



MONETARY LAW (AMENDMENT) LAW,

No. 37 OF 1974

OF

THE NATIONAL STATE ASSEMBLY

[Certified on 14th October, 1974]

Printed on the Orders of Government

*Monetary Law (Amendment) Law,
No. 37 of 1974*

L. B.—O. 40/69.

A LAW TO AMEND THE MONETARY LAW 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 Monetary Law (Amendment) Law, No. 37 of 1974, and shall come into operation on such date as may be appointed by the Minister by Order published in the *Gazette*.

Short title
and date of
operation.

2. Section 8 of the Monetary Law Act (hereinafter referred to as the "principal enactment") is hereby repealed and the following new section substituted therefor:—

Replacement
of section 8
of Chapter
422.

Constitution
of Monetary
Board.

8. (1) The Monetary Board of the Central Bank shall, in addition to determining the policies or measures authorized to be adopted or taken under this Act, be vested with the powers, duties, and functions of the Central Bank under this Act, and be generally responsible for the management, operations, and administration of the bank.

(2) The Monetary Board shall consist of—

(a) the Governor of the Central Bank who shall be the chairman of the board;

(b) the person holding office for the time being as Secretary to the Ministry in charge of the subject of Finance;

(c) the person holding office for the time being as Secretary to the Ministry in charge of the subject of Planning and Economic Affairs;

(d) a fourth member appointed by the President on the recommendation of the Prime Minister.

(3) In the absence of the Governor from any meeting of the Monetary Board, the Deputy Governor designated

as senior by the board shall act as his alternate and shall preside at the meeting and have the right to vote thereat.

(4) In the absence of the member of the Monetary Board mentioned in paragraph (b) of subsection (2) from any meeting of the board, the person holding office for the time being as Deputy Secretary to the Treasury shall act as that member's alternate at the meeting and have the right to vote thereat.

(5) In the absence of the member of the Monetary Board mentioned in paragraph (c) of subsection (2) from any meeting of the board the officer appointed to act for the Secretary to the Ministry in charge of the subject of Planning and Economic Affairs shall act as that member's alternate at that meeting and have the right to vote thereat."

Replacement
of section
11 of the
principal
enactment.

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

" Disqualifi-
cation for
appointment
as Governor,
or as
member of
Monetary
Board.

11. A person shall be disqualified for appointment as the Governor of the Central Bank, or as a member of the Monetary Board under paragraph (d) of section 8 (2), if—

(a) he is a Member of Parliament or a member of any local authority;
or

(b) he is a state officer or a Judge within the meaning of the Constitution of the Republic of Sri Lanka or holds any office or position (other than an academic position), either by election or appointment, for which salary or other remuneration is payable out of the funds of the Republic or the funds of any local authority; or

(c) he is a director, officer, employee, or shareholder of any banking institution (other than the Central Bank). ”.

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

Replacement
of section
13 of the
principal
enactment.

Term of
office of
Governor
and
appointed
member.

13. (1) The term of office of the Governor, and of the person appointed under paragraph (d) of section 8 (2) (hereinafter referred to as the “appointed member”), shall, subject to the provisions of subsection (2) of this section, be the period of six years commencing on the date of his appointment:

Provided, however, that the term of office of the first appointed member holding office under this Act shall be the period of three years from the date of his appointment.

(2) In the event of the vacation of office by the Governor or by the appointed member before the expiration of his term of office, another person shall be appointed in his place to hold office during the unexpired part of the term of office of the Governor or member so vacating office.

(3) Any person vacating office as Governor or as appointed member by effluxion of time shall be eligible for reappointment.’.

5. Section 14 of the principal enactment is hereby amended by the repeal of subsection (2) of that section and the substitution therefor, of the following new subsection:—

Amendment of
section 14
of the
principal
enactment.

“(2) The amount of such allowance shall be fixed by the Minister in charge of the subject of Finance in consultation with the Prime Minister.”.

6. Section 17 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement
of section
17 of the
principal
enactment.

**Meetings of
Monetary
Board.**

17. (1) Meetings of the Monetary Board shall be held at least once in every two weeks and, in addition, as frequently as is necessary for the purpose of the discharge of its responsibilities under this Act.

(2) Meetings of the board shall be convened by the Governor.

(3) At any meeting of the Board three members shall constitute a quorum.

(4) No decision taken at any meeting of the board shall be deemed to be a decision of the board unless it has the concurrence of at least three members, or, in any case where any other provision of this Act requires a unanimous decision, the concurrence of all four members."

**Insertion of
new sections
32A, 32B, 32C,
32D and 32E
in the
principal
enactment.**

7. The following new sections are hereby inserted immediately after section 32, and shall have effect as sections 32A, 32B, 32C, 32D and 32E, of the principal enactment:—

**Scheme to
insure
deposits
held by
banking
institutions
and
co-operative
societies.**

32A. The Central Bank may establish, maintain, manage and control, as determined by the Monetary Board from time to time, a scheme for the insurance of deposits held by banking institutions and societies registered under the Co-operative Societies Law.

**Insurance of
deposits held
by banking
institutions
and
societies.**

32B. (1) Any banking institution, or any society registered under the Co-operative Societies Law and carrying on banking business of any kind, may, as prescribed, apply to the Central Bank to insure deposits held by such institution or society.

(2) The Central Bank may, in its discretion, accept any application made under subsection (1).

(3) Every banking institution or society, whose application has been accepted under subsection (2), is hereafter in this Part of this Act referred to as "insured bank" or "insured society", as the case may be.

Premiums
payable on
deposits.

32C. (1) Every insured bank or insured society shall be liable to pay a premium to the Central Bank on its deposits on such basis as may be determined by the Monetary Board from time to time, with the approval of the Minister:

Provided that the premium payable by any insured bank or insured society for any period shall not exceed fifteen cents per annum for every hundred rupees of the total amount of the deposits in that bank or that society.

(2) The premium shall be payable for such periods, at such times and in such manner as may be determined by the Monetary Board.

(3) If an insured bank or insured society makes any default in the payment of any premium, it shall, for the period of such default, be liable to pay to the Central Bank, interest on the amount of such premium at such rate as may be determined by the Monetary Board.

Examination of
insured banks
and insured
societies, &c.

32D. (1) The Director of Bank Supervision may, at his discretion, examine, or cause an examiner of his department to examine, the books and accounts of any insured bank or insured society.

(2) The provisions of subsections (4) and (5) of section 29, section 30, section 31 and section 32 of this Act shall, *mutatis mutandis*, apply to insured banks and insured societies.

Regulations.

32E. Regulations may be made by the Monetary Board in respect of—

(a) the periods for which, the times at which and the manner in which premiums will be calculated and may be paid by an insured bank or an insured society;

(b) the interest which may be charged from an insured bank or an insured society where it makes default in the payment of premiums;

(c) any matter that is stated or is required to be prescribed or in respect of which a regulation is authorized to be made under this Part of this Act; and

(d) any other matter affecting, connected with, or incidental to, the exercise, discharge, or performance of the powers, functions and duties of the Central Bank under this Part of this Act.'.

Amendment
of section 35
of the
principal
enactment.

8. Section 35 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor, of the following new subsection:—

“(1) Within four months after the end of each financial year, the Monetary Board shall submit to the Minister in charge of the subject of Finance, and shall publish an annual report on the condition of the Central Bank and a review of the policies and measures adopted by the Monetary Board during the financial year and an analysis of the economic and financial circumstances which prompted those policies and measures.”.

Replacement
of section
45 of the
principal
enactment.

9. Section 45 of the principal enactment is hereby repealed and the following new section substituted therefor:—

' Duty to
maintain
secrecy.

45. (1) Except in the performance of his duties under this Act, every officer or servant of the Central Bank shall preserve and aid in preserving secrecy with regard to all matters relating to the affairs of any banking institution, or of any client of any such institution, that may come to his knowledge in the performance of his duties; and any such officer or servant who communicates any such matter to any person other than the Monetary Board or an officer of the Central Bank authorized in that behalf by the Governor, or suffers or permits any unauthorized person to have access to any books, papers, or other records relating to any banking institution, shall be guilty of an offence.

(2) No officer or servant of the Central Bank shall be required to produce in any court any book or document or to divulge or communicate to any court any matter or thing coming under his notice in the performance of his duties under this Act, except as may be necessary for the purpose of carrying into effect the provisions of this Act.

(3) Where, in any legal proceedings, a certified copy of any book or document of the Central Bank or of any entry in such book or document is produced, such certified copy shall be received as *prima facie* evidence of the existence of such book, document or entry, as the case may be, and shall be admitted as evidence of the matters, transactions or accounts therein recorded in every case where, and to the same extent as, the original book, document or entry is now by law admissible, but not further or otherwise.

In this subsection, "certified copy" in relation to any book, document or entry, means a copy of such book, document or entry, together with a certificate written at the foot of such copy that it is a true copy of such book, document or entry; that such book or document is still in the custody of the Central Bank; that such entry is contained in one of the ordinary books of the Central Bank, and was made in the usual and ordinary course of business, such certificate being dated and subscribed with his name and official title, by such officer as may be authorized for the purpose by the Governor of the Central Bank.'

10. The following new section is hereby inserted immediately after section 108, and shall have effect as section 108A, of the principal enactment:—

' Guarantee of
loans to small-
scale
enterprises.

108A. (1) The Central Bank may, subject to such directions as may from time to time be made by the Monetary Board, guarantee loans, advances or other accommodation granted to small-scale enterprises by credit institutions operating in Sri Lanka.

Insertion
of new
section
108A in the
principal
enactment.

(2) Where the Central Bank has prior to the date of coming into operation of this section and acting as agent, or for the account, of the Government, guaranteed under section 108 any loans, advances or other accommodation granted by credit institutions to small-scale industrial enterprises, such guarantee shall, with effect from such date, be deemed to be a guarantee given by the Central Bank on its own account.

(3) In this section "credit institution" means any banking institution as defined in subsection (1) of section 127 of this Act, and includes—

(a) the Development Finance Corporation of Ceylon established under the Development Finance Corporation of Ceylon Act; and

(b) any such society registered under the Co-operative Societies Law and carrying on banking business of any kind as is approved for the purposes of this section by the Monetary Board.'.

Replacement
of section
116 of the
principal
enactment.

11. Section 116 of the principal enactment is hereby repealed and the following new section substituted therefor:—

" Monetary
policy and
fiscal policy.

116. (1) On or before the fifteenth day of September in each year the Monetary Board shall submit to the Minister in charge of the subject of Finance for use in preparation of the budget speech a confidential report describing and analysing the monetary situation in Sri Lanka and the current monetary policy of the board, and examining the effect of the current fiscal policy of the Government upon the ability of the Central Bank to achieve the objects specified in section 5.

(2) In the event of any difference of opinion between the Minister in charge of the subject of Finance and the Monetary Board as to whether the monetary policy of the board is directed to the greatest advantage of the people of Sri Lanka, the Minister in charge of the subject of Finance and the board shall endeavour to reach agreement. If the Minister in charge of the subject of Finance and the board are unable to reach agreement, the Minister in charge of the subject of Finance may inform the board that the Government accepts responsibility for the adoption by the board of a policy in accordance with the opinion of the Government and direct that such a policy be adopted by the board. Where a direction is so given by the Minister in charge of the subject of Finance, the board shall carry out that direction."

12. The following new section is hereby inserted immediately after section 116, and shall have effect as section 116A, of the principal enactment:—

- Transfer and use of dormant funds in commercial banks.

116A. (1) Where an account with any commercial bank has lain dormant, that is to say, there has been no withdrawal from, or deposit into, such account, or the pass book relating to such account has not been presented for examination and insertion of interest, or there has been no confirmation in writing of the balance amount lying to the credit of such account, as the case may be, for a period exceeding ten years, the moneys lying to the credit of such account together with interest accrued, if any, shall, if the Monetary Board so directs, be transferred, notwithstanding anything in any other law, by such commercial bank to a special account in the Central Bank.

Insertion of new section 116A in the principal enactment.

For the purposes of this subsection—

(a) any fixed deposit or any term deposit made with any commercial bank from which there

has been no withdrawal, for a period exceeding ten years from the date of expiry of the period or term for which such deposit was originally made, shall be deemed to be an account with such commercial bank which has lain dormant for a period exceeding ten years;

(b) any deposit made with any commercial bank, being a deposit repayable after notice, from which there has been no withdrawal, for a period exceeding ten years from the date on which such deposit was originally made, shall be deemed to be an account with such commercial bank which has lain dormant for a period exceeding ten years; and

(c) any amount payable by any commercial bank on any draft, mail transfer, pay order or other similar document, payment of which has not been demanded by the person entitled to make such demand, for a period exceeding ten years from the earliest day on which such demand could have been made, shall be deemed to be an account with such commercial bank which has lain dormant for a period exceeding ten years.

(2) Any person who furnishes proof to the satisfaction of the Central Bank that moneys lying to the credit of an account which was in his name or in the name of a person from whom he derives title, have been transferred to a special account in the Central Bank under subsection (1) shall, subject to such terms, conditions or restrictions as are imposed in respect of such moneys by or under any written law, be entitled to the

repayment of such moneys by the Central Bank together with the interest payable on such moneys up to the date of such repayment in accordance with such rates and conditions as are applicable to the account to the credit of which such moneys were lying before they were transferred to the special account in the Central Bank.

(3) Any moneys transferred to a special account under subsection (1) may be utilized for such purposes as may be determined by the Monetary Board after consultation with the Minister in charge of the subject of Finance."

13. The following new sections are hereby inserted immediately after section 121, and shall have effect as sections 121A and 121B, respectively, of the principal enactment:—

Insertion of
new sections
121A and 121B
in the
principal
enactment.

Prohibition
of use of
words "bank",
"banker" and
"banking" in
names of
institutions
other than
banking
institutions.

121A. No institution shall, except with the written approval of the Monetary Board, be established or maintained by or under a name which contains the word "bank", or the word "banker", or the word "banking", unless it is a banking institution within the meaning of this Act.

No commercial
bank to be
established,
no branch of a
commercial
bank to be
opened,
and no
commercial
bank to
acquire
business of
another
commercial
bank,
except with
prior
approval of
Minister of
Finance.

121B. Except with the prior approval in writing of the Minister in charge of the subject of Finance—

- (1) no commercial bank shall be established in Sri Lanka;
- (2) no commercial bank shall open any branch, agency or office thereof, in any part of Sri Lanka; and
- (3) no commercial bank shall acquire the business of another commercial bank or of any branch of another commercial bank.

14. Section 71 of the Co-operative Societies Law, No. 5 of 1972, is hereby amended by the substitution for the expression "Part II of Chapter V of the Monetary Law Act", of the expression "Part IVB of Chapter II of the Monetary Law Act".

Amendment
of the
Co-operative
Societies Law,
No. 5 of 1972.