



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**BANKING (AMENDMENT)
ACT, No. 15 OF 2006**

[Certified on 31st March, 2006]

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Banking (Amendment) Act, No. 15 of 2006

[Certified on 31st March, 2006]

L.D.—O. 14/2006

AN ACT TO AMEND THE BANKING ACT, NO. 30 OF 1988

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :-

1. This Act may be cited as the Banking (Amendment) Act, No. 15 of 2006. Short title.

2. Section 19 of the Banking Act, No. 30 of 1988 (hereinafter referred to as “the principal enactment”) is hereby amended by the repeal of subsection (3)(a) of that section and the substitution therefor of the following :- Amendment of section 19 of Act, No.30 of 1988.

“(3) (a) The Monetary Board may, vary from time to time the amounts specified as the minimum amounts required to be maintained by a licensed commercial bank as equity capital under subsection (1) of this section, having regard to –

- (i) the deposit liabilities or to the total liabilities including contingent liabilities or to the total assets or to any specified category of assets, of a licensed commercial bank; or
- (ii) the viability and stability of the banking system and the interest of the national economy.”.

3. Section 46 of the principal enactment is hereby amended in subsection (1) thereof by the substitution for clause (c) of subparagraph (ii) of paragraph (d) thereof, the following new clause:- Amendment of section 46 of the principal enactment.

“(c) companies in each of which an individual or company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.”.

Replacement of section 76G of the principal enactment.

4. Section 76G of the principal enactment is hereby repealed and the following section substituted therefor :-

“Equity capital to be maintained by a licensed specialized bank.

76G. (1) Subject to the provisions of subsection (3), every licensed specialized bank shall at all times maintain an equity capital in an amount not less than fifty million rupees or such other amount as the Monetary Board may, with the concurrence of the Minister, from time to time determine, having regard to the viability and stability of the banking system and the interest of the national economy.

(2) For the purpose of this section “equity capital” shall have the same meaning as is assigned to it in subsection (2) of section 19.

(3) (a) The Monetary Board may, vary from time to time the amounts specified as the minimum amounts required to be maintained by a licensed specialized bank as equity capital under subsection (1) of this section, having regard to -

- (i) the deposit liabilities or to the total liabilities including contingent liabilities or to the total assets or to any specified category of assets, of a licensed specialized bank; or
- (ii) the viability and stability of the banking system and the interest of the national economy.

(b) For the purpose of computing the minimum required equity capital, when such amount is prescribed with reference to liabilities or assets both capital and liabilities or assets shall be of such kind and computed in such

manner as the Monetary Board may from time to time determine having regard to the interest of national economy.

(c) The Monetary Board shall, in writing, communicate to all licensed specialized banks any variation made by it in respect of the equity capital required to be maintained by a licensed specialized bank.

(d) Where any licensed specialized bank is required by such variation to augment its equity capital, it shall upon application to the Monetary Board, be afforded a period of twelve months, or such longer period as may be granted by the Monetary Board, in which to comply with that requirement.

(4) In the case of licensed specialized bank incorporated or established in Sri Lanka by or under any written law, the limit of foreign participation in the capital of such bank, shall at no time exceed the limit, established from time to time, by the Monetary Board.

(5) A licensed specialized bank shall not reduce its equity capital without the prior written approval of the Monetary Board.

(6) A licensed specialized bank shall not create any charge upon any unpaid capital of such bank and any such charge created in contravention of these provisions shall be null and void.

(7) (a) Every licensed specialized bank shall at all times maintain a capital adequacy *ratio* as may be determined by the Monetary Board, which shall in determining such *ratio* to be

maintained, as far as practicable adopt the guidelines for capital adequacy set out by Bank for International Settlements in Basle.

(b) Any variation in the capital adequacy ratio referred to in paragraph (a) shall be communicated to every licensed specialized bank by the Monetary Board in writing, provided that every licensed specialized bank which is required by such variation to augment its capital, shall be afforded a period of twelve months or such longer period as may be granted by the Monetary Board, in which to comply with such requirement.

(8) Where the equity capital or capital funds of a licensed specialized bank have become deficient in terms of the provisions of the preceding subsections, the Monetary Board may, grant a reasonable period of time for the rectification of such deficiency.”.

Provisions of section 76G not to be applicable to a Regional Development Bank.

5. Nothing contained in section 76G of the principal enactment shall be construed as being applicable to a Regional Development Bank established under the Regional Development Banks Act, No. 6 of 1997:

Provided however the Monetary Board may from time to time determine the applicable limits of the capital requirements in relation to such Regional Development Banks.

Amendment of section 76J of the principal enactment.

6. Section 76J of the principal enactment as amended by Act, No. 2 of 2005 is hereby further amended in subsection (1) thereof, as follows :—

- (1) by the repeal of sub-paragraph (ii) (b) (hh) of paragraph (q) ; and
- (2) by the insertion immediately after clause (b) of sub-paragraph (ii) of paragraph (q) thereof, of the following :—

“(c) companies in each of which an individual or a company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.”;

7. Any determination, decision or direction made or issued at any time prior to the coming into operation of this Act, under section 19 or section 76G of the principal enactment shall be deemed for all purposes to have been validly made or issued in terms of sections 19 or 76G respectively of the principal enactment as amended by this Act, and any action taken under any such determination, decision or direction shall accordingly be deemed to be valid.

Retrospective effect.

8. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala text to prevail in case of inconsistency.

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