

All Secretaries to Ministries,  
Chairmen of Corporations,  
Statutory Boards and  
Government Owned Companies.

### **Investment of Temporary Surplus Funds of State Institutions**

Several State Institutions which have been either received initial capital or funds by way of Budgetary support seems to have invested their temporary surplus funds mostly in government securities or bank deposits in an ad hoc manner. The necessity to ensure that such funds are managed in a professional and most productive manner while ensuring the flow of income to the Public Enterprises was considered and Hon Minister of Finance and Planning proposed in his Budget speech 2005, the setting up of a Trust under the Trust Ordinance and appointing a Board of Trustees to manage such fund.

In this background and having discussed with the selected state institutions, it has been decided to implement this proposal as follows.

The following will be the Trustees of the Trust:

Deputy Secretary to the Treasury, Chairman  
Chief Accountant, Central Bank, Member  
The Director General of Public Enterprises, Member and Convener

The Trust deed is being executed with the clearance of the Attorney General

The trust fund will come into operation with effect from 01<sup>st</sup> August 2005.

Initially the trust will start with 20 selected institutions and thereafter to be extended to other institutions as well, as determined by the Author.

The Central Bank will be the Custodian Bank for this purpose. Temporary surplus funds of these Institutions would be invested in the Trust Fund and the Bank of Ceylon will function as the Fund Manager on behalf of the Trust. The Fund Manager will maintain the records of the fund and confirm the balances on a monthly basis to the respective institutions. Auditor General will audit the funds in terms of the Constitution.

An account has already been opened at the Central Bank for this purpose and name of the account is "State Institutions Temporary Surplus Trust Fund", account No.4670. The selected Institutions would be requested to deposit their current account surpluses to this Account leaving adequate funds for their day to day operations with immediate effect. Any money held in fixed deposits with Commercial Banks to be transferred to this account on their maturity. Treasury Bills, Treasury Bonds and other Government



Securities or any other investments held elsewhere to be transferred in the name of Trust Fund through endorsement / registration.

The institutions could make their requests for funds as and when they are needed. For purpose a cash forecast on a monthly basis should be submitted in advance. Requests for such releases could be made to reach the Director General Public Enterprises with copies to the Fund Manager one week prior to the requirement.

Income distribution will be based on the rate determined by the Trust once in 6 months based on the income earned for the period, which will not be less than the weighted average Treasury bill rate applicable to the same period.

Further communication will follow once the Trust is created.



P.B. Jayasundera,  
Secretary to the Treasury

- Cc: 1. Auditor General.  
2. Chief Accountant, Central Bank of Sri Lanka.  
3. General Manager, Bank of Ceylon

