



MONETARY LAW (AMENDMENT)

LAW. No. 16 OF 1977

OF

THE NATIONAL STATE ASSEMBLY

[Certified on 15th November, 1977]

Printed on the Orders of Government

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA (CEYLON)

TO BE PURCHASED AT THE GOVT. PUBLICATIONS BUREAU, COLOMBO

Monetary Law (Amendment) Law, No. 16 of 1977

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L. D.—O. 40/77.

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. 16 of 1977.

Short title.

2. The following new section is hereby inserted immediately after section 76, and shall have effect as section 76A, of the Monetary Law Act (hereinafter referred to as the "principal enactment"):

Insertion of new section 76A in Chapter 422.

" Exchange rates for Central Bank and commercial bank transactions where parities of foreign currencies are not determined.

76A. (1) Where the Governor is of opinion that it is inexpedient to determine and certify, in accordance with section 73, the parities with respect to the Sri Lanka rupee of foreign currencies ordinarily required for the international transactions of Sri Lanka, he may, in lieu of determining and certifying such parities under that section, determine the rates at which the Central Bank may buy and sell spot foreign exchange.

(2) Where the Governor determines, under subsection (1), the rates at which the Central Bank may buy and sell spot foreign exchange, the provisions of sections 73, 74 and 76 shall cease to have any force or effect in law, and the following provisions shall apply upon such determination:—

(a) Such determination may be limited to such foreign currencies as the Governor may deem appropriate.

(b) The rates determined under subsection (1) shall not apply in the case of the purchases and sales of foreign notes and coins, in which case the Central Bank may have regard to the additional costs of, or incidental to, such purchases and sales.

(c) The rates for transactions other than spot transactions shall not differ from the rates determined under subsection (1), except in

so far as it is necessary to reimburse the Central Bank for the additional costs, expenses or risks of each type of transaction.

- (d) The Central Bank shall not accept any commission or impose any charge of any description in respect of the purchase or sale of foreign exchange, except the telegraphic or other costs actually incurred in connection with such purchase or sale.
- (e) It shall be competent for the Governor to authorize, in writing, any officer by name or by office, to vary from time to time within such limits as may be specified by the Governor, the rates determined by the Governor under subsection (1).
- (f) Where the Governor makes no determination under subsection (1) with respect to any particular foreign currency, the Central Bank may buy and sell such currency at a rate calculated on the basis of the exchange rate for that currency in the international markets in relation to any foreign currency with respect to which the Governor has made a determination under subsection (1).
- (g) (i) Where the Governor determines under subsection (1), the rates at which the Central Bank may buy and sell spot foreign exchange, he may also determine the minimum rate at which any commercial bank may buy spot exchange and the maximum rate at which any commercial bank may sell spot exchange.

- (ii) In any case where the Central Bank buys or sells any currency in the exercise of the authority granted by paragraph (f) any officer authorized in that behalf by the Governor by name or by office, may determine the minimum rate at which any commercial bank may buy spot exchange and the maximum rate at which any commercial bank may sell spot exchange.
- (iii) The provisions of paragraph (e) shall, *mutatis mutandis*, apply to, and in relation to, the minimum and maximum rates determined under this paragraph.
- (h) Where no determination is made under paragraph (g) with respect to any particular foreign currency, a commercial bank may buy, sell or carry out any transaction in such currency at rates calculated on the basis of the exchange rates for that currency in the international markets.
- (i) Where a determination is made under paragraph (g), as to the minimum and the maximum rates at which commercial banks may buy and sell spot exchange—
 - (i) no commercial bank shall buy spot exchange at any rate below the minimum rate determined under that paragraph or sell spot exchange at any rate exceeding the maximum rate so determined; and no commercial bank shall in respect of the purchase or sale of such

± *Monetary Law (Amendment) Law, No. 16 of 1977*

exchange accept any commission or impose any charge of any description except telegraphic or other costs actually incurred in connection with such purchase or sale, and

- (ii) no commercial bank shall carry out any transaction in exchange, not being a spot transaction, at any rate which differs from the rates determined under paragraph (g) by a margin greater than is reasonable having regard to the additional costs, expenses or risks of the transaction, or by such margin, if any, as may be prescribed in that behalf by the Governor.

- (g) A determination under paragraph (g), as to minimum and maximum rates shall have no application during any period in which the Monetary Board decides, under section 72, to suspend or restrict the sales of foreign exchange by the Central Bank.”.

Amendment of section 79 of the principal enactment.

3. Section 79 of the principal enactment is hereby amended by the insertion, immediately after subsection (2) of that section, of the following subsection:—

“(3) Where in consequence of a determination made under subsection (1) of section 76A, the provisions of sections 73, 74 and 76 cease to be of any force or effect, the provisions of subsections (1) and (2) of this section shall also cease to be of any force or effect, and accordingly, the Central Bank shall

Monetary Law (Amendment) Law, No. 16 of 1977 5

not assume any revaluation profits realized or revaluation losses incurred by any banking institution."

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