



BRETTON WOODS AGREEMENTS

(SPECIAL PROVISIONS) LAW,

No. 10 OE 1978

OF

THE NATIONAL STATE ASSEMBLY

[Certified on 11th April, 1978]

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Bretton Woods Agreements (Special Provisions) Law, No. 10 of 1978

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L. D.—O. 16/77.

A. LAW TO MAKE SUCH LEGAL PROVISION AS MAY BE NECESSARY BY WAY OF AMENDMENT OF THE BRETTON WOODS AGREEMENTS ACT AND THE MONETARY LAW ACT IN ORDER TO GIVE FORCE AND EFFECT TO THE DECISION OF THE GOVERNMENT OF SRI LANKA TO ACCEPT FURTHER AMENDMENTS TO THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND OF WHICH SRI LANKA IS A MEMBER.

WHEREAS Sri Lanka is a member of the International Monetary Fund and the text of the original Articles of Agreement of the Fund was laid before Parliament prior to the passing of the Bretton Woods Agreements Act (Chapter 424) which entitled Sri Lanka to become such a member:

Preamble.

And whereas the original Articles of Agreement of the Fund were amended in order to institute a facility based on Special Drawing Rights, and the text of that amendment was laid before Parliament prior to the passing of the Bretton Woods Agreements (Special Provisions) Act, No. 2 of 1969, which enables Sri Lanka to accept such amendment:

And whereas the Board of Governors of the International Monetary Fund have by resolution approved further amendments to the original Articles in order to establish a new international monetary system and to conduct its operations and transactions through the maintenance of a General Department and a Special Drawing Rights Department (in this Preamble referred to as the "proposed amendments");

And whereas the text of the Articles of Agreement of the Fund incorporating the proposed amendments was laid before the National State Assembly on April 4, 1978:

And whereas the Government of Sri Lanka has decided to accept the proposed amendments so as to enable the Government of Sri Lanka to participate in the new international monetary system which is proposed to be established:

And whereas it is necessary to make the provisions hereinafter set out to give full force and effect to such decision:

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Now, therefore, be it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

Short title.

1. This Law may be cited as the Bretton Woods Agreement (Special Provisions) Law, No. 10 of 1978.

Deposit of certain instruments with the International Monetary Fund.

2. The President is hereby authorized by instruments under his hand to empower such person as may be named in such instruments, on behalf of the Government of Sri Lanka, to deposit with the International Monetary Fund—

(a) an instrument of acceptance stating that the Government of Sri Lanka has accepted the amendment which is proposed to the Articles of Agreement of that Fund in order to establish a new monetary system and to effect certain other changes (which amendment was incorporated in the text of the Articles of Agreement of the Fund tabled in the National State Assembly on April 4, 1978); and

(b) an instrument setting forth that the Government of Sri Lanka undertakes, in accordance with its law, all the obligations which are consequent on the acceptance of such amendment, and that it has taken all such steps as are necessary to enable it to carry out and discharge all such obligations.

Replacement of section 3 of Chapter 424.

3. Section 3 of the Bretton Woods Agreements Act (hereinafter referred to as the "principal enactment") is hereby repealed and the following new section substituted therefor:—

" Subscription to International Monetary Fund.

3. (1) There shall be paid out of the Consolidated Fund of Sri Lanka such part of the subscriptions of Sri Lanka as may, in accordance with the provisions of sections 1 and 4 of Article III of the Fund Agreement, be payable in Sri Lanka currency or special drawing rights or such other currency as may be specified by the Fund.

(2) Where the subscription of Sri Lanka to the International Monetary Fund is increased in consequence of an increase in the quota for Sri Lanka, there shall be paid out of the Consolidated Fund such sums as may, under

section 3 of Article III, of the Fund Agreement, be necessary for paying in Sri Lanka currency or special drawing rights or any other currency specified by the Fund, the amount of the increase in such subscription.

(3) The Minister is hereby authorized on behalf of the Government, to create and issue to the General Resources Account of the International Monetary Fund, in such form as he thinks fit, any such non-interest bearing and non-negotiable notes or other obligations as the Fund may, under section 4 of Article III of the Fund Agreement, determine to accept in place of any part of the subscription of Sri Lanka which would, but for such acceptance, be payable in Sri Lanka currency.”.

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

Replacement of section 4 of the principal enactment.

“ Other payments to the International Monetary Fund.

4. (1) There shall be paid out of the Consolidated Fund of Sri Lanka—

(a) all sums payable to the General Resources Account of the International Monetary Fund under section 11 of Article V of the Fund Agreement (which relates to changes in the exchange value of currencies of members);

(b) all sums required for implementing the guarantee required by section 3 of Article XIII of the Fund Agreement, that is to say, a guarantee of the assets of the Fund against loss resulting from failure or default of the depository designated by the Government of Sri Lanka under the said Article;

- (c) all sums required for the redemption of any notes or obligations created and issued to the General Resources Account of the Fund under this Act;
- (d) any compensation required to be paid to the Fund or to any member thereof under Schedule J of the Fund Agreement (which relates to the withdrawal of members from the Fund) or under Schedule K thereof (which relates to the liquidation of the Fund);
- (e) to the Central Bank, all sums paid by that Bank on behalf of Sri Lanka under section 2 of Article XVI of the Fund Agreement, and assessed as so payable under section 4 of Article XX of the Fund Agreement;
- (f) any compensation which Sri Lanka is required or obliged to pay to any participant in the Special Drawing Rights Department in that Fund under section 8 of Schedule I of the Fund Agreement (which relates to the administration of the liquidation of that Department); and
- (g) all sums, other than sums by way of compensation referred to in paragraph (f), which Sri Lanka is required or obliged to pay to that Fund or any member thereof in order to discharge its obligations as a participant in the Special Drawing Rights Department in that Fund.

(2) The Minister, if he thinks fit so to do, may, on behalf of the Government, create and issue to the General Resources Account of the International Monetary Fund, in such form as he thinks fit, any

such non-interest bearing and non-negotiable notes or other obligations as the Fund may, under section 4 of Article III of the Fund Agreement, determine to accept in place of any Sri Lanka currency payable to the Fund under any provisions of the Fund Agreement mentioned in paragraph (a) or paragraph (b) or paragraph (c) of subsection (1) of this section.”.

5. Section 8A of the principal enactment (inserted by Act No. 2 of 1969) is hereby repealed and the following new section substituted therefor:—

Replacement of section 8A of the principal enactment.

“ Special provisions relating to the Central Bank in relation to operations in the Special Drawing Rights Department.

8A. (1) The Central Bank is hereby authorized to acquire, hold and operate on, or dispose of, special drawing rights in the Special Drawing Rights Department in the International Monetary Fund.

(2) The Central Bank is hereby authorized—

(a) to make payments of all sums required for the purpose of paying any charges payable to the International Monetary Fund under section 2 of Article XX of the Fund Agreement in respect of the special drawing rights in the Special Drawing Rights Department in that Fund; and

(b) to receive, and to credit to its own funds, the interest payable by that Fund in respect of such special drawing rights under section 1 of the said Article XX.”.

Insertion of new section 8B in the principal enactment.

6. The following new section is hereby inserted immediately after section 8A, and shall have effect as section 8B, of the principal enactment:—

“ Special provision in relation to the use of the General Resources of the International Monetary Fund.

8B. The Central Bank is hereby authorized to take steps—

- (a) to ensure that the balances of Sri Lanka currency purchased from the International Monetary Fund by a member of the Fund can be exchanged at the time of purchase, by such member, for a freely usable currency selected by Sri Lanka, in accordance with section 3 (e) of the Article V of the Fund Agreement; and
- (b) to ensure that any member of the Fund repurchasing its own currency from the Fund can obtain Sri Lanka currency (if Sri Lanka currency is specified by the Fund for the repurchase) at the time of repurchase in exchange for a freely usable currency selected by Sri Lanka, in accordance with section 7 (j) of Article V of the Fund Agreement.”.

Amendment of section 10 of the principal enactment.

7. Section 10 of the principal enactment (inserted by Act No. 2 of 1969) is hereby amended as follows:—

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

“ “ Central Bank ” means the Central Bank of Ceylon established under section 5 of the Monetary Law Act ’; and

- (b) by the substitution, for the definition of “ Fund Agreement ”, of the following definition:—

“ “ Fund Agreement ” means the Articles of Agreement of the International Monetary Fund as originally adopted and as subsequently amended—

- (a) in order to institute a facility based on special drawing rights (the text of which amendment

was laid before the House of Representatives on November 23, 1968); and

(b) in order to establish a new international monetary system (which amendment was incorporated in the text of the Articles of Agreement of the Fund laid before the National State Assembly on April 4, 1978).'

8. The Monetary Law Act is hereby amended as follows :—

Amendment to Chapter 422.

(1) by the repeal of section 3 of that Act and the substitution therefor of the following new section :—

" The par value of the rupee.

3. (1) The Monetary Board shall, by unanimous decision, recommend to the Minister that the par value of the Sri Lanka rupee be determined in terms of special drawing rights or in terms of such other common denominator as may be prescribed by the International Monetary Fund, and upon such recommendation, the Minister shall, by Order published in the *Gazette*, determine and declare the par value of the Sri Lanka rupee in accordance with the terms specified in such recommendation:

Provided, however, that if the Monetary Board is of the view that international economic conditions do not warrant the introduction or maintenance of exchange arrangements based on stable but adjustable par values, it may, by unanimous decision, recommend to the Minister that no determination be made under the preceding provisions of this section or that any Order made under this section be revoked, and upon any such recommendation, the Minister shall desist from making an Order under this section, or, as the case may be, revoke any Order made under this section.

(2) The Monetary Board may by unanimous decision recommend to the Minister the alteration of the par value of the Sri Lanka rupee, if the Board is of the opinion that such alteration is rendered necessary in any of the following circumstances, that is to say—

(a) if the continuance of the existing par value hinders or is likely to hinder unduly, the achievement and maintenance of a high level of production, employment and real income and the full development of the productive resources of Sri Lanka, or results, or is likely to result, in a serious decline in the International Reserve of the Central Bank or in other utilizable external assets of Sri Lanka or if such decline cannot be prevented except by—

- (i) a large scale increase in the external liabilities of Sri Lanka; or
- (ii) the persistent use of restrictions on the convertibility of the rupee into foreign currencies in settlement of current transactions; or
- (iii) undue or sustained Government assistance to one or more of the major export industries; or
- (iv) prolonged use of measures designed to restrict the volume of imports of essential commodities; or

(b) if the maintenance of the existing par value is producing, or is likely to produce, a persisting surplus in the balance of payments on current account and a

monetary disequilibrium which cannot be adequately corrected by other Government action or by Central Bank action authorized by this Act; or

(c) if uniform proportionate changes in the par values of currencies of its members are made by the International Monetary Fund,

and upon such recommendation, the Minister may, by Order published in the *Gazette*, amend, in accordance with the terms specified in such recommendation, any Order made under subsection (1).

(3) Any Order made under subsection (1) or subsection (2) shall cease to have effect after a period of ten days from the date of publication thereof, unless such Order is approved by the National State Assembly within that period:

Provided however, that if the National State Assembly is not in session on the date of publication of the Order, the Order shall cease to have effect after a period of ten days from the date of the next meeting of the National State Assembly, unless such Order is approved by the National State Assembly within that period.”;

2) In section 5 of that Act—

(1) by the substitution, for paragraph (b) of that section, of the following paragraph :—

“ (b) if there has been a determination of the par value of the Sri Lanka rupee, the preservation of the par value of the Sri Lanka rupee and the free use of the rupee for current international transactions:”;

(2) by the insertion, immediately after paragraph (b) of that section, of the following paragraph:—

“(bb) if there has been no determination of the par value of the Sri Lanka rupee, the preservation of the stability of the exchange rate of the Sri Lanka rupee in relation to foreign currencies;”;

(3) by the repeal of section 65 of that Act, and the substitution of the following new section therefor:—

“ Principles governing determination of international monetary policy.

65. In determining its international monetary policies the Monetary Board shall endeavour to maintain the par value of the Sri Lanka rupee, or where no determination of such par value has been made under section 3, maintain such exchange arrangements as are consistent with the underlying trends in the country and so relate its exchange with other currencies as to assure its free use for current international transactions. ”;

(4) by the repeal of subsection (2) of section 66 of that Act and the substitution therefor of the following new subsection:—

“(2) In judging the adequacy of the International Reserve, the Monetary Board shall be guided by the estimates of prospective receipts and payments of foreign exchange by Sri Lanka ; by the volume and maturity of the Central Bank's own liabilities in foreign currencies; and, in so far as they are known or can be estimated, by the volume and maturity of the foreign exchange assets and liabilities of the Government and of banking institutions and other persons in Sri Lanka. So long as any part of the foreign currency assets of Sri Lanka are held in currencies which are not freely convertible by the Central Bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International Monetary Fund or into foreign

currencies freely usable in international transactions, or are frozen, the Monetary Board shall also take this factor into account in judging the adequacy of the International Reserve of the Central Bank.”;

- (5) in subsection (2) of section 67 of that Act by the substitution, for paragraph (iii) of that subsection, of the following new paragraph:—

“ (iii) either the whole, or such maximum percentage of the whole; of the holdings of such drawing rights in the Special Drawing Rights Department in the International Monetary Fund according as may be determined from time to time by the Monetary Board;”;

- (6) by the repeal of section 69 of that Act;

- (7) in subsection (1) of section 72 of that Act, by the substitution, for the proviso to that subsection, of the following proviso:—

“ Provided that nothing in the preceding provisions of this subsection shall require the Central Bank to purchase foreign exchange in any currency which is not freely convertible by the bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International Monetary Fund or into foreign currencies freely usable in international transactions, unless, in the opinion of the Monetary Board, there is an adequate demand, actual or anticipated, for such currency for the purpose of making payments for current international transactions, or unless the Monetary Board, with the concurrence of the Minister, makes a determination that the acquisition of such currency is in the national interest.”;

- (8) in subsection (3) of section 73 of that Act by the substitution, for paragraph (b) of that subsection, of the following paragraph:—

“ (b) The currency of a country which is not a member of the International Monetary Fund shall have its parity with the rupee calculated on the basis of the

exchange rates for the currency in international markets; and if there is divergence among the rates quoted in international markets the Governor may determine which rates shall be used for the determination of the parity.”;

- (9) by the repeal of subsection (2) of section 74 of that Act and the substitution therefor of the following subsection:—

“(2) The rates determined under subsection (1) for spot transactions shall not differ by more than four and one-half *per centum* from the legal parities determined under section 73, except in the case of the rates for purchases and sales of foreign notes and coins, in which case the Board may have regard to the additional costs of, or incidental to, such transactions.”;

- (10) by the repeal of subsection (1) of section 76 of that Act, and the substitution therefor of the following subsection:—

“(1) The Monetary Board shall determine the minimum rate at which commercial banks may buy spot exchange and the minimum rate at which they may sell spot exchange. Where the Monetary Board has certified the legal parity of a currency in accordance with section 73, the maximum and minimum exchange rates established for such currency shall not differ from such parity by more than four and one-half *per centum*.”; and

- (11) In section 79 of that Act—

- (a) by the repeal of subsection (1) of that section and the substitution therefor of the following new subsection:—

“(1) Any revaluation profits realized or any revaluation losses incurred by banking institutions on their net assets and liabilities in foreign currencies freely convertible by the Central Bank, whether directly or indirectly, into special drawing

rights or such other common denominator prescribed by the International Monetary Fund or into foreign currencies freely usable in foreign transactions and arising from changes in the par value of the Sri Lanka rupee or in the legal parities or in the Central Bank's exchange rates, of such currencies with respect to the Sri Lanka rupee, shall be assumed in their entirety by the Central Bank and shall be debited or credited accordingly." ; and

- (b) by the substitution, for the marginal note to that section, of the following marginal note:—

“ Revaluation profits and losses on holdings of foreign exchange by banking institutions.”