



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

**REGIONAL DEVELOPMENT BANKS
ACT, No. 6 OF 1997**

[Certified on 5th June, 1997]

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Regional Development Banks Act, No. 6 of 1997

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L. D. — O.39/96.

AN ACT TO ENABLE THE MONETARY BOARD OF THE CENTRAL BANK TO ESTABLISH DEVELOPMENT BANKS FOR SPECIFIED REGIONS WITH A VIEW TO DEVELOPING THE ECONOMY OF THE REGION BY PROVIDING, FOR THE DEVELOPMENT OF AGRICULTURE, INDUSTRY, TRADE, COMMERCE AND OTHER DEVELOPMENT ACTIVITIES IN THAT REGION ; TO VEST THE BUSINESS OF REGIONAL RURAL DEVELOPMENT BANKS SITUATED IN SUCH SPECIFIED REGIONS IN THE CORRESPONDING DEVELOPMENT BANKS ; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

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

1. This Act may be cited as the Regional Development Banks Act, No. 6 of 1997. Short title.

PART I

**ESTABLISHMENT OF DEVELOPMENT BANKS FOR SPECIFIED
REGIONS**

2. (1) Where the Minister, on the recommendation of Monetary Board of the Central Bank (hereinafter referred to as “the Monetary Board”) decides that it is necessary that a Development Bank (hereinafter referred to as “the Bank”) be established for a specified region for the purpose of developing the economy of such region by providing for the development of agriculture, industry, trade, commerce and other development activities, within that region, the Monetary Board shall by Order (hereinafter referred to as the “Incorporation Order”) published in the Gazette— Incorporation Order for establishment of a Development Bank for a specified region.

- (a) declare that a Bank be established for the region specified in paragraph (c), for the purpose of developing the economy of that region by providing for the development of agriculture, industry, commerce and other development activities in that region ;

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- (b) assign a corporate name to the Bank ;
- (c) specify the region within which the Bank shall operate ;
- (d) specify the principal place of business of the Bank ; and
- (e) fix a date on which the Bank shall commence business.

(2) The Bank shall, by the name assigned to it by the Incorporation Order, be a body corporate and shall have perpetual succession and a common seal, and may sue and be sued in such name.

Principal place of business, branches and agencies of the Bank.

3. (1) The principal place of business of the Bank, shall be as specified in the Incorporation Order.

(2) The Bank may where the Board of Directors of the Bank considers it necessary so to do, establish its branches and agencies at any place within the region in which it operates as specified in the Incorporation Order.

Object of the Bank.

4. The object of the Bank shall be to provide for the overall economic development of the region within which it operates, with special emphasis on promoting and developing the agriculture, industry, trade, commerce and fisheries activities, and projects of Samurdhi beneficiaries, of that region and development projects undertaken by the Provincial Councils, Pradeshiya Sabhas and any other local authority in that region.

Powers of the Bank.

5. The Bank may, subject to the provisions of this Act, and without prejudice to any powers conferred on it by or under any law, exercise all or any of the following powers :—

- (a) to grant short term, medium term and long term loans and other accommodation to individuals, corporate bodies and groups ;
- (b) to open, maintain and manage, bank accounts, other than current accounts, for its customers ;

- (c) to discount, buy, sell and deal in, bills of exchange, promissory notes, drafts, shares, debentures, certificates, scrips and other instruments and securities ;
- (d) to negotiate loans and advances ;
- (e) to receive securities and valuables for safe custody ;
- (f) to collect and transmit money and securities ;
- (g) to manage property both movable and immovable, and carry on agency businesses which licensed commercial banks are permitted to carry on under the Banking Act , No. 30 of 1988 ;
- (h) to borrow or raise money in such manner as the Bank shall think fit, and to secure the prompt repayment of any money borrowed, raised or owing, by mortgage, charge or lien upon the whole or any part of the property or assets of the Bank, whether present or future, and, also by a similar mortgage, charge or lien to secure and guarantee the performance by the Bank of any obligation or liability it may undertake ;
- (i) to lend and advance money on security of property and give credit to persons, groups of persons, firms or companies on such terms as it may deem expedient, either with or without security ;
- (j) to assist and promote the marketing and processing of agricultural produce or any other products ;
- (k) to carry on the business of a pawn broker ;
- (l) to acquire or purchase any movable or immovable property or agricultural, industrial, fisheries, commercial or other enterprises and to manage, or arrange for the management of, any such property or enterprise, and to sell or otherwise dispose of, such property or enterprise ;
- (m) to undertake rural development projects which are of a small-scale, including pilot projects, in order to achieve the object of the Bank ;

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- (n) to assist in promoting the development of the region within which it operates by providing encouragement to such activities as tree planting as part of ecological improvement, and the improvement of villages and generally, to provide advisory assistance which serves the object of the Bank ;
- (o) to undertake and promote the construction of warehouses, godowns, stores and buildings in the region within which it operates, required for agricultural, industrial, fisheries, trading and commercial activities ;
- (p) to enter into any agreement with any banking institution or co-operative society, subject to guidelines formulated by the Board of Directors of the Bank, for taking over any undertaking or project which is being financed by such banking institution or co-operative society or which is being carried on by such banking institution or co-operative society ;
- (q) to open accounts with the Central Bank, with any licensed commercial bank or any licensed specialised bank or co-operative society or with the approval of the Monetary Board, in any bank or financial institution outside Sri Lanka;
- (r) to lease, let on hire, sell out right, or sell on a rent purchase basis, warehouses, godowns, stores and buildings in the region within which it operates, machinery, equipment and other goods;
- (s) to acquire in any manner whatsoever and hold, take or give on lease or hire, mortgage, pledge, sell or otherwise dispose of, any movable or immovable property;
- (t) to participate in the development of the infrastructure of the region within which it operates;
- (u) to liaise with other institutions engaged in promoting, developing or financing developmental activities in the region within which it operates;

- (v) to provide advisory services, to and undertake skills training of, self employed persons or those engaged in agriculture, industry, commerce and trade ;
- (w) to develop and manage industrial parks for small and medium scale enterprises ;
- (x) to appoint such officers and servants as may be necessary for carrying out the activities of the Bank, to fix the wages, salaries or other remuneration of such officers and servants and determine the terms and conditions of service of such officers and servants ;
- (y) to provide welfare and recreational facilities, and accommodation facilities, to officers and servants employed by the Bank ;
- (z) to enter into and perform all such contracts, whether in or outside Sri Lanka, as may be necessary for the exercise of the powers and the performance of the duties of the Bank ;
- (aa) to make rules in relation to its officers and servants including their appointment, promotion, remuneration, disciplinary control and the grant of leave to them ;
- (bb) to make rules in respect of the administration of the affairs of the Bank ; and
- (cc) to do all such other things which in the opinion of the Board of Directors of the Bank may be necessary to facilitate the proper carrying on of the business of the Bank.

PART II

MANAGEMENT OF THE BANK

6. (1) The management and administration of the affairs and business of the Bank shall vest in a Board of Directors (hereinafter referred to as "the Board").

Board of
Directors.

(2) The Board may exercise, all the powers of the Bank under this Act or any other law, and do all acts and things which it is authorised to do and perform under this Act or such other law as the case may be.

(3) The Board shall in exercising its powers act on sound business principles and have due regard to the economic development of the region within which the Bank operates.

Constitution of
the Board.

7. (1) The Board shall consist of not less than five and not more than twelve nominated and elected directors, nominated or elected as the case may be, under section 8 or 9 of this Act.

(2) Notwithstanding the provisions of subsection (1), until the first Annual General Meeting of the Bank is held, the Board shall consist only of the nominated directors.

Nominated
Directors.

8. (1) The Minister shall nominate as directors of the Board :—

(a) an officer of the Central Bank on the recommendation of the Monetary Board, where the Central Bank holds not less than eight *per centum* of the issued share capital of the Bank :

Provided that the Central Bank shall, until such time as it makes its contribution under subsection (3) of section 18, be deemed to be a shareholder of the Bank holding shares in excess of eight *per centum* of the issued share capital of the Bank, and be entitled to have a director nominated on its behalf in the Board under this paragraph ;

(b) an officer of the Bank of Ceylon on the recommendation of the Board of Directors of such Bank, where the Bank of Ceylon holds not less than eight *per centum* of the issued share capital of the bank;

(c) an officer of the People's Bank on the recommendation of the Board of Directors of such Bank, where the People's Bank holds not less than eight *per centum* of the issued share capital of the Bank;

(d) an officer of the National Savings Bank on the recommendation of the Board of Directors of such Bank, where the National Savings Bank holds not less than eight *per centum* of the issued share capital of the Bank ;

(e) an officer of the Central Bank to represent the Employees Provident Fund, on the recommendation of the Monetary Board, where such Fund holds not less than eight *per centum* of the issued share capital of the Bank ; and

(f) a person who has distinguished himself in the field of business, commerce, agriculture, industry or finance and who has an abiding interest in the development of the region within which the Bank operates.

A person nominated as a director under this subsection, is hereinafter referred to as a “nominated director”.

(2) A nominated director shall hold office for a term of four years:

Provided however, where any institution referred to in subsection (1), ceases to hold the qualifying percentage of shares the director representing such institution shall resign his office and where such director so fails to resign, the Minister shall remove such director from office.

(3) The Minister may without assigning any reason therefor remove a nominated director from office.

(4) A nominated director may resign from his office by a letter in that behalf addressed to the Minister.

(5) Where a nominated director is temporarily unable to perform the duties of his office by reason of ill-health or other infirmity or absence from Sri Lanka, the Minister may in consultation with the Board of Directors of the institution which such director represents or the Monetary Board, as the case may be, nominate another person to act as his alternate at Board meetings and the person so nominated shall have a right to vote at such meetings.

(6) In the event of the vacation of office by death, resignation or removal of a nominated director, otherwise than by resignation or removal under the proviso to subsection (2), the Minister shall nominate in accordance with the provisions of subsection (1) another person to represent the institution which such person vacating office had represented. The person so nominated shall hold office for the unexpired part of the term of office of the nominated director whom he succeeds.

Elected
directors.

9. (1) The elected Directors of the Board shall be elected by the shareholders of the Bank (other than the share holders referred to in subsection (1) of section 8) at every Annual General Meeting of the shareholders of the Bank on the basis of one member for every such eight *per centum* of the total issued share capital of the Bank as is held by such shareholders, so however, that the number of directors so elected shall not exceed the difference between the maximum number of directors of the Board specified under section 7 and the number of directors that may be nominated by the Minister under section 8.

(2) The shareholders of the Bank who are entitled to elect any elected director under subsection (1), may at a meeting of such shareholders convened at the request of one-eighth of the number of shareholders who are entitled to elect the elected directors of the Board under subsection (1), remove an elected director from office and elect another director in his place.

(3) An elected director may resign his office by letter addressed to the Chairman of the Board in that behalf.

(4) Where an elected director is temporarily unable to perform the duties of his office by reason of ill-health or other infirmity or absence from Sri Lanka, such director may with the concurrence of the Board appoint another person to act as his alternate at Board meetings and the person so appointed shall have a right to vote at such meetings.

(5) In the event of the vacation of office by removal, death or resignation of an elected director or in the event of the number of elected directors required to be elected being increased as a result of an increase in the share holdings of the share holders (other than the shareholders referred to in subsection (1) of section 8) the Board may appoint another person to fill such vacancy or appoint a new member to the Board, as the case may be, and the person so appointed shall hold office until the first Annual General Meeting of the Bank to be held after such appointment, at which meeting he shall be eligible for re-election as a director.

(6) At every Annual General Meeting of the shareholders of the Bank, one-third of the elected directors or where the number of elected directors is not three or a multiple of three, then the number nearest to one-third of that number, shall vacate office and other persons elected to, fill such vacancy or vacancies, as the case may be, unless the shareholders (other than the institutions referred to in subsection (1) of section 8) expressly resolve not to fill such vacancy or vacancies or the share holdings of the shareholders (other than the institutions referred to in subsection (1) of section 8), on the day preceding the date of such meeting do not justify the filling of such vacancy.

(7) Notwithstanding the provisions of subsections (1), (5) and (6) of this section, in the event of any of the institutions referred to in subsection (1) of section 8 holding less than the percentage of issued share capital specified in respect of each of those institutions in paragraphs (a), (b) (c), (d) (e) and (f) of that subsection which entitles them to have a nominated director in the Board, such institutions shall be entitled to elect an elected director under subsections (1), (5) or (6) as the case may be together with the shareholders referred to therein.

(8) The elected director or directors who shall retire under subsection (6) shall be the director or directors who have served longest in office as at the date of the Annual General Meeting referred to in that subsection but as between elected directors who have served for periods of equal length at that date, the director who shall retire shall be determined by lot drawn by the Chairman of the meeting.

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(9) A retiring elected director shall be eligible for re-election.

The First Board of Directors.

10. (1) The First Board of Directors to be constituted for the Bank shall consist of nominated directors nominated in the manner specified in section 8 of this Act, and such Board shall continue to function as the Board of Directors of the Bank until such time as the election of elected directors under section 9 at an Annual General Meeting of the shareholders to be held at any time thereafter.

(2) The provisions of section 8 relating to vacation of office by death, resignation or removal and the temporary absence of a nominated member of the Board, shall apply to and in respect of the members of the First Board of Directors.

Chairman of the Board.

11. (1) The Board shall elect one of the directors of the Board as the Chairman of the Board.

(2) If the Chairman is by reason of illness, infirmity or absence from Sri Lanka temporarily unable to perform the duties of his office, the Board shall elect another Director to act in his place.

(3) The Board may, without assigning any reason therefor, terminate the appointment of the Chairman of the Board and such termination shall not be called in question in any court.

(4) The Chairman may resign from his office by letter addressed to the Board.

(5) Subject to the provisions of subsections (2) and (3) the term of office of the Chairman shall be his period of membership of the Board.

Remuneration of Directors.

12. Until the First Annual General Meeting is held under section 10 of this Act, the directors may be paid such remuneration out of the funds of the Bank as may be determined by the Minister. Thereafter the remuneration to be paid to the directors shall be as determined by the shareholders of the Bank at every Annual General Meeting.

13. A director who is directly or indirectly interested in a contract proposed to be made by the Bank shall disclose the nature of his interest at a meeting of the Board. The disclosure shall be recorded in the minutes of such Board, and that director shall not take part in any deliberation or decision of such Board with respect to such contract.

Director to disclose interest in contract proposed to be made by the Bank.

14. (1) The Chairman of the Board shall, if present preside at every meeting of the Board. In the absence of the Chairman from any such meeting, the directors present shall elect one of the directors present, to preside at such meeting.

Meetings of the Board, quorum and regulation of procedure.

(2) The quorum for any meeting of the Board where the total number of directors (both elected and nominated directors) is eight or less than eight, shall be three directors and where the said total number of directors is more than eight shall be five directors.

(3) The person presiding at any meeting of the Board shall, in addition to his own vote, have a casting vote.

(4) Subject to the provisions of subsections (2) and (3) the Board may regulate the procedure in regard to the meetings of the Board and the transaction of business at such meetings.

15. No act or proceeding of the Board shall be invalid by reason only of the existence of any vacancy among the directors, or any defect in the appointment or election of a director.

Acts of the Board not to be invalid by reason of any vacancy.

16. (1) The Board may from time to time delegate to the General-Manager or any other officer or servant of the Bank any of its powers and duties.

Delegation of powers and duties of the Board.

(2) Every person to whom any power or duty is delegated under subsection (1) shall exercise or perform such power or duty delegated to him subject to such terms and conditions as may be specified by the Board and the Board may revoke or withdraw such power or duty so delegated.

Seal of the Bank.

17. (1) The seal of the Bank shall be in the custody of the Chairman or any other officer authorised by him.

(2) The seal of the Bank may be altered in such manner as may be determined by the Board.

(3) The seal of the Bank shall not be affixed to any instrument except in the presence of two directors of the Board or one director of the Board and the General Manager, both of whom shall sign the instrument in token of their presence.

PART III

FINANCE

Authorised capital and contributions to the initial capital.

18. (1) The authorised share capital of the Bank shall be five hundred million rupees divided into fifty million shares of ten rupees each.

(2) Each of the following institutions, namely —

- (a) the Bank of Ceylon ;
- (b) the People's Bank ;
- (c) the National Savings Bank ; and
- (d) the Employees Provident Fund,

shall, not later than two weeks from the date of the publication of the Incorporation Order relating to the establishment of the Bank, make a contribution of such sum of money as may be determined by the Minister, being a sum not exceeding twelve million rupees, to the initial capital of such Bank, and such institution shall by virtue of such contribution, become a shareholder of the bank, and be allotted shares in the Bank in proportion to its contribution.

(3) The Central Bank shall make a contribution to the initial capital of the Bank of such sum of money as may be determined by the Monetary Board with the concurrence of the Minister, having regard to the net worth of the Vesting Bank or Banks after such net worth has been ascertained by the Monetary Board under section 47 of this Act, and—

(a) where the contribution so determined in respect of a Bank is equivalent to or less than the net worth of such Vesting Bank or Banks, the net worth upto the value of the sum so determined, shall be deemed to be the contribution by the Central Bank to the initial capital of such Bank, and the difference between such net worth and the contribution deemed to be made shall be dealt with in manner provided for in section 48 ;

(b) where the contribution so determined in respect of a Bank is more than the net worth of such Vesting Bank or Banks, such net worth shall be deemed to be a part of the contribution of the Central Bank to the initial capital in such Bank, and the Central Bank shall contribute a further sum equivalent to the difference between such net worth and the contribution so determined for that Bank.

(4) By virtue of the contribution made under subsection (3), Central Bank shall become a shareholder of the Bank and be allotted shares in proportion to the contribution made by it.

(5) Notwithstanding the provisions of subsection (3) where a Bank is established under this Act for a specified region in which a Regional Rural Development Bank has not been established, the Central Bank shall contribute to the Capital of such Bank not later than two weeks from the date of establishment of such Bank, a sum determined by the Monetary Board with the concurrence of the Minister, and shall thereby become a shareholder of such Bank and be allotted shares in such Bank in proportion to its contribution.

(6) The shareholders referred to in subsection (2) may in their discretion, contribute further capital or purchase shares in the Bank, in excess of the sum determined by the Minister as contribution to be made by such shareholders to the initial capital of that Bank.

19. (1) The Board may on its own or on the recommendation of the Monetary Board offer such of the shares referred to in subsection (1) of section 18 as have not been allotted under subsection (2) of that section, to any licensed commercial bank, licensed specialised bank or to any other person, at such time or times, in such amount or amounts, and in such manner, as may be determined by the Board.

Bank to offer shares to others.

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(2) Where any licensed commercial bank acquires any shares in the Bank, the provisions of section 17A of the Banking Act, No. 30 of 1988 shall not apply in respect of the acquisition and holding of such shares by such licensed commercial banks.

Transfer of shares by shareholders of the Bank.

20. The shareholders of the Bank including the shareholders who made contributions to the initial capital of the Bank under section 18, shall have the power to transfer their shares to any other person.

Borrowings from the Government.

21. The Bank may, from time to time, borrow from the Government, and the Government may, from time to time, lend to the Bank through the Central Bank from the Consolidated Fund any sum of money approved by Parliament subject to such terms and conditions as may be determined by the Government.

Borrowings from foreign Governments &c.

22. The Bank may, with the written prior approval of the Monetary Board granted in concurrence with the Minister from time to time, borrow from any foreign Government, or any other source whatsoever outside Sri Lanka, any sum of money on such terms and conditions as to the interest thereon, and the repayment thereof, as may be approved by the Monetary Board with the Concurrence of the Minister.

General Reserve Fund.

23. The Bank shall establish a General Reserve Fund and shall credit to such Fund every year such percentage of its annual profits as may be determined by the Board.

Special Reserve Fund.

24. The Bank shall establish a Special Reserve Fund for bad and doubtful debts, and shall credit to such Fund every year, such percentage of its annual profits as may be determined by the Board.

Development Fund.

25. (1) The Bank shall establish and maintain a fund called the "Development Fund" and shall credit to such fund every year, such percentage of its annual profits as may be determined by the Board, and any monies received by the Bank as grants or donations from local and foreign sources.

(2) The monies lying to the credit of the Development Fund may be used—

(a) to grant financial accommodation to, or purchase equity in, high risk enterprises with potential viability in the long term ;

(b) to secure technological and other expertise relevant to the activities of the Bank with a view to making them available to customers of the Bank.

(3) Notwithstanding the provisions of subsection (2) monies consisting of any grant or donation received from any local or foreign source and which is credited to the Fund under subsection (1), shall be utilised only in accordance with such terms and conditions subject to which such grant or donation was made.

(4) Any such monies lying to the credit of the Development Fund as are not immediately required for any of the purposes referred to in subsection (2), may be invested by the Board.

26. The Bank shall utilise for the purpose of payment of dividends to shareholders such percentage of its annual profits as may be determined by the Board.

Payments of dividends.

27. The Bank shall be exempt from the payment of income tax upon the profits and income of the Bank, for a period of two years from the date of commencement of its business.

Exemption of Bank from income tax.

28. (1) Any loan granted by the Bank shall be on security and other terms and conditions as may be determined by the Board.

Security on which loans may be granted by the Bank.

(2) Notwithstanding anything contained in subsection (1), the Board may, in its discretion, grant loans without security in any cases in which the Board, for reasons to be recorded by it in writing, decides that such security is not necessary.

PART IV

STAFF

General
Manager.

29. (1) The Board may appoint a person who has extensive experience in banking or finance and who —

(a) holds a degree from a recognised University; or

(b) has full professional qualifications in accountancy, banking or any other relevant field,

to be the General-Manager of the Bank, on such terms and conditions of service as the Board shall determine.

(2) The General-Manager shall be the chief executive officer of the Bank and shall conduct, manage and administer the affairs of the Bank subject to the general direction, supervision and control of the Board and assist the Bank in achieving the object of the Bank.

Staff of the
Bank.

30. (1) The Board may appoint such other officers and servants as it considers necessary for the efficient discharge of its functions.

(2) The officers and servants appointed under subsection (1) shall be remunerated in such manner and at such rates and shall be subject to such terms and conditions of service as may be determined by the Board.

PART V

AUDIT OF ACCOUNTS OF THE BANK

Financial year
and Annual
General
Meeting.

31. (1) The financial year of the Bank shall be the calendar year.

(2) The Annual General Meeting of the shareholders of the Bank shall be held not later than six months from the end of each financial year.

32. (1) The Board shall cause proper books of accounts to be kept of income and expenditure, the assets and liabilities and of all other financial transactions of the Bank.

Board to keep proper books of accounts and prepare balance sheet and profit and loss account.

(2) Within one month of the expiration of each financial year of the Bank the Board shall prepare in respect of that financial year —

- (a) a balance sheet as at the last working day ;
- (b) a profit and loss account.

33. (1) The shareholders of the Bank shall at each Annual General Meeting of the Bank appoint a qualified auditor as the auditor of the Bank and he shall hold office from the conclusion of that meeting until the conclusion of the next Annual General Meeting :

Appointment of qualified auditor.

Provided that, the First Board of Directors of the Bank referred to in section 10 shall at their first meeting appoint a qualified auditor to hold office as the auditor of the Bank until the holding of the First Annual General Meeting of the shareholders thereafter.

(2) For the purpose of this section “qualified auditor” means a firm of Accountants each of the resident partners of which, being a member of the Institute of Chartered Accountants of Sri Lanka or any other Institute established by law, possesses a certificate to practise as an Accountant issued by the Council of such Institute.

34. (1) The auditor shall inspect the accounts, the finance, the management of the finance of the Bank, and where necessary examine —

Duties and functions of the auditor

- (a) whether the conduct of the financial affairs of the Bank has been done in accordance with the provisions of this Act, and any rules made under the Act relating to the same ;
- (b) whether maintenance of accounts by the Board is satisfactory ; and

(c) whether the accounts audited (including the balance sheet and the profit and loss account prepared by the Board) have been so designed as to present a true and fair view of the affairs of the Bank in respect of the period under consideration, due regard being had on principles of accounting, financing and valuation.

(2) The auditor shall make a report on the accounts examined by him and on the balance sheet and the profit and loss account prepared by the Board.

(3) The report of the auditor shall be laid before the shareholders of the Bank at its Annual General Meeting and shall be open for inspection by any shareholder.

Documents to be transmitted to the Minister to be laid before Parliament.

35. (1) The Board shall on the conclusion of every Annual General Meeting of the Bank, cause a copy each of the following documents which were considered by the shareholders at such Meeting, to be transmitted to the Minister —

- (a) the balance sheet ;
- (b) the profit and loss account ;
- (c) the auditors report ; and
- (d) a report of the Chairman of the Board, giving an account of the performance of the Bank during the financial year in respect of which accounts have been prepared.

(2) The Minister shall where not less than fifty *per centum* of the issued capital of the Bank is owned by Government or any public corporation cause copies of the documents transmitted to him under subsection (1) to be laid before Parliament.

Rules to be made in respect of maintaining accounts.

36. Rules may be made by the Board to provide for matters to be shown in the balance sheet, the profit and loss account, the manner in which books of accounts should be maintained by the Board, remuneration of auditors and all other matters pertaining to the audit of accounts of the Bank.

PART VI

GENERAL

37. The provisions of the following written laws shall not apply to the Bank :—

Certain written laws not to apply to the Bank.

- (a) the Money Lending Ordinance ;
- (b) the Debt Conciliation Ordinance ; and
- (c) the Pawn Brokers Ordinance.

38. The Bank shall be deemed to be an approved credit agency within the meaning of the Mortgage Act (Chapter 89).

The Bank deemed to be an approved credit agency.

39. Notwithstanding anything in the Stamp Duty Act, No. 43 of 1982, any instrument required or authorised to be made or executed by the Bank or any instrument made or executed in connection with the business of the Bank by the Bank, and any instrument made or executed by any other person in favour of the Bank in respect of any security for a loan, shall be exempt from the payment of duty under that Act.

Exemption from stamp duty.

40. Every Director, officer or other employee of the Bank shall be indemnified by the Bank against all losses and expenses incurred by him or in relation to the discharge of his duties, except such as are caused by his wilful act or default.

Indemnity of directors &c.

41. (1) Every Director, auditor, officer or servant or agent or other person employed in the business of the Bank, shall before entering upon his duties sign a declaration pledging himself to observe strict secrecy, respecting all transactions of the Bank, its customers, the state of accounts with any person or institution and all matters relating thereto, and shall by such declaration pledge himself not to reveal any other matters which may come to his knowledge in the discharge of his duties except—

Declaration of secrecy.

(a) when required so to do. —

- (i) by the Board;
- (ii) by a court of law;
- (iii) by the person to whom such matters relate; or
- (iv) by the Monetary Board;

- (b) in the performance of his duties; or
- (c) in order to comply with any of the provisions of this Act or any other law.

(2) Every Director, auditor, officer or servant, agent, or other person employed in the business of the Bank shall decline to answer any question concerning the business of the Bank if he cannot answer the question without infringing his pledge of secrecy under subsection (1).

(3) Every Director, auditor, officer or servant, agent or other person employed in the business of the Bank who reveals any information in contravention of a declaration signed by him under subsection (1) shall be guilty of an offence under this Act and shall on conviction after summary trial before a Magistrate, be liable to a fine not exceeding two thousand rupees, notwithstanding that such fine exceeds the amount of fine a Magistrate may impose in the exercise of his ordinary jurisdiction.

Rules.

42. The Board may make rules in respect of all or any matters for which rules are required or authorised to be made under this Act or any other matter necessary to enable the Bank to effectively carry out and perform its powers and duties under this Act.

43. The Bank shall be—

- (a) a “lending institution” within the meaning of and for the purposes of the Debt Recovery (Special Provisions) Act, No. 2 of 1990 and the Credit Information Bureau of Sri Lanka Act, No.18 of 1990 ;
- (b) a “bank” within the meaning of and for the purposes of the Recovery of Loans by Banks (Special Provisions) Act, No.4 of 1990 ;
- (c) a “licensed specialised bank” within the meaning of and for the purposes of the Banking Act, No.30 of 1988 and shall be issued with a licence in accordance with the provisions of that Act to carry on business at the place specified in the Incorporation Order and shall be subject to all such directions that may be issued by the Monetary Board under that Act in respect of licensed specialised banks ;

Bank to be a
“lending
institution”
“Bank” and
“licensed
specialised
Bank”.

any or all Regional Rural Development Banks (in this Act referred to as “Vesting Bank or Banks”) being businesses which it or they are authorized to carry on under the Regional Rural Development Banks Act, No. 15 of 1985 and which is or are operating within the specified region for which such acquiring bank has been established.

(2) For the purpose of subsection (1), the “business carried on by any or all Vesting Bank or Banks”, includes—

- (a) all immovable and movable property owned by the Vesting Bank or Banks on, the day preceding to the date of the Vesting Order (including cash balances, reserve funds, investments and deposits) ;
- (b) all rights, powers, privileges, authorities and interests arising in, or out of, any property, movable or immovable owned by the Vesting Bank or Banks and any leasehold rights in any immovable property enjoyed by such Vesting Bank or Banks on the day preceding the date of the Vesting Order ;
- (c) all the liabilities of the Vesting Bank or Banks and subsisting on the day preceding the date of the Vesting Order ; and
- (d) all books, accounts and documents relating or appertaining, to the business of such Vesting Bank or Banks.

Effect of a Vesting Order.

46. With effect from the date of vesting the business of any or all Vesting Bank or Banks as the case may be in the acquiring bank—

- (a) the acquiring bank shall have control and possession of the vested business of the Vesting Bank, or Banks and become the transferee of the vested business of such Vesting Bank or Banks; and

- (b) the Incorporation Order or Orders as the case may be made under the Regional Rural Developments Banks Act, No.15 of 1985 by which such vesting Bank or Banks were established, shall be deemed to have been revoked.

47. (1) For the purpose of ascertaining the net worth of the business of any Vesting Bank or Banks on the day immediately preceding the date of vesting, the Monetary Board shall cause an audit of such vested business to be conducted by a qualified auditor.

Audit of accounts and valuation of vested business.

(2) The auditor appointed under subsection (1) shall submit a report to the Monetary Board within such period as may be specified by that Board and the Monetary Board shall consider the report and if necessary before accepting such report, require the auditor to furnish any further information or explanations as it may consider necessary.

48. (1) Where the net worth of the Vesting Bank or Banks is in excess of the contribution made by the Central Bank to the initial capital of a Bank under paragraph (a) of subsection (3) of section 18, such Bank shall within two weeks of the net worth of the Vesting Bank or Banks being accepted by the Monetary Board under section 47 issue to the Monetary Board, debentures to the value of such excess, earning interest at a rate of twelve *per centum per annum*.

Debentures to be issued to the Monetary Board to the value of excess net worth.

(2) The Monetary Board shall be entitled to transfer to any other person debentures issued to the Monetary Board under subsection (1), and the transferee of such debentures shall have the same rights as the Monetary Board in respect of such debentures.

(3) It shall be the duty of the acquiring bank to redeem any debentures issued under subsection (1) on the expiry of ten years from the date on which such debentures were issued.

(4) The Central Bank may at any time acquire at par value shares equivalent in value to the value of the debentures issued to the Monetary Board under subsection (1), or any part thereof and where the Central Bank decides to do so the Board shall allot to it shares in the Bank in proportion to that value.

Saving
provision.

49. With effect from the date of vesting —
- (a) all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature pertaining, or relating to the vested business of the Vesting Bank or Banks and subsisting, or having effect on the day immediately preceding the date of vesting and to which the Vesting Bank or Banks is or are party or which is or are in favour of the Vesting Bank or Banks shall be deemed with effect from the date of vesting to be contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation or other instruments entered in to or granted, as the case may be, by the acquiring bank ;
 - (b) all actions and proceedings of whatever nature instituted by or against the Vesting Bank or Banks pertaining or relating to the vested business of such Bank or Banks and pending on the day immediately preceding the date of vesting shall be deemed with effect from the date of vesting to be actions and proceedings instituted by or against the acquiring bank and may be continued or prosecuted accordingly ;
 - (c) all such officers and servants of the Vesting Bank or Banks and were holding a permanent post in such Vesting Bank or Banks on the day immediately preceding the date of vesting shall be offered employment with the acquiring bank, and —
 - (i) where such offer is accepted, such officers and servants shall be employed therein on such terms and conditions of employment as the acquiring bank considers reasonable having regard to the qualifications and experience of such officers and servants ; and
 - (ii) where such offer is not accepted, such officers and servants shall be entitled to the payment of compensation as determined under section 50.

50. Where any officer or servant of the Vesting Bank or Banks is or are entitled to be paid compensation, the acquiring bank shall determine the amount of compensation that shall be paid in consultation with the Commissioner of Labour and such determination shall be deemed not to affect any rights such officer or servant may have under any other written law.

Payment of compensation.

51. 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.

52. In this Act, unless the context otherwise requires—

Interpretation.

“accommodation” means any loan, overdraft, advance or any commitment to grant any loan, overdraft, or advance including a commitment to accept a contingent liability ;

“Bank of Ceylon” means the Bank of Ceylon established by the Bank of Ceylon Ordinance (Chapter 397) ;

“banking Institution” means a bank registered under the Banking Act, No. 30 of 1988 ;

“Central Bank” means the Central Bank of Sri Lanka established by the Monetary Law Act (Chapter 422) ;

“Co-operative Society” means a society registered or deemed to be registered under the Co-operative Societies Law, No. 5 of 1972 ;

“Employees Provident Fund” means the Employees Provident Fund established under the Employees Provident Fund Act, No. 15 of 1958 ;

“enterprise” means any body of persons, whether corporate or unincorporate, by whatsoever name or designation called, and includes a corporation sole or a sole proprietorship ;

“licensed commercial bank” means a commercial bank licensed or deemed to be licensed as a licensed commercial bank under the Banking Act, No. 30 of 1988 ;

“licensed specialised bank” means a company or institution licensed or deemed to be licensed as a licensed specialized bank under the Banking Act, No. 30 of 1988 ;

“Monetary Board” means the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act (Chapter 422) ;

“National Savings Bank” means the National Savings Bank established by the National Savings Bank Act, No. 30 of 1971 ;

“Net worth of the Vested Bank or Banks” means the value of the assets of the Vesting Bank or Banks vested in the acquiring bank by virtue of an order made under section 45 (excluding unrecoverable assets as determined by the auditor nominated under section 47) less the value of the liabilities of the Vesting Bank or Banks vested in the acquiring bank, by virtue of such Order;

“People’s Bank” means the People’s Bank established by the People’s Bank Act, No. 29 of 1961 ;

“Regional Rural Development Bank or Banks” means a bank or banks established under the Regional Rural Development Banks Act, No. 15 of 1985 ;

“region” means one or more of the administrative districts specified in Administrative Districts Act (Chapter 392) ;

“small scale” in relation to a rural development project means a project of which the value of the fixed assets is less than four million rupees; and

“Vested business ” in relation to a Vesting Bank or Banks means the business of the Bank or Banks which is or are vested in such acquiring bank by an Order under section 45.

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