any law of Sri Lanka:

Provided, however, that the preceding provisions of this subsection shall not apply to any taxes, duties, fees or restrictions upon payments under any bond or promissory note to a holder thereof other than the International Bank for Reconstruction and Development, or any other international organization or foreign organization approved by the Government when such bond or promissory note is beneficially owned by an individual or a corporation resident in Sri Lanka.

(4) For the purposes of subsection (3), the question whether an individual or a corporation is or is not resident in Sri Lanka shall be determined in accordance with the provisions of section 54 of the Inland Revenue Act, No. 4 of 1963.

(5) Every guarantee agreement between the Government and the International Bank for Reconstruction and

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Development, or any other international or foreign organization approved by the Government pursuant to this Act and every guarantee given by the Government pursuant to any such guarantee agreement shall, notwithstanding anything to the contrary in any law of Sri Lanka, be valid and enforceable in accordance with their respective terms.

(6) In the case of any loan made to the Corporation by the International Bank for Reconstruction and Development, or any other international or foreign organization approved by the Government, and guaranteed by the Government, the Government shall bear any loss, and be entitled to any profit, resulting from any revaluation of the Sri Lanka rupee in relation to the currency or currencies in which that loan is expressed or repayable in whole or in part.

The amount of every such loss is hereby charged on the Consolidated Fund.

(7) The President, or any person authorized in that behalf by the President by instrument under his hand, is hereby empowered, on behalf of the Government, to sign any guarantee agreement between the Government and the International Bank for Reconstruction and Development or any other international or foreign organization approved by the Government.

(8) Notwithstanding anything in any other written law, no agreement, bond or other document executed by the Corporation in respect of any loan which may be raised by the Corporation from the International Bank for Reconstruction and Development, or from any other international or foreign organization approved by the Government, shall be subject to, or be charged with, any stamp duty or duties whatsoever.

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(9) As soon as possible after the end of each financial year the Minister in charge of the subject of Finance shall cause to be laid before the National State Assembly the report on the statement of accounts of the Corporation and of every loan, bond and guarantee entered into under this Act, during the course of that financial year.

6. Section 18 of the principal Act, as amended by Act No. 1 of 1967, is hereby repealed and the following new section substituted therefor:—

Replacement
of section 18
of the
principal
Act.

Interpretation.

18. In this Act, unless the context otherwise requires,—

“ agricultural enterprise ” means an agricultural or live-stock enterprise operated on a commercial basis;

“ board of directors ” means the board of directors of the Corporation;

“ commercial enterprise ” includes an enterprise, not falling within the description of an agricultural or industrial enterprise, which shall be conducive to the economic development of Sri Lanka;

“ governing body ”, in relation to any enterprise, means any body of persons by whatsoever name or designation called for the time being charged with the management or administration, or any part thereof, of such enterprise's business or affairs;

“ industrial enterprise ” means an enterprise for a productive purpose operated on a commercial basis;

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“ local authority ” means a Municipal Council, an Urban Council, a Town Council, a Village Council, the River Valleys Development Board, or any other authority having administrative powers over any area; and

“ shareholder ” means a shareholder of the Corporation.”.