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Disclaimer

Every effort has been made to ensure the accuracy of the text. The Central Bank of Sri Lanka does not hold itself responsible for any errors, omissions or inadvertent alterations in any manner.
PREFACE

The Monetary Law Act (Chapter 422) established the Central Bank of Sri Lanka (CBSL) as the authority responsible for the administration, supervision and regulation of the monetary, financial and payment system of Sri Lanka. By the same Act, CBSL has been charged with the objectives of economic and price stability and financial system stability, with a view to encouraging and promoting the development of the productive resources of Sri Lanka.

In order to ensure financial system stability and to maintain efficient and prudent standards in the leasing sector, the Finance Leasing Act, No. 56 of 2000 empowers the Director, Dept. of Supervision of Non-Bank Financial Institutions to issue directions to Registered Finance Leasing Establishments. All directions currently applicable to Specialised Leasing Companies (SLCs) that are Registered Finance Leasing Establishments other than the licensed banks within the meaning of the Banking Act, No. 30 of 1988 and licensed finance companies within the meaning of the Finance Business Act, No. 42 of 2011, are presented in this book for the convenience of SLCs, their auditors and other stakeholders.
FINANCE LEASING (REGISTRATION AND ANNUAL LICENSE FEES) REGULATIONS NO. 1 OF 2010

1. These Regulations may be cited as the Finance Leasing (Registration and Annual Licence Fees) Regulations, No. 1 of 2010 and shall come into operation with immediate effect.

2. For the purpose of section 3 (C) of Finance Leasing Act, No. 56 of 2000 (the Act), the minimum issued and paid-up capital of a public company applying for licence under the Act shall be as follows.

<table>
<thead>
<tr>
<th>Minimum issued and paid up capital (Rs. Mn.)</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>From 01/01/ 2011</td>
</tr>
<tr>
<td>150</td>
<td>From 01/01/ 2012</td>
</tr>
<tr>
<td>200</td>
<td>From 01/01/ 2013</td>
</tr>
<tr>
<td>250</td>
<td>From 01/01/ 2014</td>
</tr>
<tr>
<td>300</td>
<td>From 01/01/ 2015</td>
</tr>
</tbody>
</table>

Provided however, issued ordinary shares and issued non-cumulative, non redeemable preference shares shall be considered as paid up only if they are issued for cash consideration.

3. For the purpose of section 4(1)(e) of the Act, the application fee for registration shall be –

(a) Rs.25,000/- for a licensed commercial bank, licensed specialized bank or a finance company;

(b) Rs.50,000/- for any other public company.

4. The registration fee applicable for obtaining registration under section 3 of the Act is Rs.250,000/- (for the calendar year of registration) which shall be paid to the Central Bank of Sri Lanka on or before the date of registration.

5. For the purpose of section 6 of the Act, every finance leasing establishment registered under the Section 3 of the Act shall pay an annual licence fee within two months of the end of the preceding calendar year, to the Central Bank of Sri Lanka as set out below based on the total assets as shown in the audited balance sheet as at end of the preceding financial year.

<table>
<thead>
<tr>
<th>Total Assets of the Establishment</th>
<th>Annual Licence Fee (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs.1 billion or below</td>
<td>150,000/-</td>
</tr>
<tr>
<td>above Rs.1 billion but less or equal to Rs.10 billion</td>
<td>250,000/-</td>
</tr>
<tr>
<td>over Rs.10 billion</td>
<td>500,000/-</td>
</tr>
</tbody>
</table>

6. Finance Leasing (Fee) Regulation No.1 of 2001 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (RESERVE FUND)
DIRECTION NO. 5 OF 2006

1. This Direction may be cited as Finance Leasing (Reserve Fund) Direction No.5 of 2006 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with immediate effect.

2. A registered finance leasing establishment to which this Direction is applicable (hereinafter referred to as a “relevant establishment”) shall maintain a reserve fund (hereinafter referred to as the “the Reserve Fund”) and shall, out of the net profits after the payment of tax of each year, before any dividend is declared, transfer to the Reserve Fund–

   (i) a sum equivalent to not less than 5 per cent of such profits until the amount of the Reserve Fund is equal to 50 per cent of the issued and paid-up ordinary share capital of the relevant establishment;
   and

   (ii) a further sum equivalent to not less than 2 per cent of such profits until the amount of the Reserve Fund is equal to the issued and paid-up ordinary share capital of the relevant establishment.

3. Relevant establishments that have reserves and retained profits which are not earmarked for any specified purposes by statute or by the Sri Lanka Accounting Standards, may transfer such reserves to the Reserve Fund. If the amount so transferred satisfies the conditions under 2(i) and 2(ii) above, such establishment need not transfer any amount to the Reserve Fund thereafter. However, in the event the amount so transferred does not satisfy the conditions under 2(i) and 2(ii) above, such relevant establishment shall continue to make transfers out of the net profits each year after the payment of tax, before any dividend is declared, to the Reserve Fund as required under 2(i) and 2(ii) above.

4. The Reserve Fund of a relevant establishment shall not be reduced or impaired. Provided, however, that the Director may, specify circumstances in which the Reserve Fund may be reduced, and shall permit a reduction when a transfer is made for the purpose of increasing the issued and paid-up ordinary share capital. The Director shall permit an impairment of the Reserve Fund when it is the only means of preventing an impairment of issued and paid-up ordinary share capital, subject to the condition that within a given period of time, the deficiency shall be rectified.

5. For the purpose of this Direction, “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

6. Finance Leasing (Reserve Fund) Direction No.6 of 2005 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
1. This Direction may be cited as the Finance Leasing (Capital Adequacy Ratio) Direction No. 1 of 2011 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as ‘specialised leasing companies’).

2. (i) Every specialised leasing company shall at all times maintain a capital adequacy ratio of not less than 10 per cent in relation to its total risk weighted assets with core capital ratio constituting not less than 5 per cent in relation to its total risk weighted assets.

(ii) The capital adequacy ratios referred to in section 2(i) above shall be computed as per guidelines given in Schedule I hereto.

3. Specialised leasing companies shall use the format at Schedule II attached hereto for reporting of capital adequacy ratios on a periodic basis as specified in Schedule I.

4. Where a specialised leasing company has failed to comply with this Direction, such specialised leasing company shall not pay dividends until such compliance is effected and confirmed to the Director.

5. This Direction shall come into force with effect from 01.07.2011.

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**GUIDELINES ON COMPUTATION OF CAPITAL ADEQUACY RATIO**

1. **Minimum Capital Ratio**
   All specialised leasing companies shall at all times maintain the capital adequacy ratios determined by the Director.

2. **Reporting Format**
   2.1 The attached reporting format (Schedule II) collects information on the capital adequacy position of specialised leasing companies. The returns comprise of 3 major parts and shall be submitted through the web – based.

   2.1.1 Part I - NBL-MF-20-RWCA 1 (Computation of capital adequacy ratios)
   2.1.2 Part II - NBL-MF-20-RWCA 2 (Computation of total capital base)
   2.1.3 Part III - NBL-MF-20-RWCA 3 (Computation of total risk weighted assets)
3. Submission dates

3.1 A return as at end of each month within fifteen days after the end of each month.
3.2 A return as at end of each financial year within six months after the end of each financial year.

4. Computation of Capital Adequacy Ratio (Part I)

4.1 Eligible Core Capital (Eligible Tier I)
(WBRC 20.1.1.0.0.0)
The amount must agree with item 6 of the Part II computation of total capital base below.

4.2 Capital Base
(WBRC 20.1.2.0.0.0.0)
The amount must agree with item 13 of the Part II computation of total capital base below.

4.3 Total Risk Weighted Amount
(WBRC 20.1.3.0.0.0.0)
The risk-weighted assets are determined by adding the risk to the various categories of the assets. The amount must agree with item 23 of the Part III computation of total risk weighted assets below.

4.4 Core Capital (Tier I) Ratio, %
(WBRC 20.1.4.0.0.0.0)
Eligible core capital (item 1 of Part I) divided by Total risk weighted amount (item 3 of Part I)

4.5 Total Capital Ratio, %
(WBRC 20.1.5.0.0.0.0)
The total capital base (item 2 of part I) divided by Total risk weighted amount (item 3 of Part I)

5. Computation of Total Capital Base (Part II)

6. Eligible Core Capital (Eligible Tier I)
(WBRC 20.2.1.1.0.0)
The Eligible Core Capital shall be the total core capital less total amount of deductions/adjustments to core capital. The amount must agree with the item 7 less from item 8 of the Part II below.

7. Core Capital (Tier I)
(WBRC 20.2.1.1.1.0)
Core capital shall mean the definition given by the Finance Leasing (Minimum Core Capital) Direction No 1 of 2010. The amount must agree with the sum of items 7.1 to 7.8 of the Part II computation of total capital base below.

7.1 Issued and Paid –up Ordinary Shares or Common Stocks
(WBRC 20.2.1.1.1.1)
Issued and fully paid ordinary shares or common stock. For the computation, only the paid up portion of partly paid shares or stock should be taken as capital. Any shares issued against reserves, surpluses, retained profits which are not eligible to be included.

7.2 Non-Cumulative, Non-Re redeemable Preference Shares
(WBRC 20.2.1.1.1.2)
Issued and fully paid non-cumulative, non-redeemable preference shares where the payment of dividends could be reduced or waived off permanently in the event of profitability being inadequate to support such payment in part or full.

7.3 The Excess of Issue Price over the Par Value of the Ordinary Shares
(WBRC 20.2.1.1.1.3)
The excess of issue price over the par value of the ordinary shares, common stock or non-cumulative, non-redeemable preference shares, if applicable.

7.4 Statutory Reserve Fund
(WBRC 20.2.1.1.1.4)
Balance as per last audited statement of accounts in the Reserve Fund set up by leasing companies in terms of the Finance Leasing (Reserve Fund) Direction No.5 of 2006.
7.5 General or other Free Reserves
(WBRC 20.2.1.1.1.5)
Disclosed reserves in the form of general or other free reserves created or increased by appropriation of retained earnings, share premium or other realised surpluses as per last audited statement of accounts.

7.6 Published Retained Profits/Accumulated Losses
(WBRC 20.2.1.1.1.6)
Balance in the profit and loss account brought forward from the previous financial years and as reported in the last audited statement of accounts. Accumulated losses should be reported in parentheses and deducted from the other capital constituents. Retained profits arising from the revaluation of investment property should not be included.

7.7 Surplus/loss after tax, arising from the sale of Fixed and Long Term Investments
(WBRC 20.2.1.1.1.7)
Any surplus/loss after tax, arising from the sale of fixed and long term investments since the closing date of the last audited accounts. Net loss arising from the sale of fixed and long term investments should be reported in parentheses and deducted from the other capital constituents.

7.8 Unpublished Current Year’s Profits/Losses
(WBRC 20.2.1.1.1.8)
Current year’s profits/losses (excluding any surplus/loss after tax, arising from the sale of fixed and long term investments) earned/incurred since the closing date of the last audited accounts and subject to certification by the specialised leasing company’s external auditor.

8. Deductions/Adjustments- Tier I
(WBRC 20.2.1.1.2.0)
The amount must agree with the sum of item 8.1 to 8.6 of Part II computation of total capital base below

8.1 Good will
(WBRC 20.2.1.1.2.1)
Report the amount of goodwill as shown in the balance sheet.

8.2 Net deferred tax
(WBRC 20.2.1.1.2.2)
Net debit balance of deferred tax

8.3 Other Intangible Assets
(WBRC 20.2.1.1.2.3)
Intangible assets and losses in the current period and those brought forward from previous period should be deducted from core capital.

8.4 Advances granted to employees of the specialised leasing company for the purchase of shares of the specialised leasing company under a share ownership plan (WBRC 20.2.1.1.2.4)

8.5 50% of Investments in Banking and Financial Subsidiary Companies (WBRC 20.2.1.1.2.5)
50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in banking and financial subsidiary companies

8.6 50% of Investments in the capital of other Banking and Financial Institutions
(WBRC 20.2.1.1.2.6)
50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in other banking and financial institutions

9. Supplementary Capital (Tier II)
(WBRC 20.2.1.2.1.0)
The amount must agree to sum of following items from 9.1 to 9.4 of Part II computation of total capital base below.
(WBRC 11.2.1.2.1.1 to 11.2.1.2.1.5)

9.1 Revaluation Reserves (approved by the Director)
(WBRC 20.2.1.2.1.1)
Revaluation surpluses/reserves, any shares issued against revaluation surpluses/reserves and retained profits/revaluation surpluses arising from the revaluation of investment property and shares issued against such profits/
surpluses may be included in Tier 2 (Supplementary) Capital provided that such revaluation is prudently done reflecting fully the possibility of price fluctuations and forced sale, with prior approval from the Director. Shares issued against goodwill, promoters role and other similar non-cash considerations should not be included in Tier 2 (Supplementary) Capital.

9.2 General Provisions  
(WBRC 20.2.1.2.1.2)

General provisions or general loan loss reserves created against the possibility of future losses. Where they are not ascribed to a particular asset and do not reflect deduction in the valuation of a particular asset, they qualify for inclusion in Tier II (Supplementary) Capital. General provisions should not exceed 1.25 per cent of the sum of all risk weighted assets.

9.3 Hybrid Capital Instruments (Debt/Equity)  
(WBRC 20.2.1.2.1.3)

Capital instruments having certain characteristics of both equity capital and debt. e.g.: perpetual loan stock, non-redeemable preference shares, etc. which satisfy the following characteristics:

(i) Prior written approval of the Director has been obtained for inclusion of such item in the capital
(ii) Unsecured, subordinated and fully paid.
(iii) Not redeemable at the initiative of the holder in less than five years or without the prior consent of Director.
(iv) Available to participate in losses without the company being obliged to cease trading.
(v) Obligation to pay interest that can be deferred where the profitability of the company would not support such payment. Prior approval of Director is required for the inclusion of such items in the capital base.

9.4 Approved Subordinated Term Debt 
(WBRC 20.2.1.2.1.4)

Subordinated term debt that satisfies following conditions:

(i) Prior written approval of the Director has been obtained for inclusion as Tier II capital.
(ii) Unsecured, fully paid up and subordinated to the interests of all creditors other than holders of unsecured subordinated term debt instruments and hybrid (debt/equity) capital instruments.
(iii) A minimum original maturity of an instrument to be 5 years.
(iv) No early repayment or redemption to be made without the prior consent of Director.
(v) Discounting of the amount counted as capital by 1/5th each year during the four years preceding maturity; and
(vi) The total approved subordinated term debt should not exceed 50 per cent of total Tier I capital.

Report total actual amount of approved subordinated term debts.

10. Deductions/Adjustments – Tier II  
(WBRC 20.2.1.2.0.0)

10.1 50% of Investments in Banking and Financial Subsidiary Companies  
(WBRC 15.2.1.2.2.1)

50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in banking and financial subsidiary companies.

10.2 50% of Investments in the capital of other Banking and Financial Institutions  
(WBRC 20.2.1.2.2.2)

50 per cent of investments in capital by way of shares, hybrid capital instruments or subordinated term debt in other banking and financial institutions.

11. Total Supplementary Capital (Tier II) 

The amount must agree to Supplementary Capital (Tier II) (9) less Tier II Deductions (10)  
(WBRC 20.2.1.2.0.0)
12. Eligible Supplementary Capital (Tier II)  
(WBRC 20.2.1.3.0.0)  
Eligible Tier 2 capital is limited to a maximum of 100 per cent of Tier 1 capital. In the event of Tier 1 capital being less than the total of Tier 2 capital, eligible Tier 2 capital would be equivalent to Tier 1 capital. If Tier 1 capital is negative a “Nil” amount should be reported as eligible Tier 2 capital.

13. Capital Base  
(WBRC 20.2.1.4.0.0)  
The amount must agree with the sum of items of eligible core capital (6) and eligible supplementary capital (12).  
An indicative list of institutions which may be deemed to be banking and financial subsidiaries/ institutions for the purpose of items 8.5, 8.6, 10.1 and 10.2
   i. Licence Commercial Banks and Licence Specialised Banks  
   ii. Registered Finance Companies  
   iii. Specialised Leasing Companies  
   iv. Insurance Companies  
   v. Merchant Banks  
   vi. Primary Dealers

Part III Computation of Total Risk Weighted Assets

14. Cash in Hand and Bank Balances  
(WBRC 20.3.1.1.0.0)  
Cash in Hand which are notes and coins are the legal tender in Sri Lanka and the credit balances in bank’s current accounts [licensed commercial banks (LCBs) and licensed specialised banks (LSBs)].

15. Cash/Savings/Fixed Deposits with Other Institutions (WBRC 20.3.1.2.0.0)  
15.01 Deposits with banks (WBRC 20.3.1.2.1.0)  
Deposits maintained with LCBs and LSBs.  
15.02 Deposits with Finance Companies (WBRC 20.3.1.2.2.0)  
Deposits maintained with Finance Companies.  
Note: A 100 per cent risk weight should be assigned to the deposits with any financial institution whose business activities have been suspended by the Central Bank of Sri Lanka (CBSL).

16. Central Bank and Government Securities  
(WBRC 20.3.1.3.0.0)  
Holdings of any securities in Central Bank and Sri Lankan Government eg.: Treasury bills, Treasury bonds, Rupee loans etc. and Central Bank securities.

17. Investments in Promissory Notes/Commercial Papers with any other Institutions  
(WBRC 20.3.1.4.0.0)  
Any amount investing in commercial paper and promissory notes with other institutions

18. Investments in Shares  
(WBRC 20.3.2.0.0.0)  
Investments in equity or other capital instruments in quoted or unquoted companies as reported in the balance sheet.

19. Accommodations  
(WBRC 20.3.3.0.0.0)  
19.01 Finance Lease  
(WBRC 20.3.3.1.0.0)  
Total outstanding finance leases net of with bad and doubtful accommodation and interest in suspense as reported in the balance sheet.
19.02  Hire Purchase  
(WBRC 20.3.3.2.0.0)  
Total outstanding hire purchase net of with bad and doubtful accommodation and interest in suspense as reported in the balance sheet.

19.03  Term Loan  
(WBRC 15.3.3.3.0.0)  
Total loans net of with bad and doubtful accommodation as reported in the balance sheet.

19.04  Factoring  
(WBRC 20.3.3.4.0.0)  
Total outstanding factoring value net of with bad and doubtful accommodation as reported in the balance sheet.

19.05  Inter Company Credit  
(WBRC 20.3.3.5.0.0)  
The outstanding inter company receivable balance as reported in the balance sheet.

19.06  Other Accommodations  
(WBRC 20.3.3.6.0.0)  
All other outstanding accommodation other than the above reported in item 22.01 to 22.05 net of with bad and doubtful accommodation as reported in the balance sheet.

20.  Fixed Assets  
(WBRC 20.3.4.0.0.0)  
Immovable property, machinery and equipment, motor vehicles, furniture and fittings and other fixed assets, reported at cost or at revalued amount, net of accumulated depreciation.

21.  Other Assets  
(WBRC 20.3.5.0.0.0)  
All other assets or investments not included elsewhere in the Return.

22.  Off- Balance Sheet Items  
(WBRC 20.3.6.0.0.0)  
All other off-balance sheet assets.

23.  Total Risk Weighted Assets  
(WBRC 20.3.7.0.0.0)  
The total risk weighted assets of on-balance sheet items and off-balance sheet items which is the total shown in column 3 of Part III.

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**Schedule II**  

**Part I**  

NBL-MF-20-RWCA 1 (Computation of Capital Adequacy Ratio)

AS AT ……………………………..  
(Rs.’000)

<table>
<thead>
<tr>
<th>Code</th>
<th>Web – Based Return Code</th>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20.1.1.0.0.0</td>
<td>Eligible Core Capital (Eligible Tier I) = Part II</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>20.1.2.0.0.0</td>
<td>Capital Base Part II</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>20.1.3.0.0.0</td>
<td>Total Risk Weighted Amount Part III</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>20.1.4.0.0.0</td>
<td>Core Capital (Tier I) Ratio % = (1/3*100) = 5%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>20.1.5.0.0.0</td>
<td>Total Capital Ratio % = (2/3*100) = 10%</td>
<td></td>
</tr>
</tbody>
</table>
### NBL-MF-20-RWCA 2 (Computation of Total Capital Base)

**AS AT …………………………….. (Rs.’000)**

<table>
<thead>
<tr>
<th>Code</th>
<th>Web-Based Return Code</th>
<th>Constituents of Capital</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>20.2.1.1.0.0</td>
<td>Eligible Core Capital (Eligible Tier I) (item 7 - item 8)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>20.2.1.1.1.0</td>
<td>Core Capital (Tier I) (sum of item 7.1 to item 7.8)</td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>20.2.1.1.1.1</td>
<td>Issued and Paid-up Ordinary Shares / Common Stock</td>
<td></td>
</tr>
<tr>
<td>7.2</td>
<td>20.2.1.1.1.2</td>
<td>Non-cumulative, Non-redeemable Preference Shares</td>
<td></td>
</tr>
<tr>
<td>7.3</td>
<td>20.2.1.1.1.3</td>
<td>The excess of issue price over the par value of the Ordinary / Preference Shares</td>
<td></td>
</tr>
<tr>
<td>7.4</td>
<td>20.2.1.1.1.4</td>
<td>Statutory Reserve Fund</td>
<td></td>
</tr>
<tr>
<td>7.5</td>
<td>20.2.1.1.1.5</td>
<td>General and Other free Reserves</td>
<td></td>
</tr>
<tr>
<td>7.6</td>
<td>20.2.1.1.1.6</td>
<td>Published Retained Profits / (Accumulated Losses)</td>
<td></td>
</tr>
<tr>
<td>7.7</td>
<td>20.2.1.1.1.7</td>
<td>Surplus/Loss after tax arising from the sale of fixed and long-term investments</td>
<td></td>
</tr>
<tr>
<td>7.8</td>
<td>20.2.1.1.1.8</td>
<td>Unpublished Current Year’s Profits / (Losses)</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>20.2.1.1.2.0</td>
<td>Deductions / Adjustments – Tier I (sum of item 8.1 to item 8.6)</td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>20.2.1.1.2.1</td>
<td>Goodwill</td>
<td></td>
</tr>
<tr>
<td>8.2</td>
<td>20.2.1.1.2.2</td>
<td>Net Deferred Tax</td>
<td></td>
</tr>
<tr>
<td>8.3</td>
<td>20.2.1.1.2.3</td>
<td>Other Intangible Assets</td>
<td></td>
</tr>
<tr>
<td>8.4</td>
<td>20.2.1.1.2.4</td>
<td>Advances granted to employees of the specialised leasing company for the purchase of shares of the specialised leasing company under a share ownership plan</td>
<td></td>
</tr>
<tr>
<td>8.5</td>
<td>20.2.1.1.2.5</td>
<td>50% of Investments in Banking and Financial Subsidiary Companies</td>
<td></td>
</tr>
<tr>
<td>8.6</td>
<td>20.2.1.1.2.6</td>
<td>50% of Investments in the capital of other Banking and Financial Institutions</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>20.2.1.2.1.0</td>
<td>Supplementary Capital (Tier II) (sum of item 9.1 to item 9.4)</td>
<td></td>
</tr>
<tr>
<td>9.1</td>
<td>20.2.1.2.1.1</td>
<td>Revaluation Reserves (approved by the Director)</td>
<td></td>
</tr>
<tr>
<td>9.2</td>
<td>20.2.1.2.1.2</td>
<td>General Provisions</td>
<td></td>
</tr>
<tr>
<td>9.3</td>
<td>20.2.1.2.1.3</td>
<td>Approved Hybrid Capital Instruments (debt / equity)</td>
<td></td>
</tr>
<tr>
<td>9.4</td>
<td>20.2.1.2.1.4</td>
<td>Approved Subordinated Term Debt (Actual amount is ……………….</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>20.2.1.2.2.0</td>
<td>Deductions / Adjustments- Tier II (sum of item 10.1 and 10.2)</td>
<td></td>
</tr>
<tr>
<td>10.1</td>
<td>20.2.1.2.2.1</td>
<td>50% of Investments in Banking and Financial Subsidiary Companies</td>
<td></td>
</tr>
<tr>
<td>10.2</td>
<td>20.2.1.2.2.2</td>
<td>50% of Investments in the capital of other Banking and Financial Institutions</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>20.2.1.2.0.0</td>
<td>Total Supplementary Capital (Tier II) (item 9 – item10)</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>20.2.1.3.0.0</td>
<td>Eligible Supplementary Capital (Tier II)</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>20.2.1.4.0.0</td>
<td>Capital Base (sum of item 6 and 12)</td>
<td></td>
</tr>
</tbody>
</table>
### Part III

**NBL-MF-20-RWCA 3 (Computation of Total Risk Weighted Assets)**

**AS AT ……………………………..**

(Rs.’000)

<table>
<thead>
<tr>
<th>Code</th>
<th>Web - Based Return Code</th>
<th>On-Balance Sheet and Off-Balance Sheet Assets Item</th>
<th>(1) Principal Amount of Balance Sheet Item</th>
<th>(2) Risk Weight (%)</th>
<th>(3) Total Risk Weighted Assets Amount (1) X (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.</td>
<td>20.3.1.1.0.0</td>
<td>Cash in hand &amp; Bank's Current Accounts</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>20.3.1.2.0.0</td>
<td>Call/Savings/Fixed Deposits with other institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.01</td>
<td>20.3.1.2.1.0</td>
<td>Deposits with Banks</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.02</td>
<td>20.3.1.2.2.0</td>
<td>Deposits with finance companies</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>20.3.1.3.0.0</td>
<td>Central Bank and Government Securities</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>20.3.1.4.0.0</td>
<td>Investments in Promissory Notes/Commercial Paper with other institutions</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>20.3.2.0.0.0</td>
<td>Investments in Shares</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>20.3.3.0.0.0</td>
<td>Accommodations: *</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.01</td>
<td>20.3.3.1.0.0</td>
<td>Finance Lease</td>
<td>50</td>
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<td></td>
</tr>
<tr>
<td>19.02</td>
<td>20.3.3.2.0.0</td>
<td>Hire Purchase</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.03</td>
<td>20.3.3.3.0.0</td>
<td>Term Loan</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.04</td>
<td>20.3.3.4.0.0</td>
<td>Factoring</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.05</td>
<td>20.3.3.5.0.0</td>
<td>Inter Company Credit</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.06</td>
<td>20.3.3.6.0.0</td>
<td>Other accommodations (Other than specified above)</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>20.3.4.0.0.0</td>
<td>Fixed Assets</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21.</td>
<td>20.3.5.0.0.0</td>
<td>Other Assets</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>20.3.6.0.0.0</td>
<td>Off – balance sheet assets</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23.</td>
<td>20.3.7.0.0.0</td>
<td>Total Risk Weighted Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Should be net to specific provisions and interest in suspense.
FINANCE LEASING (MINIMUM CORE CAPITAL)
DIRECTION, No. 1 OF 2012

In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “Director”) is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as “specialised leasing companies”) for the purpose of ensuring that specialised leasing companies maintain efficient standards in carrying out their business operations.

Capital is a key aspect of the business of specialised leasing company as it is a source of funding for the business and a necessary ingredient of solvency of such companies. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Minimum Core Capital), Direction No.1 of 2012 and shall apply to specialised leasing companies from the date of this direction.

1. Every specialised leasing company shall at all times maintain an unimpaired core capital not less than Rs. 100 million (Rupees Hundred million) until end December 2012. Thereafter, every specialised leasing company shall at all times maintain an unimpaired core capital not less than the amounts as set out below:

<table>
<thead>
<tr>
<th>Minimum Core Capital Requirement (Rs. mn)</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>From 01.01.2013</td>
</tr>
<tr>
<td>200</td>
<td>From 01.01.2014</td>
</tr>
<tr>
<td>250</td>
<td>From 01.01.2015</td>
</tr>
<tr>
<td>300</td>
<td>From 01.01.2016</td>
</tr>
</tbody>
</table>

2. “Core capital” shall mean the aggregate of the following:

(a) **Issued and Paid-up Ordinary Shares or Common Stocks**
Issued and fully paid ordinary shares or common stock and in the case of partly paid shares or stock the paid up amount. Any shares issued against reserves, surpluses, retained profits are not eligible to be included.

(b) **Issued and fully paid up Non-Cumulative, Non-Redeemable Preference Shares**
Issued and fully paid non-cumulative, non-redeemable preference shares where the payment of dividends could be reduced or waived off permanently in the event of profits being inadequate to support such payment in part or full.

(c) **Statutory Reserve Fund**
Balance as per last audited statement of accounts in the Reserve Fund set up by leasing companies in terms of the Finance Leasing (Reserve Fund), Direction No.5 of 2006.

(d) **General or other Free Reserves**
Disclosed reserves in the form of general or other free reserves created or increased by appropriation of retained earnings, share premium or other realised surpluses as per last audited statement of accounts.
(e) **Published Retained Profits / (Accumulated Losses)**

Accumulated profit or loss as shown in the last audited statement of accounts. Retained profits arising from the revaluation of investment property should not be included.

(f) **Surplus/loss after tax, arising from the sale of Fixed and Long Term Investments**

Any profit earned or loss incurred since the closing date of the last audited accounts including any surplus or loss after tax, arising from the sale of fixed and long term investments.

(g) **Unpublished Current Year’s Profits/Losses**

Current year’s profits/losses (excluding any surplus/loss after tax, arising from the sale of fixed and long term investments) earned/incurred since the closing date of the last audited accounts and subject to certification by the specialised leasing company’s external auditor.

3. Finance Leasing (Minimum Core Capital), Direction No.1 of 2010 is hereby revoked.

*This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.*
In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “Director”) is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as “specialised leasing companies”) for the purpose of ensuring that specialised leasing companies maintain efficient standards in carrying out their business operations.

Gearing is a measure of financial leverage demonstrating the degree to which the companies’ operations are funded by owners’ funds and various creditors’ funds. While a highly leveraged company is considered risky, equity is considered as a cushion against risk and a measure of financial strength. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Gearing Ratio) Direction No. 2 of 2012 and shall apply to specialised leasing companies from the date of this direction.

1. The maximum outstanding amount of borrowings of a specialised leasing company shall not exceed at any time, seven (7) times the amount equal to the core capital less equity investments in subsidiary companies and associate companies of such specialised leasing company.

2. Specialised leasing company shall submit the information on borrowings to the Central Bank of Sri Lanka on a monthly basis, in accordance with reporting formats at Scheduled I and II and instructions at Schedule III attached hereto. The returns for a given period should be submitted to the Central Bank on or before the 15th day of the month following the month to which the information relates.

3. The Finance Leasing (Gearing Ratio) Direction No.4 of 2006 is hereby revoked.

4. The following definitions shall be applicable for the purposes of this Direction;

   4(i) “borrowings” shall mean funds obtained by way of loans/overdrafts, amounts due to related companies, or issuance of redeemable and cumulative preference shares, securitisations, bonds, debentures, promissory notes, commercial paper, any other dues and any other form of borrowings as may be determined by the Director.

   4(ii) “Core Capital” shall mean same as defined in the section 2 of the Finance Leasing (Minimum Core Capital) Direction No. 1 of 2012.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
### Schedule I

**NBL-MF-01-SB 1 – STATEMENT OF BORROWINGS**

**Name of Specialised Leasing Company:**

**DD/MM/YY**

<table>
<thead>
<tr>
<th>Web Based Return Code</th>
<th>Types of borrowing</th>
<th>Amount borrowed</th>
<th>Effective rate of interest (range)</th>
<th>Outstanding</th>
<th>Total value of security offered under each category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Interest</td>
<td>Capital</td>
</tr>
<tr>
<td>1.1.1.0.0.0</td>
<td>Bank borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.1.0.0</td>
<td>Bank overdrafts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.2.0.0</td>
<td>Short term loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.2.1.0.0</td>
<td>Short term (1 year and less than 1 year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.3.0.0</td>
<td>Long term (Over 1 year) asset backed Bank loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1.4.0.0</td>
<td>Long term Bank loans which are not asset backed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.0.0.0</td>
<td>Other Borrowings from institutions other than banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.1.0.0</td>
<td>Short term loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.2.0.0</td>
<td>Long term asset backed loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2.3.0.0</td>
<td>Long term loans which are not asset backed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.0.0.0</td>
<td>Foreign Borrowings (including foreign banks)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.1.0.0</td>
<td>Short term loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.2.0.0</td>
<td>Long term Asset backed loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3.3.0.0</td>
<td>Long term loans which are not assets backed</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.0.0.0</td>
<td>Other Borrowings /Instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.1.4.1.0.0</td>
<td>Redeemable &amp; cumulative preference shares</td>
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<td>1.1.4.2.0.0</td>
<td>Bonds</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.3.0.0</td>
<td>Unlisted Debentures</td>
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<td></td>
</tr>
<tr>
<td>1.1.4.4.0.0</td>
<td>Listed Debentures</td>
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<tr>
<td>1.1.4.5.0.0</td>
<td>Promissory Notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.6.0.0</td>
<td>Commercial Paper</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.7.0.0</td>
<td>Securitizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.8.0.0</td>
<td>Leases / hire purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.9.0.0</td>
<td>Related party credits (Shall not net off with debit balances)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4.10.0.0</td>
<td>Others</td>
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<td></td>
</tr>
<tr>
<td>1.1.0.0.0.0</td>
<td>Total Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
**Schedule II**

**NBL-MF-01-SB 2 – CALCULATION OF GEARING RATIO**

Name of Specialised Leasing Company:
DD/MM/YY

<table>
<thead>
<tr>
<th>Web Based Return Code</th>
<th>Item</th>
<th>Amount / Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.1.0.0.0</td>
<td>Total Borrowings (Rs. '000)</td>
<td></td>
</tr>
<tr>
<td>1.2.2.0.0.0</td>
<td>Core Capital (Rs. '000)</td>
<td></td>
</tr>
<tr>
<td>1.2.3.0.0.0</td>
<td>Equity Investments in subsidiary companies and associate companies (Rs. '000)</td>
<td></td>
</tr>
<tr>
<td>1.2.4.0.0.0</td>
<td>Core Capital for the Calculation (Rs. '000)</td>
<td></td>
</tr>
<tr>
<td>1.2.5.0.0.0</td>
<td>Gearing Ratio (times)</td>
<td></td>
</tr>
</tbody>
</table>

**Schedule III**

**Instructions for the Statement of Borrowings (NBL-MF-01-SB 1)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of Borrowings</td>
<td>All bank borrowings, borrowings through other institutions and foreign borrowings shall be reported as short term, long term asset backed, long term borrowings and borrowings which are not asset backed under each category. Other borrowings through instruments shall be reported separately.</td>
</tr>
<tr>
<td>Amount borrowed</td>
<td>The principal amount borrowed/financed/granted during the month</td>
</tr>
<tr>
<td>Effective rate of interest (range)</td>
<td>During the month, the range of rate of interest</td>
</tr>
<tr>
<td>Interest</td>
<td>Amount of interest in arrears as at the date of the statement in respect of each category of borrowing</td>
</tr>
<tr>
<td>Outstanding Capital</td>
<td>The amount of capital outstanding as at the date of the statement</td>
</tr>
<tr>
<td>Total value of security offered under each category</td>
<td>The security offered by the company. The type and the value of the security</td>
</tr>
</tbody>
</table>

**Instructions for the Computation of Gearing Ratio (NBL-MF-01-SB 2)**

<table>
<thead>
<tr>
<th>Web Based Return Code</th>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.1.0.0.0</td>
<td>Total Borrowings</td>
<td>The total outstanding borrowings must agree with the item 3.2.4.0.0.0 of NBL-MF-03-BS. Total borrowings amount is uploaded automatically.</td>
</tr>
<tr>
<td>1.2.2.0.0.0</td>
<td>Core Capital</td>
<td>Core capital must agree with item 17.2.2.0.0.0 of NBL-MF-17-C2 (Tier I Capital)</td>
</tr>
<tr>
<td>1.2.3.0.0.0</td>
<td>Equity Investments in subsidiary companies and associate companies</td>
<td>Total equity investments in subsidiary companies and associate companies of specialised leasing company. This item must agree with the totals of items from 3.1.3.1.0.0 to 3.1.3.6.0.0 of NBL-MF-03-BS</td>
</tr>
<tr>
<td>1.2.4.0.0.0</td>
<td>Core Capital for the Gearing Ratio Calculation</td>
<td>Item 1.2.2.0.0.0 less item 1.2.3.0.0.0</td>
</tr>
<tr>
<td>1.2.5.0.0.0</td>
<td>Gearing Ratio (times)</td>
<td>Gearing ratio is calculated automatically (item 1.2.1.0.0.0 / 1.2.4.0.0.0)</td>
</tr>
</tbody>
</table>
1. This Direction may be cited as Finance Leasing (Accrued Interest) Direction No.5 of 2005 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with effect from 2 January 2006.

2. Subject to the provisions of paragraph 3 hereunder, no registered finance leasing establishment to which this Direction is applicable (hereinafter referred to as a “relevant establishment”) shall take into account as income, any accrued interest on an accommodation on which interest and/or capital repayments are in arrears for six months or more.

3. In the case of any accommodation where instalments are not paid on a monthly basis, no relevant establishment shall take into account as income, any accrued interest on an accommodation whenever it has realised that instalments in respect of such accommodation will not be paid on the due dates.

4. Every relevant establishment shall (in the maintenance of the books of accounts) segregate any accommodation to which paragraph 2 and/or 3 above are applicable from other accommodation under a separate control account in the general ledger.

5. For the purpose of this Direction, “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision of funds through redeemable cumulative preference shares and debt securities such as bonds, debentures, asset backed securities, commercial paper/promissory notes; inter company credit; any arrangement to provide funds on a repayable basis; any commitment to accept contingent liabilities; or such other financial facility as may be determined by the Director.

6. For the purpose of this Direction, “inter company credit” shall mean any form of accommodation extended by a company to its directors or to their relatives and/or to its associate companies and/or to its subsidiary companies and/or to its holding company. For the purpose of this Direction, “relative” shall mean the spouse and/or dependent child of an individual. A company shall deem to be an “associate company” of another company, where shares equivalent to 20 per cent or more but less than 50 per cent of the issued and paid-up ordinary share capital are held by such other company.

7. For the purpose of this Direction, “subsidiary company” and “holding company” shall have the same meaning as contained in section 150 of the Companies Act, No.17 of 1982.

8. For the purpose of this Direction, “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
1. This Direction may be cited as Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with immediate effect.

2. Every registered finance leasing establishment to which this direction is applicable (hereinafter referred to as a “relevant establishment”) shall make provision for non-performing accommodations before any profit or loss is declared and ensure that such provision is made subject to a minimum of–

   (i) twenty per cent (20%) of all accommodations in arrears for a period of 6 months and upto 12 months;

   (ii) fifty per cent (50%) of all accommodations in arrears for a period of 12 months and upto 18 months;

   (iii) hundred per cent (100%) of all accommodations in arrears for a period of 18 months and over;

   (iv) hundred per cent (100%) of all accommodations where instalments are not paid on a monthly basis, whenever the company has realised that instalments will not be paid on the due dates.

3. The Director may require any relevant establishment to make further specific provision for non-performing accommodations in addition to the provision already made by such establishment.

4. Every relevant establishment may deduct the value of the following items held as collateral in respect of a particular accommodation in arriving at the provisions required by 2(i) to 2(iv) above–

   (i) cash or cash equivalents (including securities such as Treasury bills, Treasury bonds and fixed deposits in a licensed commercial bank, licensed specialised bank or in a registered finance company, free of any lien or charge);

   (ii) bank guarantees;

   (iii) with regard to vehicles that have been repossessed by the relevant establishment, eighty per cent (80%) of the valuation obtained during the preceding six months from a valuer approved by the Director;

   (iv) with regard to land and buildings, the full value, in case of a primary mortgage, such value shall not exceed the value decided by a qualified professional valuer at the time of providing the accommodation. However, occupied residential properties taken as security without an agreement to hand over vacant possession in the event of sale for the recovery of dues, shall not be reduced in arriving at the required provision.

5. Every relevant establishment may provide an additional specific amount for non-performing accommodations based on the risk associated with the portfolio of performing accommodations and such amount shall not be included as an additional general provision in core capital or capital funds.

6. Where rescheduling occurs before an account is classified as non-performing, the rescheduled account shall be classified as non-performing when, in the aggregate, the period of time the account is in arrears before rescheduling (if any) and after rescheduling is six months or more.

7. Where rescheduling occurs after an account has been classified as non-performing, the rescheduled account shall continue to be classified as non-performing. Rescheduled accommodation classified as non-performing can be decclassified only when the repayments under the rescheduled terms have been made for a continuous period of six months.
8. Every relevant establishment shall submit to the Director within one month from the end of each quarter, details on accommodations of which instalments/rentals are in arrears for three months or more as at the end of the relevant quarter as follows:

   (i) accommodations (to be repaid in fixed instalments/rentals) in arrears for three months or more, on the Format No. SNBFI/FL/02/01;

   (ii) accommodations (not to be repaid in fixed instalments/rentals) in arrears for three months or more, on the Format No. SNBFI/FL/02/02;

   (iii) operating leases in arrears for three months or more, on the Format No. SNBFI/FL/02/03;

   (iv) age analysis of accommodations in arrears for three months or more, on the Format No. SNBFI/FL/02/04; and

   (v) statement of repossessed asset items, on the Format No. SNBFI/FL/02/05.

9. Every relevant establishment shall submit to the Director within one month after the end of each quarter, details of accommodations granted during such quarter and the value of all accommodations outstanding as at the end of such quarter, on the Format No. SNBFI/FL/02/06.

10. For the purpose of this Direction:

   (i) “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision of funds through redeemable cumulative preference shares and debt securities such as bonds, debentures, asset backed securities/ mortgaged backed securities, commercial paper/promissory notes; inter-company credit; any arrangement to provide funds on a repayable basis; any commitment to accept contingent liabilities; or such other financial facility as may be determined by the Director.

   (ii) “inter-company credit” shall mean any form of accommodation extended by a relevant establishment to its directors or to their relatives and/or to its associate companies and/or to its subsidiary companies and/or to its holding company. For the purpose of this Direction, “relative” shall mean the spouse and/or dependent child of an individual. A company shall deem to be an “associate company” of another company, where shares equivalent to 20 per cent or more but less than 50 per cent of the issued and paid-up ordinary share capital are held by such other company.

   (iii) “subsidiary company” and “holding company” shall have the same meaning as contained in section 150 of the Companies Act, No.17 of 1982.

   (iv) “non-performing accommodations” shall mean any accommodation where the instalments have been in arrears for more than six months.

   (v) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

   (vi) “qualified professional valuer” shall mean:

      (a) a chartered valuation surveyor; or

      (b) a fellow of the Institute of Valuers (Sri Lanka) with a Degree or Diploma in Valuation and with work experience of 15 years; or

      (c) a graduate member of the Institute of Valuers (Sri Lanka) with work experience of over 18 years; or

      (d) an associate of the Institute of Valuers (Sri Lanka) with work experience over 20 years; or

      (e) a licenciate of the Institute of Valuers (Sri Lanka) with work experience of over 25 years.

11. Finance Leasing (Provision for Bad and Doubtful Debts) Direction No.2 of 2005 is hereby revoked.

   This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING ACT, NO.56 OF 2000
FINANCE LEASING (PROVISION FOR BAD AND DOUBTFUL ACCOMMODATIONS) DIRECTION NO.2 OF 2006

ACCOMMODATIONS REPAID IN FIXED INSTALMENTS/RENTALS IN ARREARS FOR THREE MONTHS OR MORE

Name of RFLE: ............................................
Type of Accommodation: ..............................
As at Quarter Ended: ....................................

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Amount granted</th>
<th>Date granted &amp; date of settlement</th>
<th>Terms of repayment</th>
<th>Rentals in arrears</th>
<th>Other charges</th>
<th>Stock outstanding</th>
<th>Interest in suspense</th>
<th>Prepaid rentals</th>
<th>Net exposure (12=7+8+9-10-11)</th>
<th>Due date of the rental paid last</th>
<th>Amount &amp; date of last payment</th>
<th>Type &amp; value of security</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
<td>(13)</td>
<td>(14)</td>
<td>(15)</td>
<td>(16)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date :

Signature of the authorised officer

Name :

Designation :
INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBFI/FL/02/01

Please fill up a separate sheet for each type of accommodation.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4)</td>
<td>Date on which the accommodation was granted and date on which the accommodation is to be settled as per the original agreement.</td>
</tr>
</tbody>
</table>
| (5)      | In the case of instalments/rentals not repaid monthly, particulars of each set of rentals i.e., amounts, number and periodicity.  

*Example:*

<table>
<thead>
<tr>
<th>Terms of Repayment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs. 3,165 x 12</td>
<td>(monthly)</td>
</tr>
<tr>
<td>Rs. 10,000 x 2</td>
<td>(half yearly)</td>
</tr>
<tr>
<td>Rs. 6,000 x 4</td>
<td>(quarterly)</td>
</tr>
<tr>
<td>Rs. 2,000 x 1</td>
<td>(annually)</td>
</tr>
</tbody>
</table>

(6) In the case of instalments/rentals not repaid monthly, number of rentals in arrears pertaining to each set of rentals and the periodicity of such rentals.  

*Example:*

<table>
<thead>
<tr>
<th>Rentas in Arrears</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (monthly)</td>
<td></td>
</tr>
<tr>
<td>2 (half yearly)</td>
<td></td>
</tr>
<tr>
<td>4 (quarterly)</td>
<td></td>
</tr>
</tbody>
</table>

(7) Amount of instalments in arrears and other charges or expenses debited to Collection Account, Debtor Account or any other account.

(8) Charges or expenses related to the contracts which have been debited to an account/s other than the account referred to in item No. (7) above and the Stock Outstanding Account.

(9) Balance in the Stock Outstanding Account, *i.e.*, capital elements of the future rentals.

(10) Outstanding balance in the Interest in Suspense Account, *i.e.*, interest elements of the rentals that have been credited to such account after transferring the contract to non-performing category.

(11) Rentals which have been pre-paid by a lessee in terms of the relevant lease agreement (Initial payment of a hire purchase agreement or rentals paid in advance for any type of accommodation is not considered as pre-paid rentals).

(13) In the case of instalments/rentals not repaid monthly, due date of last completely paid rental.

(15) Value of the items which are specified in section 4(i) to 4(iv) of the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006.

(16) In case of an accommodation to be repaid in fixed instalments, the ‘Age’ should be derived as follows.

(i) *If the date of settlement of a contract falls after the date of the statement, the age of such contract is equal to the number of monthly rentals in arrears upto the date of the statement.*
(ii) If the date of settlement of a contract has fallen before the date of the statement, the age of such contract is equal to the aggregate of:

(a) the total number of months between the expiry date and the date of such statement; and

(b) the number of monthly rentals in arrears.

An example is given below:

Given the following details of a contract,

<table>
<thead>
<tr>
<th>Date of the statement</th>
<th>= 31/03/2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of settlement of the contract</td>
<td>= 18/05/2001</td>
</tr>
<tr>
<td>Number of rentals in arrears</td>
<td>= 6</td>
</tr>
</tbody>
</table>

the ‘Age’ is calculated as:

| No. of months between the settlement date and date of the statement | = 22 months |
| Add: Number of rentals in arrears | = 6 months |
| Age | = 28 months |

(iii) In case of a rescheduled contract, the ‘Age’ is equal to the aggregate of:

(a) the number of months calculated as per (i) or (ii) above; and

(b) the number of rentals in arrears before the rescheduling.
ACCOMMODATIONS (NOT REPAID IN FIXED INSTALMENTS/RENTALS) IN ARREARS FOR THREE MONTHS OR MORE

Name of RFLE: .................................................
Type of Accommodation: ............................... ...
As at Quarter Ended: .................................

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Amount granted</th>
<th>Date granted &amp; date of settlement</th>
<th>Terms of repayment</th>
<th>Interest receivable</th>
<th>Other charges</th>
<th>Stock outstanding</th>
<th>Interest in suspense</th>
<th>Prepaid rentals</th>
<th>Net exposure (12=7+8+9-10-11)</th>
<th>Amount &amp; date of last payment</th>
<th>Type &amp; value of security</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
<td>(12)</td>
<td>(13)</td>
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</tr>
<tr>
<td>Total</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date: ...........................................

Signature of the authorised officer

Name: ............................................
Designation: ................................
INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBFI/FL/02/02

Please fill up a separate sheet for each type of accommodation.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4)</td>
<td>Date on which the accommodation was granted and date on which the accommodation is to be settled as per the original agreement.</td>
</tr>
<tr>
<td>(5)</td>
<td>Conditions agreed upon the settlement of the accommodation as per the relevant agreement.</td>
</tr>
<tr>
<td>(6)</td>
<td>Number of months for which interest has been debited to the account referred to in item No. (7) below.</td>
</tr>
<tr>
<td>(7)</td>
<td>Amount of interest receivables debited to Interest Receivable Account or any account maintained for that purpose.</td>
</tr>
<tr>
<td>(8)</td>
<td>Charges or expenses related to the contracts which have been debited to an account other than the account referred to in item No. (7) above and the Stock Outstanding Account.</td>
</tr>
<tr>
<td>(9)</td>
<td>Balance in the Stock Outstanding Account, <em>i.e.</em>, capital elements of the future rentals.</td>
</tr>
<tr>
<td>(10)</td>
<td>Outstanding balance in the Interest in Suspense Account, <em>i.e.</em>, interest receivables credited to such account since the contract has been transferred to the non-performing category.</td>
</tr>
<tr>
<td>(11)</td>
<td>Rentals which have been pre-paid by a lessee in terms of the relevant lease agreement (Initial payment of a hire purchase agreement or rentals paid in advance for any type of accommodation is not considered as pre-paid rentals).</td>
</tr>
<tr>
<td>(13)</td>
<td>Date and amount of the last payment made by the borrower.</td>
</tr>
<tr>
<td>(14)</td>
<td>Value of the items which are specified in section 4(i) to 4(iv) of the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006.</td>
</tr>
<tr>
<td>(15)</td>
<td>In case of an accommodation which are not to be repaid in fixed instalments, the ‘Age’ should be calculated as follows.</td>
</tr>
</tbody>
</table>

  (i) In the case of a contract which has not been rescheduled, the ‘Age’ is equal to the number of months, up to the statement date, for which interest has been in arrears irrespective of whether interest has been accrued or not.

  (ii) In case of a rescheduled contract, the ‘Age’ is equal to the aggregate of:

    *(a)* number of months calculated as per (i) above; and

    *(b)* number of months for which interest had been in arrears at the time of rescheduling the contract.
**FINANCE LEASING ACT, NO.56 OF 2000**

**FINANCE LEASING (PROVISION FOR BAD AND DOUBTFUL ACCOMMODATIONS) DIRECTION NO.2 OF 2006**

**OPERATING LEASES IN ARREARS FOR THREE MONTHS OR MORE**

Name of RFLE: ……………………………..
As at Quarter Ended: ……………………………..

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Type of equipment</th>
<th>Value of the equipment at the commencement</th>
<th>Date of inception &amp; date of settlement</th>
<th>Terms of contract</th>
<th>No. of rentals in arrears</th>
<th>Amount of rentals in arrears &amp; other charges</th>
<th>Written down value of the equipment</th>
<th>Rental income in suspense</th>
<th>Deposits/prepaid rentals</th>
<th>Equipment returned or repossessed</th>
<th>Net exposure (14=8+9-10-11-13)</th>
<th>Action taken on returned or repossessed equipment</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date:

Signature of the authorised officer

Name:
Designation:
INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBFI/FL/02/03

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)</td>
<td>Type of equipment and details relevant to the identity of the equipment such as registration numbers of vehicles.</td>
</tr>
<tr>
<td>(4)</td>
<td>Value of the equipment taken into account in arriving at the amount of a rental.</td>
</tr>
<tr>
<td>(6)</td>
<td>Amount of a rental and number of rentals to be paid during the period for which the asset has been leased.</td>
</tr>
<tr>
<td>(7)</td>
<td>Number of rentals in arrears as at the date of statement.</td>
</tr>
<tr>
<td>(8)</td>
<td>Amount of rentals in arrears and other charges due from the lessee as at the date of statement.</td>
</tr>
<tr>
<td>(9)</td>
<td>Outstanding value of the leased equipment resulted in amortising the value referred to in (4) above, which is included in the balance of relevant control account as at the statement date.</td>
</tr>
<tr>
<td>(10)</td>
<td>Outstanding balance in Rental Income in Suspense Account or any such account maintained for the purpose of suspending rental income element of the rentals referred to in 8 above after a contract has been transferred to the non-performing category.</td>
</tr>
<tr>
<td>(11)</td>
<td>Amount of the deposit made by the lessee at the commencement of the contract including pre-paid rentals.</td>
</tr>
<tr>
<td>(12)</td>
<td>Date on which the leased equipment was returned to the Registered Finance Leasing Establishment (RFLE) by the lessee or repossessed by the RFLE.</td>
</tr>
<tr>
<td>(13)</td>
<td>Forced sale value of the leased equipment when it was returned to the RFLE by the lessee/repossessed by the RFLE [columns No. (12) and (13) may be filled if applicable].</td>
</tr>
<tr>
<td>(15)</td>
<td>In case of an equipment which has been returned by a lessee to a RFLE, please indicate:</td>
</tr>
<tr>
<td></td>
<td>(i) the new contract number and the name of the borrower if such equipment has been leased out again; or</td>
</tr>
<tr>
<td></td>
<td>(ii) the action to be taken to dispose such equipment if such equipment is still retained by the RFLE.</td>
</tr>
<tr>
<td>(16)</td>
<td>In case of an operating lease contract, ‘Age’ should be derived as follows.</td>
</tr>
<tr>
<td></td>
<td>(i) If the date of settlement of a contract falls after the date of the statement, the age of such contract is equal to the number of monthly rentals in arrears upto the date of the statement.</td>
</tr>
<tr>
<td></td>
<td>(ii) If the date of settlement of a contract has fallen before the date of the statement, the age of such contract is equal to the aggregate of:</td>
</tr>
<tr>
<td></td>
<td>(a) the total number of months between the date of statement and the date of statement; and</td>
</tr>
<tr>
<td></td>
<td>(b) the number of monthly rentals in arrears.</td>
</tr>
</tbody>
</table>

An example is given below :-

Given the following details of a contract,

- **Date of the statement** = 31/03/2003
- **Date of settlement of the contract** = 18/05/2001
- **Number of rentals in arrears** = 6

the ‘Age’ is calculated as:

- **No. of months between the settlement date and date of the statement** = 22 months
- **Add : Number of rentals in arrears** = 6 months
- **Age** = 28 months
### AGE ANALYSIS OF ACCOMMODATIONS IN ARREARS FOR THREE MONTHS OR MORE

Name of RFLE: …………………………………

As at Quarter Ended: …………………………

<table>
<thead>
<tr>
<th>Type of accommodation</th>
<th>Age Analysis</th>
<th>Amount in Rs. '000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 and upto 6 months</td>
<td>6 and upto 12 months</td>
</tr>
<tr>
<td></td>
<td>No. of contracts</td>
<td>Total net exposure</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format

Date: …………………………………

Signature of the authorised officer

Name: …………………………………

Designation: …………………………………
**INSTRUCTIONS FOR THE COMPLETION OF**  
**FORMAT NO. SNBFI/FL/02/04**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1), (3), (5), (7)</td>
<td>Total number of contracts which are in arrears under each age group given in ‘Age’ columns in Formats No. SNBFI/FL/02/01, SNBFI/FL/02/02 and SNBFI/FL02/03.</td>
</tr>
<tr>
<td>(2), (4), (6), (8)</td>
<td>Total net exposure of accommodations which are in arrears under each age group as given in ‘Net exposure’ columns in Formats No. SNBFI/FL/02/01, SNBFI/FL/02/02 and SNBFI/FL02/03.</td>
</tr>
<tr>
<td>(9)</td>
<td>Aggregate of item numbers (1), (3), (5) and (7)</td>
</tr>
<tr>
<td>(10)</td>
<td>Aggregate of item numbers (2), (4), (6) and (8)</td>
</tr>
</tbody>
</table>
# STATEMENT OF REPOSSESSED ASSET ITEMS

**Name of RFLE:** ………………………………

**As at Quarter Ended:** ………………………………

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Date of repossession</th>
<th>Particulars of the asset</th>
<th>Last date of valuation</th>
<th>Valuation of the asset at the time of repossession</th>
<th>Amount in the repossessed account</th>
<th>Name of valuer</th>
<th>Date of sale</th>
<th>Amount outstanding after crediting sale proceeds</th>
<th>Action taken to recover the balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total**

Every relevant establishment is requested to follow the instructions given over leaf in completing the format

*Date:* ………………………………

*Signature of the authorised officer*

*Name:*

*Designation:*
### INSTRUCTIONS FOR THE COMPLETION OF FORMAT NO. SNBFI/FL/02/05

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)</td>
<td>Date on which the asset has been repossessed.</td>
</tr>
<tr>
<td>(4)</td>
<td>Type of equipment and details relevant to the identity of the equipment such as registration numbers of vehicles.</td>
</tr>
<tr>
<td>(7)</td>
<td>Total amount to be recovered from the borrower.</td>
</tr>
<tr>
<td>(10)</td>
<td>Net sales proceeds of the asset after deduction of expenses relating to the sale of the asset.</td>
</tr>
<tr>
<td>(11)</td>
<td>Difference between Item No. (7) and (10).</td>
</tr>
</tbody>
</table>
STATEMENT OF ACCOMMODATIONS GRANTED AND TOTAL OUTSTANDING ACCOMMODATIONS

Name of RFLE: ...........................................

<table>
<thead>
<tr>
<th>Type of accommodation</th>
<th>Accommodation granted during the quarter ended ..........</th>
<th>Outstanding accommodations as at ..........</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of contracts</td>
<td>Total amount granted / financed</td>
</tr>
<tr>
<td>Finance leases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating leases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire purchase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable cumulative preference shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debentures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securitization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter-company credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any other accommodation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format

Date: ............................................

Signature of the authorised officer

Name: ............................................

Designation: ............................................

INSTRUCTIONS FOR THE COMPLETION OF
FORMAT NO. SNBFI/FL/02/06

Item No.  | Particulars to be given
---|---
(1)  | Total number of contracts granted under each category of accommodation during the quarter.
(3)  | Nominal rate of interest
(4)  | Total number of contracts outstanding under each category of accommodation as at the date of the statement.
(5)  | The total amount of capital outstanding as at the date of the statement. However, in respect of finance leases and hire purchase facilities, the total outstanding amount should be calculated as follows:

Total rental receivables – total future interest – total interest in suspense – rentals received in advance

(30)
1. This Direction may be cited as Finance Leasing (Single Borrower Limit) Direction No.3 of 2006 and shall apply to every registered finance leasing establishment, other than licensed commercial banks and licensed specialised banks which are governed by the Banking Act, No.30 of 1988 and registered finance companies which are governed by the Finance Companies Act, No.78 of 1988. The Direction shall come into operation with immediate effect.

2. Every registered finance leasing establishment to which this direction is applicable shall hereinafter be referred to as a “relevant establishment”.

3. Subject to the provisions in paragraph 5 hereunder, the maximum of a single accommodation or the aggregate of accommodations granted to and outstanding at any point of time from an individual borrower, shall not exceed 15 per cent of the capital funds as shown at its last audited balance sheet.

4. Subject to the provisions in paragraph 5 hereunder, the maximum of a single accommodation or the aggregate of accommodations granted to and outstanding at any point of time from any group of borrowers shall not exceed 20 per cent of the capital funds as shown at its last audited balance sheet.

5. The maximum of a single accommodation or the aggregate of accommodations granted to and outstanding at any point of time from any director, holding company or subsidiary companies of the relevant establishment shall not exceed 15 per cent of the capital funds as shown at its last audited balance sheet. Such accommodation shall be granted on such terms as may be applicable to any other borrower of the relevant establishment and particulars of such accommodation including the name of the borrower, the date of grant of the accommodation or inter-company credit, amount granted, repayment programme, security and rate of interest shall be reported to the Director within 14 days from the date of granting of such accommodation on the Format No. SNBFI/FL/03/01.

6. Where a single accommodation or the aggregate of accommodations granted to and outstanding from an individual or from a group is in excess of the respective limits specified in paragraphs 3, 4 and 5 above, as at the commencement of this Direction, the Director may give such relevant establishment a period of two years from 02.01.2006 to comply with the requirements under this Direction.

7. Every relevant establishment shall submit to the Director, within one month from the end of each month, details of a single accommodation and the aggregate of accommodations granted to and outstanding from an individual borrower, group of borrowers, its directors, its holding company or its subsidiary companies in excess of 10 per cent of its capital funds, as shown in the last audited balance sheet of such establishment, on the Format No. SNBFI/FL/03/02.

8. For the purpose of this Direction,

   (i) “individual borrower” shall mean any single company, public corporation, firm, association of persons or an individual.

   (ii) “group of borrowers” shall mean,

   a) an individual and his relatives and a company in which such individual or his relatives hold shares exceeding 10 per cent of the issued and paid-up ordinary share capital of such company; or

   b) a company and one or more of the following–

   i) its subsidiaries;
   ii) its holding company; or
   iii) a subsidiary of its holding company.
(iii) “capital funds” shall mean the aggregate of the following—

(a) issued and paid-up ordinary share capital;
(b) issued and paid-up non-redeemable, non-cumulative preference shares;
(c) share premium;
(d) the Reserve Fund maintained under the Finance Leasing (Reserve Fund) Direction No. 5 of 2006;
(e) reserves which are not earmarked for any specified purposes by any statute or by the Sri Lanka Accounting Standards;
(f) retained profits or accumulated losses;
(g) general provision for bad and doubtful accommodation which is an amount provided over and above the specific provision on the non-performing portfolio and an additional specific provision on the performing portfolio; and
(h) revaluation reserves which may be included only with the prior approval of the Director where assets have been revalued in conformity with the following—
   (i) The valuation is to be undertaken with the prior approval of the Director;
   (ii) An asset is qualified for revaluation only after 7 years from the previous date of valuation or from the date of purchase, whichever is later;
   (iii) The asset should be valued by a valuer who is—
      (a) a chartered valuation surveyor; or
      (b) a fellow of the Institute of Valuers (Sri Lanka) with a Degree or Diploma in Valuation and with work experience of 15 years; or
      (c) a graduate member of the Institute of Valuers (Sri Lanka) with work experience of over 18 years; or
      (d) an associate of the Institute of Valuers (Sri Lanka) with work experience over 20 years; or
      (e) licentiate of the Institute of Valuers (Sri Lanka) with work experience of over 25 years.

(iv) “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision of funds through redeemable cumulative preference shares and debt securities such as bonds, debentures, asset backed securities/mortgaged backed securities, commercial paper/promissory notes; inter-company credit; any arrangement to provide funds on a repayable basis; any commitment to accept contingent liabilities; or such other financial facility as may be determined by the Director.

(v) “inter-company credit” shall mean any form of accommodation extended by a company to its directors or to their relatives and/or to its associate companies and/or to its subsidiary companies and/or to its holding company. For the purpose of this Direction, “relative” shall mean the spouse and/or dependent child of an individual. A company shall deem to be an “associate company” of another company, where shares equivalent to 20 per cent or more but less than 50 per cent of the issued and paid-up ordinary share capital are held by such other company.

(vi) “subsidiary company” and “holding company” shall have the same meaning as contained in section 150 of the Companies Act, No. 17 of 1982.

(vii) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.


This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
## STATEMENT OF ACCOMMODATIONS GRANTED TO DIRECTORS, HOLDING COMPANY OR SUBSIDIARY COMPANIES

Name of RFLE: ……………………………………….

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Status of the borrower</th>
<th>Type of facility</th>
<th>Amount granted</th>
<th>Date granted and the date of settlement</th>
<th>Terms of repayment</th>
<th>Nominal rate of interest per annum</th>
<th>Type and value of security</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format

Date: ..................................................

Signature of the authorised officer

Name: ...............................................

Designation: ...................................
For the purpose of this statement recipients of any accommodations are considered as borrowers.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)</td>
<td>Status of the borrower</td>
</tr>
<tr>
<td></td>
<td><em>i.e.</em>, Director, holding company or subsidiary company</td>
</tr>
<tr>
<td>(6)</td>
<td>Date on which the accommodation was granted and the date on which the accommodation is to be settled as per the original agreement.</td>
</tr>
<tr>
<td>(7)</td>
<td>Conditions agreed upon the settlement of accommodations.</td>
</tr>
<tr>
<td>(9)</td>
<td>In case of a collateral related to an asset of a borrower, in addition to the value, indicate type of charge created by the RFLE on such assets such as Letter of Set-off, Agreement to Sell, Mortgage Bond, Transfer Deed, Pledge of Title Deeds and Caveat on Title Deeds. For the purpose of this statement, an asset acquired by a hirer or lessee under a hire purchase agreement or a finance lease agreement are considered as a security offered against such contracts.</td>
</tr>
</tbody>
</table>
### ACCOMMODATIONS GRANTED AND OUTSTANDING IN EXCESS OF 10% OF CAPITAL FUNDS

<table>
<thead>
<tr>
<th>Name of the borrower</th>
<th>Particulars of accommodation</th>
<th>Total amount outstanding</th>
<th>Total amount outstanding as a % of the capital funds</th>
<th>Type &amp; value of security</th>
<th>Outstanding accommodation granted to connected parties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contract No.</td>
<td>Type of accommodation</td>
<td>Amount granted</td>
<td>Amount outstanding</td>
<td>(6)</td>
</tr>
<tr>
<td>Individual borrowers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group of borrowers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors, holding company or subsidiary companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Every relevant establishment is requested to follow the instructions given over leaf in completing the format.

Date: ____________________________

*Signature of the authorised officer*

Name: ____________________________

Designation: ______________________

---

Date: ____________________________
**INSTRUCTIONS FOR THE COMPLETION OF**
**FORMAT NO. SNBFI/FL/03/02**

For the purpose of this statement, recipients of any accommodation are considered as borrowers. This statement should give the particulars of borrowers, in respect of whose aggregate outstanding accommodations as at the end of the quarter are in excess of 10 per cent of the capital funds of the Registered Finance Leasing Establishment (RFLE) as shown in the last audited Balance Sheet.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Particulars to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Name of the borrower under the relevant category. <em>i.e.</em>, individual borrower, group of borrowers, directors, holding company or subsidiary companies.</td>
</tr>
<tr>
<td>(3)</td>
<td>Type of accommodation such as finance lease, hire purchase, term loan.</td>
</tr>
<tr>
<td>(5)</td>
<td>Total amount due from the borrower on each contract which includes outstanding amounts on account of capital/stock, interest receivable/rental receivable and excludes interest/rental income in suspense and prepaid rentals.</td>
</tr>
<tr>
<td>(6)</td>
<td>Aggregate of amounts outstanding given in column No. (5) pertaining to each borrower.</td>
</tr>
<tr>
<td>(7)</td>
<td>Total amount pertaining to each borrower shown in column No. (6) as a percentage of the Capital Funds of the RFLE as shown at its last audited balance sheet.</td>
</tr>
<tr>
<td>(8)</td>
<td>In case of a collateral related to an asset of a borrower, in addition to the value, indicate type of charge created by the RFLE on such assets such as Letter of Set-off, Agreement to Sell, Mortgage Bond, Transfer Deed, Pledge of Title Deeds and Caveat on Title Deeds. For the purpose of this statement, an asset acquired by a hirer or lessee under a hire purchase agreement or a finance lease agreement is considered as a security offered against such contract.</td>
</tr>
</tbody>
</table>
| (9)      | In respect of each borrower referred to in column No. (1), aggregate of amounts outstanding, as at the statement date, of the accommodation granted to:  
  
  (i) **borrower’s close relatives;**  
  
  (ii) a company in which the borrower and his/her close relatives have a substantial interest;  
  
  (iii) a subsidiary of such company;  
  
  (iv) the holding company of such company;  
  
  (v) subsidiary companies of such holding company;  
  
  (vi) a company in which such company or its subsidiary or its holding company or a subsidiary of its holding company has a substantial interest; and  
  
  (vii) an incorporated body other than a company in which individuals or companies given in (i) to (vi) in this paragraph have a substantial interest. |

For the purpose of this paragraph ‘substantial interest’ of a company, means the holding of a beneficial interest by another company or an individual or his/her close relatives, whether singly or taken together, in the shares thereof the paid up value of which exceeds ten per centum of the paid up capital of the company or the existence of guarantee or indemnity given by an individual or his/her relatives or by another company on behalf of such company.
1. This Direction may be cited as the Finance Leasing (Lending) Direction No. 2 of 2009 and shall apply
to every registered finance leasing establishment, which is a public company referred to in paragraph (c)
of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall
come into operation with immediate effect.

2. No relevant establishment shall without the prior written consent of the Director, grant any accommo-
dation:
   (i) to a director and /or a relative of a director of the relevant establishment;
   (ii) to its holding company;
   (iii) on the security of its own shares or on the security of the shares of any of its subsidiary companies;
   (iv) to purchase its own shares; or
   (v) on the guarantee or indemnity of a director of the relevant establishment, a relative of a director of
   the relevant establishment or any employee of the relevant establishment.

3. Subject to the provisions of paragraph 2 hereof, a relevant establishment may grant accommodation, in
accordance with any scheme for the time being in force, for the purchase of or subscription for fully paid
shares in the relevant establishment being a purchase or subscription by Trustees of or for shares to be
held by or for the benefit of, employees of the company:
   Provided that the aggregate principal amount of such accommodation outstanding at any time, shall not
exceed the equivalent of ten per centum of the total amount of the issued and paid up share capital of
the relevant establishment or ten per centum of the unimpaired adjusted capital funds of the relevant
establishment as per its last audited balance sheet, whichever is greater.

4. A relevant establishment may grant accommodation to its subsidiary companies or associate companies
subject to the limits specified in the Finance Leasing (Single Borrower Limit) Direction No. 3 of 2006
and on such terms as may be applicable to similar facilities granted to other borrowers of the relevant
establishment, and the particulars of such accommodations including the name of the borrower company,
the date of grant of such accommodation, amount granted, repayment programme, security and the rate of
interest shall be reported to the Director within 14 days from the date of grant of such accommodation.

5. No relevant establishment shall recover on any accommodation, charges of any description, other than
interest, in excess of 5 per cent of the principal amount granted.

6. Every relevant establishment shall submit to the Director within 3 months after the end of each financial
year details of all accommodations outstanding as at the end of the financial year on the format
annexed.

7. Where in a relevant establishment, the aggregate principal amount of such accommodation outstanding
exceeds as at the commencement of this Direction the respective limits specified in paragraphs 2 and 3
above the Director may give such relevant establishment a period of one year from the commencement
of this Direction to comply with the requirements under this Direction.

8. For the purpose of this Direction,
   (i) “accommodation” shall mean loans; facilities under hire purchase or leasing agreements; provision
of funds through debt securities such as bonds, debentures, asset backed securities, commercial
paper/promissory notices; or such other financial facility as may be determined by the Director.
(ii) “Associate company” when used in relation to a relevant establishment shall mean a company in which the relevant establishment holds not less than 20 per centum and not more than 50 per centum of the paid up ordinary share capital of the investee company.

(iii) “adjusted capital funds” shall mean the aggregate of the paid up capital, the Reserve Fund as provided for in the Finance Leasing (Reserve Fund) Direction No.5 of 2006 and permanent free reserves.

(iv) “relative” shall mean the spouse and dependent child of an individual.

(v) “subsidiary company” shall have the same meaning as contained in section 529 of the Companies Act, No.7 of 2007.

(vi) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

(vii) “Trustee” shall mean a person appointed under or named in a trust deed executed in respect of an employee share ownership plan of a relevant establishment.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
## TOTAL ACCOMMODATIONS

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Name of the borrower</th>
<th>Amount granted</th>
<th>Date granted &amp; date of settlement</th>
<th>Terms of repayment</th>
<th>Rentals in arrears</th>
<th>Other charges</th>
<th>Stock outstanding</th>
<th>Interest in suspense</th>
<th>VAT in suspense</th>
<th>Pre paid rentals</th>
<th>Net exposure</th>
<th>Amount &amp; date of last payment</th>
<th>Type &amp; value of security</th>
<th>Age</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

---

Date: .................

Signature of the CEO / MD

Name: ...........................................

Designation: .....................................
FINANCE LEASING
(BUSINESS TRANSACTIONS WITH DIRECTORS AND THEIR RELATIVES)
DIRECTION No. 3 OF 2009

1. This Direction may be cited as the Finance Leasing (Business Transactions with Directors and their Relatives) Direction No.3 of 2009 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with immediate effect.

2. Subject to the provisions of paragraph 2 of the Finance Leasing (Lending) Direction No.02 of 2009 a relevant establishment shall not, without the approval of the Director, conduct any business transaction with a director of the relevant establishment or with a relative of a director of the relevant establishment where the total value of transaction/s exceeds Rs.75,000 per month or Rs.750,000 for a financial year.

3. The provisions of paragraph 2 hereof shall not apply when creating liabilities to the relevant establishment in the form of borrowings and investments from a director of the relevant establishment or a relative/s of a director of the relevant establishment in conformity with the Finance Leasing (Debt Instrument) Direction No.01 of 2007 if such transaction is carried out in a manner that shall not grant such director or relative of a director “more favourable treatment” than that is accorded to an unrelated comparable counterparty of the relevant establishment.

4. For the purpose of this Direction,
   
   (a) a “relative” shall mean the spouse or a dependent child of an individual.

   (b) “Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING
(LIQUID ASSETS)
DIRECTION No. 4 OF 2012

In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “Director”) is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as “specialised leasing companies”) for the purpose of ensuring that specialised leasing companies maintain efficient standards in carrying out their business operations. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Liquid Assets) Direction No.4 of 2012 and shall apply to specialised leasing companies from the date of this direction.

1. Every specialised leasing company shall maintain minimum liquid assets at the close of the business on any day of an amount not less than 5 per cent of the total liabilities and off balance sheet items excluding liabilities to the shareholders, securitizations and asset backed long term (over one year) borrowings with effect from 01.09.2012 and not less than 10 per cent with effect from 01.07.2013.

2. Liquid assets shall include:
   (a) Cash;
   (b) Balances with licensed commercial banks;
   (c) Balances with licensed specialised bank which has a credit rating of A- or above;
   (d) Balances with licensed finance company which has a credit rating of A- or above;
   (e) Treasury Bills and Securities issued by the Government of Sri Lanka which have a maturity not exceeding one year;
   (f) Treasury bonds issued under the Registered Stock and Securities Ordinance;
   (g) Central Bank of Sri Lanka securities maturing within one year; and
   (h) Such any other asset as may be determined by the Director.

3. This Direction shall come into force with effect from 01.09.2012.

4. Any specialised leasing company which fails to comply with the provisions of section (1) shall pay to the Central Bank one tenth of one per centum per day on the amount of the deficiency.

5. Every specialised leasing company shall use the format at Schedule I attached hereto for the reporting of liquid assets and shall forward same to the Director through the Web Base Reporting System before the 15th day of the month following the month to which the statement relates.

6. Finance Leasing (Liquid Assets) Direction No. 4 of 2011 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
Schedule I

NBL-MF-16-LA (Liquid Assets)

(Name of Specialised Leasing Company)

As at ………………………

Rs. ‘000

<table>
<thead>
<tr>
<th>Code</th>
<th>Web-Based Return Code</th>
<th>Item</th>
<th>Amount/ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>16.1.1.0.0.0</td>
<td><strong>Total Amount for the required liquid assets calculation</strong>&lt;br&gt;(Item 1.1 plus items 1.2 and less sum of the items from 1.3 to 1.5)</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>16.1.1.1.0.0</td>
<td>Total Liabilities as at first working day of the month preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>16.1.1.2.0.0</td>
<td>Off-balance sheet items as at first working day of the month preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>16.1.1.3.0.0</td>
<td>Liabilities to the shareholders as at first working day of the month preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>16.1.1.4.0.0</td>
<td>Securitisations as at first working day of the month preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>16.1.1.5.0.0</td>
<td>Assets backed long term borrowings as at first working day of the month preceding the maintenance period (base date)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>16.1.2.0.0.0</td>
<td><strong>Available Liquid Assets (Daily Average liquid assets for the month of ……..</strong>&lt;br&gt;(maintenance period) (sum of item 2.1 to item 2.8)</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>16.1.2.1.0.0</td>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>16.1.2.2.0.0</td>
<td>Balances with licensed commercial banks</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>16.1.2.3.0.0</td>
<td>Balances with licensed specialised bank (credit rating A- or above)</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>16.1.2.4.0.0</td>
<td>Balances with licensed finance companies (credit rating A- or above)</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>16.1.2.5.0.0</td>
<td>Treasury Bills and Securities issued by the Government of Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>16.1.2.6.0.0</td>
<td>Treasury bonds issued under the Registered Stock and Securities Ordinance</td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>16.1.2.7.0.0</td>
<td>Central Bank of Sri Lanka securities</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>16.1.2.8.0.0</td>
<td>Such any other asset as may be determined by the Director</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>16.1.3.0.0.0</td>
<td><strong>Required Liquid Assets</strong></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>16.1.3.1.0.0</td>
<td>5% of 16.1.1.0.0.0</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>16.1.3.2.0.0</td>
<td>10% of 16.1.1.0.0.0 (with effect from 01.07.2013)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>16.1.4.0.0.0</td>
<td><strong>Liquid Assets Ratio (16.1.2.0.0.0 as a % of 16.1.1.0.0.0)</strong></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>16.1.5.0.0.0</td>
<td><strong>Deficit Liquid Assets (16.1.2.0.0.0 less 16.1.3.0.0.0)</strong></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>16.1.6.0.0.0</td>
<td>Charge to be paid to the Central Bank (16.1.5.0.0.0/1000)</td>
<td></td>
</tr>
</tbody>
</table>

Date : ……………………

Authorized Official Signature

Note: The base date is the first working day of the month preceding the maintenance period

*e.g.*: Liquid assets for January will be based on total liabilities excluding liabilities to the shareholders, securitisations, and asset backed long term borrowings on the preceding December 1st.

The required liquid assets should be maintained for a period (maintenance period) commencing on the first working day and ending on the last working day of the calendar month following the month in which the base date occurs.
### Instructions for Schedule I

<table>
<thead>
<tr>
<th>Web-Based Return Code</th>
<th>Line Item</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.1.1.0.0.0</td>
<td>Total Amount for the required liquid assets calculation</td>
<td>Item 16.1.1.1.0.0 plus item 16.1.1.2.0.0 less sum of the items from 16.1.1.3.0.0 to 16.1.1.5.0.0</td>
</tr>
<tr>
<td>16.1.1.1.0.0</td>
<td>Total Liabilities</td>
<td>Total Liabilities net of with provision for bad and doubtful accommodations and interest in suspense as at first working day of the month preceding the maintenance period.</td>
</tr>
<tr>
<td>16.1.1.2.0.0</td>
<td>Off-balance sheet items</td>
<td>Off-balance sheet items as at first working day of the month preceding the maintenance period (base date)</td>
</tr>
<tr>
<td>16.1.1.3.0.0</td>
<td>Liabilities to the shareholders</td>
<td>Liabilities to the shareholders reported under the item 3.2.1.0.0.0 plus any other liabilities to the shareholders reported in NBL-MF-03-BS as at first working day of the month preceding the maintenance period</td>
</tr>
<tr>
<td>16.1.1.4.0.0</td>
<td>Securitizations</td>
<td>Total outstanding value of securitizations reported under the items 3.2.4.8.0.0 and 3.2.4.9.0.0 of NBL-MF-03-BS as at first working day of the month preceding the maintenance period</td>
</tr>
<tr>
<td>16.1.1.5.0.0</td>
<td>Asset backed long term borrowings</td>
<td>Long term (over 1 year) borrowings which are backed by asset securities/cash securities from banks (local/foreign) or any other institutions as at first working day of the month preceding the maintenance period</td>
</tr>
<tr>
<td>16.1.2.0.0.0</td>
<td>Available Liquid Assets (Daily average of liquid assets)</td>
<td>To calculate daily average of liquid assets: take the daily sums of liquid assets as mentioned in code 16.1.2.1.0.0 to 16.1.2.8.0.0 throughout the month and divide the total by the number of days of that month.</td>
</tr>
<tr>
<td>16.1.2.1.0.0</td>
<td>Cash</td>
<td>Local and foreign currency notes and coins held by cashiers and in vault</td>
</tr>
<tr>
<td>16.1.2.2.0.0</td>
<td>Balances with licensed commercial banks (LCBs)</td>
<td>Favourable balances of current accounts maintained with LCBs in Sri Lanka and Fixed deposits maintained with LCBs maturing within one year and free from any bankers lien or charge</td>
</tr>
<tr>
<td>16.1.2.3.0.0</td>
<td>Balances with licensed specialised bank (LSBs)</td>
<td>Fixed deposits maintained with LSBs (with a credit rating A- or above) maturing within one year and free from any lien or charge</td>
</tr>
<tr>
<td>16.1.2.4.0.0</td>
<td>Balances with licensed finance companies (LFCs)</td>
<td>Fixed deposits maintained with LFCs (with a credit rating A- or above) maturing within one year and free from any lien or charge</td>
</tr>
<tr>
<td>16.1.2.5.0.0</td>
<td>Treasury Bills and Securities issued by the Government of Sri Lanka</td>
<td>Total value of investments in bills and securities issued by the government of Sri Lanka which have a maturity not exceeding 1 year. Bills assigned for borrowings should not be included. Investments in Bills which are maintained for the utilization purpose of Investment Fund Accounts shall be considered.</td>
</tr>
<tr>
<td>16.1.2.6.0.0</td>
<td>Treasury bonds issued under the Registered Stock and Securities Ordinance</td>
<td>Total value of investments in Treasury Bonds. Bonds assigned for borrowings should not be included. Investments in Bonds which are maintained for the purpose of Investment Fund Accounts shall be considered.</td>
</tr>
<tr>
<td>16.1.2.7.0.0</td>
<td>Central Bank of Sri Lanka securities</td>
<td>Total value of investments in securities issued by the Central Bank of Sri Lanka which have a maturity not exceeding 1 year. Bills assigned for borrowings should not be included.</td>
</tr>
<tr>
<td>16.1.2.8.0.0</td>
<td>Such other assets as may be determined by the Director</td>
<td>The Director may be determined any other liquid assets from time to time</td>
</tr>
<tr>
<td>16.1.3.0.0.0</td>
<td>Required Liquid Assets</td>
<td>Required Liquid Assets is calculated automatically – 5% of 16.1.1.0.0.0 with effect from 01.09.2012 and 10% of 16.1.1.0.0.0 with effect from 01.07.2013</td>
</tr>
<tr>
<td>16.1.4.0.0.0</td>
<td>Liquid Assets Ratio</td>
<td>Liquid Assets Ratio is calculated automatically – 16.1.2.0.0.0 as a % of 16.1.1.0.0.0</td>
</tr>
<tr>
<td>16.1.5.0.0.0</td>
<td>Deficit Liquid Assets</td>
<td>Deficit Liquid Assets is calculated automatically – 16.1.2.0.0.0 less 16.1.3.0.0.0</td>
</tr>
<tr>
<td>16.1.6.0.0.0</td>
<td>Charge to be paid to the Central Bank</td>
<td>Charge to be paid to the Central Bank is calculated automatically – 16.1.5.0.0.0/1000</td>
</tr>
</tbody>
</table>

Note: Every specialised leasing company shall use the format at Schedule I to maintain daily liquidity assets.
FINANCE LEASING (DEBT INSTRUMENTS) DIRECTION NO. 1 OF 2007

1. This Direction may be cited as the Finance Leasing (Debt Instruments) Direction No.1 of 2007 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with immediate effect.

2. Subject to the provisions of this Direction, the Finance Leasing (Gearing Ratio) Direction No.4 of 2006 and such other directions that may be issued from time to time, a relevant establishment which,

(i) maintains an unimpaired, issued and paid up capital not less than the amount specified by the Director by Notice issued under paragraph (a) of sub-section (1) of section 34 A of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as the ‘Act’) may borrow money by the issue of debt instruments on public offer basis, under the following conditions:

(a) It shall maintain, at all times, its core capital at an amount not less than Rupees Two Hundred Million.

(b) If the total value of any issue of a debt instrument exceeds Rs.200 million and is not guaranteed by a rated financial institution, which is not a related company, the relevant establishment shall obtain a credit rating for the debt instrument from an independent rating agency acceptable to the Central Bank of Sri Lanka and submit the rating report to the Director within one month from the date of the report, and any revision thereto.

(c) A relevant establishment shall apply for and obtain the written approval of the Director, prior to the publication or display of any advertisement soliciting subscription to a debt issue. A relevant establishment shall forward to the Director a copy of any advertisement, in print or electronic form, at least 3 working days prior to the publication/display of such advertisement. Every advertisement soliciting subscription to a debt issue and to be–

(aa) published in the print media (excluding hoardings, bill boards and banners) by a relevant establishment shall contain a statement that such relevant establishment has been registered under the Finance Leasing Act, No. 56 of 2000; the date of incorporation of the relevant establishment; the names of its directors; the amounts of core capital, borrowings and profit/(loss) as appearing in its financial statements which are certified by its external auditor; the rate of interest, the periodicity of payment of interest and the annual effective rates of interest in respect of all maturities; the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue; and the terms and conditions subject to which the debt instrument is issued;

(bb) transmitted or broadcast through audio or audio-visual media (including websites posted on the internet and electronic mail) by a relevant establishment shall contain a statement that such relevant establishment has been registered under the Finance Leasing Act, No.56 of 2000; the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue; the rate of interest, the periodicity of payment of interest and the annual effective rates of interest in respect of all maturities;

(cc) displayed by a relevant establishment through hoardings, bill boards and banners, shall state the fact that such relevant establishment has been registered under the Finance Leasing Act, No.56 of 2000 and the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue.

(ii) maintains an unimpaired, issued and paid up capital less than the amount specified by the Director by Notice issued under paragraph (a) of sub-section (1) of section 34A of the Act, shall not issue any debt instrument on public offer basis and may borrow money by the issue of debt instruments through private placements.
3. A relevant establishment shall apply and obtain written approval of the Director, prior to the issue of any debt instrument and such application shall contain the following:

(i) the credit rating of the debt instrument or the name and the credit rating of the financial institution that guarantees the issue, type of the debt instrument, attributes of the debt instrument, total value of the issue, sale/discount price of a debt instrument, minimum subscription, redemption period(s), the rate of interest, the periodicity of payment of interest and the annual effective rate of interest in respect of all maturities, security offered, ranking in the order of claims, conditions relating to early redemption, transferability and underwriters, lawyers, auditors, trustees to the issue, if any;

(ii) a certificate by the external auditors of the relevant establishment confirming the unimpaired issued and paid up capital and the core capital of the relevant establishment at the time of application and at the end of the immediately preceding two financial years;

(iii) a certified copy of the section of the Operations Manual of the relevant establishment that covers the operational aspects relating to issue of debt instruments;

(iv) a certified copy of a specimen or a photocopy of the debt instrument (the wording of the text on the face and the terms and conditions on the reverse);

(v) a certified copy of the prospectus delivered to the Registrar of Companies, in terms of the Companies Act, No.7 of 2007, if any;

(vi) a statement by the Board of Directors detailing the manner in which the monies raised by the issue of debt instruments shall be utilised;

(vii) a certified copy of a statement by the Board of Directors containing the following information at the date of application:

(a) amount outstanding of the total borrowing of the relevant establishment
(b) types, terms and conditions and amount outstanding (capital and interest) of borrowings by the issue of debt instruments.

4. The date of redemption of any debt instrument should not be less than one month and should not exceed sixty months from the date of issue of such debt instrument.

5. (i) Every relevant establishment that borrows money by the issue of debt instruments shall issue a debt instrument to every person who invests in such debt instrument, which for all purposes shall be deemed to be an acknowledgement of acceptance of such sum of money by the relevant establishment.

(ii) Every such debt instrument shall be signed by at least two officers, who are authorised by the Board of Directors for the purpose of issuing of debt instruments.

(iii) Every debt instrument shall contain the following:

(a) serial number of the debt instrument;
(b) name and registered address of the relevant establishment;
(c) date of issue of the debt instrument;
(d) name, national identity card number or passport number and the address of the investor;
(e) amount of money received by the relevant establishment by the issue of such debt instrument in words and figures;
(f) the annual rate of interest payable and the basis of payment (monthly or at redemption);
(g) date on which the debt instrument is redeemable;
(h) names of officers who signed the debt instrument.

6. In addition to the requirements imposed under the Financial Transactions Reporting Act, No.6 of 2006
and any Rules issued thereunder, every relevant establishment shall maintain a record of the following particulars in respect of each debt instrument issued by such relevant establishment–

(a) Serial number;
(b) Name, address, contact details and national identity card number or passport number of each investor or in the case of corporate investors, name, registered address, principal place of business, company registration number;
(c) Amount of investment;
(d) Date of redemption of the debt instrument;
(e) Rate of interest and the basis of payment of interest (monthly or at redemption);
(f) Date and amount of each payment (interest and/or principal).

7. Every relevant establishment that borrows money by the issue of debt instruments shall display at each place of business of the relevant establishment, the latest audited financial statements of the relevant establishment.

8. The Director may issue additional terms and conditions as he may deem necessary to any one or group or category of relevant establishments at the time of granting approval under paragraph 3 hereof or at any time thereafter.

9. In this Direction:–

(i) “Board of Directors” means the Board of Directors of the relevant establishment.
(ii) “Core capital” shall mean the aggregate of the following–

(a) issued and paid-up ordinary share capital;
(b) issued and paid-up non-redeemable, non-cumulative preference shares;
(c) share premium;
(d) the Reserve Fund maintained under the Finance Leasing (Reserve Fund) Direction No.5 of 2006;
(e) reserves which are not earmarked for any specified purposes by statute or by the Sri Lanka Accounting Standards;
(f) retained profits or accumulated losses;
(g) current year profits or losses; and
(h) general provision for bad and doubtful accommodations which is an amount provided over and above the specific provision on the non-performing portfolio and an additional specific provision on the performing portfolio, subject to confirmation by the auditors.

(iii) “Debt instrument” means, a debenture, bond, promissory note or any other debt instrument as may be determined by the Director;
(iv) “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka;
(v) “Financial institution” means a bank licensed under the Banking Act, No.30 of 1988 or a finance company registered under the Finance Companies Act, No.78 of 1988 or a finance leasing establishment registered under the Finance Leasing Act, No.56 of 2000;
(vi) “Private placement” means, the issue of any debt instrument, without the issue of a prospectus or advertising through the mass media, including the internet, posts, facsimile, electronic mail, leaflets, banners, posters or booklets or through any kind of propaganda carried out by any means whatsoever;
(vii) “Related company” means the holding company, a subsidiary company and a subsidiary company of the holding company of the relevant establishment.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (STIMULUS PACKAGE CONDITIONS)  
DIRECTION NO. 1 OF 2009

1. This Direction may be cited as the Finance Leasing (Stimulus Package Conditions) Direction No.1 of 2009 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with immediate effect.

2. Notwithstanding the provisions of any other directions issued by the Director under the Act, a beneficiary relevant establishment shall not do any of the following during the Restructuring Period:

   (i) grant loans, credit facilities or any type of financial accommodation, including grants, donations and transfers, either directly or indirectly, to a Related Party;

   (ii) invest, either directly or indirectly, in shares or otherwise, in any Related Company;

   (iii) guarantee, pledge, underwrite or make similar undertaking, either directly or indirectly, with respect to any liability of a Related Party;

   (iv) make any bonus payments, whether in cash or otherwise, to any member of staff or any director of the beneficiary relevant establishment;

   (v) pay dividends on shares, whether by cash or otherwise, to any shareholder in the beneficiary relevant establishment.

3. A beneficiary relevant establishment shall recover at least fifty per cent (50%) of dues, owed as at the date of this Direction, from related companies, except those that are registered finance companies or registered finance leasing establishments, within one month and at least seventy five per cent (75%) of such dues within two months from the date of this Direction.

Provided however, that the Director may determine the quantum of recoveries of such dues and the period of time, having considered representations that would be made by a related company in respect of repayment of dues owed to the relevant establishment.

4. A beneficiary relevant establishment shall reduce its operational and administrative cost as at the date of this direction, by at least twenty per cent (20%) within one month from the date of this Direction and continue the cost reduction during the restructuring period.

5. A beneficiary relevant establishment, in which the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by one and the same person, shall appoint an independent Chief Executive Officer within one month from the date of applying for a facility under the Stimulus package.

6. A beneficiary relevant establishment shall not remove any member of the Board of Directors or key management personnel or allow any member of the Board of Directors or key management personnel to resign from or vacate the current position during the restructuring period without approval of the Director.

7. A beneficiary relevant establishment shall reduce salaries/remunerations/ emoluments of the members of the Board of Directors and key management personnel by at least 25 per cent from the amount applicable on the date of the Direction and shall maintain this reduction during the restructuring period.
8. In paying of gratuity and other retirement benefits in the event of a retirement of a member of the Board of Directors who is an employee of a beneficiary relevant establishment or its Key Management Personnel, the company shall–

(i) calculate the gratuity payment on the amount eligible as salary on the date of retirement;
(ii) limit cash payment to a maximum of Rs.500,000/-; and
(iii) pay the balance of the gratuity or retirement benefit in the form of a three year promissory notes in the relevant establishment which cannot be withdrawn prematurely.

9. The Board of Directors and the Chief Executive Officer of a beneficiary relevant establishment shall assess the situation of the company continuously and submit reports as required by the Director covering key areas, including the following:

(a) Inflow of new promissory notes or commercial papers, withdrawals of promissory notes or commercial papers, renewals of matured promissory notes or commercial papers.
(b) Disposal of assets.
(c) Recovery of accommodations.
(d) Position of liquid assets.
(e) Mismatch of assets and liabilities for the next 7 days, 14 days, 21 days and 30 days, and action plan to meet negative gaps.

10. For the purposes of this Direction –

(a) Accommodation shall mean loans, facilities under hire purchase or lease agreement, provision of funds through debt securities such as bonds, debentures, asset backed securities, commercial paper, promissory note or such other financial facility as may be determined by the Director.
(b) Act shall mean the Finance Leasing Act, No.56 of 2000.
(c) Director shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
(d) Key Management Personnel shall mean those persons having authority and responsibility for planning, directing and/or controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.
(e) Restructuring Period shall mean the time period between the date of application by a beneficiary relevant establishment for any facility or concession under the ‘Stimulus Package for Finance and Leasing Industry – 2009 and the date of repayment and settlement in full of all facilities obtained thereunder.
(f) Related Company shall mean any of the following:
   (i) its subsidiary company;
   (ii) its associate company;
   (iii) its holding company;
   (iv) a subsidiary company or associate company of its holding company.
   (v) any company in the same group of companies to which the beneficiary relevant establishment belong.
(g) Related Party shall mean any of the following:
   (i) A Related Company as defined in item (g) hereinaabove;
   (ii) A past or present director of the beneficiary relevant establishment.
(iii) A past or present key management personnel of the beneficiary relevant establishment;

(iv) A relative of a past or present director or a past or present key management personnel of the beneficiary relevant establishment;

(v) A shareholder who owns shares exceeding 10% of the paid up capital of the beneficiary relevant establishment;

(vi) A concern in which a past or present director or past or present key management personnel of the beneficiary relevant establishment or a relative of a past or present director or past or present key management personnel or a shareholder who owns shares exceeding 10% of the paid up capital of the beneficiary relevant establishment, has substantial interest.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
1. This Direction may be cited as the Finance Leasing (Opening/Shifting/Closure of Branches/Business Places) Direction No.3 of 2010 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of Section 3 of the Finance Leasing Act (hereinafter referred to as ‘specialised leasing company’) with immediate effect.

2. No specialized leasing company shall open, change the location or close any of its branches/Business Places without the prior approval in writing of the Director. Business Places shall mean offices, window offices, service centres or any other outlets operated by the specialised leasing company.

3. The evaluating criteria of the specialised leasing company when assessing a request for approval for a new branch or a Business Place are as follows:–
   (a) Core capital as per last audited financial statements;
   (b) The level of compliance with the Regulations/Directions/Instructions issued under the Finance Leasing Act, No. 56 of 2000;
   (c) The business / financial profile and profitability;
   (d) Assets quality;
   (e) The level of liquidity;
   (f) The availability of qualified and experienced staff at all levels;
   (g) Convenience of the proposed location to the customers ; and
   (h) Strength of Information Technology.

4. Issuing of debt instruments may be carried out only by the head office or a branch, of a specialised leasing company.

5. The specialized leasing company shall use the following formats of application for seeking approval.
   (i) Form “A” for an opening of a new branch / Business Place;
   (ii) Form “B” for closure of existing branch / Business Place;
   (iii) Form “C” for shifting of a branch / Business Place.

6. Validity period of approval shall be six months from the date of approval;

7. No specialized leasing company shall close its any of branches / business places for business on any day, which is not a holiday declared by the Ceylon Chamber of Commerce, without the prior approval in writing of the Director.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
**APPLICATION FOR OPENING OF A BRANCH / BUSINESS PLACE**

1. Name of the specialized leasing company:

2. Category: head office / branch / window office / service centres / any other outlets:

3. Core Capital [as shown in the last audited balance sheet]:

4. Address of the proposed location:

5. Details of the existing places of business belonging to the company or its related companies in the administrative district where the branch/business place is proposed to be established:

(A) Applicant Company:

<table>
<thead>
<tr>
<th>Location of the place of business</th>
<th>Date of establishment</th>
<th>Type of business</th>
<th>As per last audited financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total Accommodations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(B) Other entities belonging to the same group of companies operating in the administrative district where the branch / business place is proposed to be located:

<table>
<thead>
<tr>
<th>Name of the Entity</th>
<th>Address of the place of business</th>
<th>Type of business</th>
<th>Relationship to the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Names of other specialized leasing companies in the town / village where the proposed branch / business place is to be located:

7. Names of commercial banks and registered finance companies in the town / village where the proposed branch / business place is to be located:

8. The main types of business of the proposed branch / business place:

9. Estimated capital expenditure in respect of opening of a new branch / business place:
   (a) Land & building / rent paid in advance:
   (b) Furniture, fittings and fixtures:
   (c) Office equipment:
   (d) Other fixed assets:
   (e) Other:

10. Means of communication / flow of information (i.e., messenger / courier / facsimile / on-line systems) and the frequency of flow of information (i.e., daily / weekly / monthly) between the proposed branch / business place and the head office:
11. Projections for the first three years of operations of the proposed branch / business place:

(a) Accommodation :

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Leasing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factoring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Borrowings :

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promissory Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Papers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(c) Income :

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Leasing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire purchase</td>
<td></td>
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<tr>
<td>Factoring</td>
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<tr>
<td>Real estate</td>
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<tr>
<td>Other</td>
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<tr>
<td>Non-interest income:</td>
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</tbody>
</table>

(d) Expenses:

<table>
<thead>
<tr>
<th></th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
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</thead>
<tbody>
<tr>
<td>Interest on debt instruments</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Salaries &amp; wages</td>
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<td>Rent</td>
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<td>Depreciation</td>
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<tr>
<td>Other expenses</td>
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</tbody>
</table>

(e) Profit / (Loss) :

|                  |          |          |          |

12. Names, qualifications and experience of the officers who will be posted as manager (officer in charge) and second officer to the proposed branch / business place and details of support staff :

13. Whether necessary approval has been obtained from the relevant local authority to establish a branch / Business Place at the proposed location :

I certify that the above information is true and correct.

Name of the officer : ............................................

Designation : ..................................................

Signature : ..................................................

Date : .....................................................
APPLICATION FOR CLOSURE OF A BRANCH / BUSINESS PLACE

1. Name of the specialized leasing company:

2. Category: head office / branch / window office / service centres / any other outlets:

3. Address of the location to be closed:

4. Details of the branch / business place to be closed as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>As per the latest financial statements Rs. ’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Core Capital</td>
<td></td>
</tr>
<tr>
<td>Total Accommodation</td>
<td></td>
</tr>
<tr>
<td>Finance Leasing (including No. of contract)</td>
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<tr>
<td>Hire Purchase</td>
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</tr>
<tr>
<td>Total borrowings</td>
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<tr>
<td>Promissory notes borrowings</td>
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<tr>
<td>Commercial paper borrowings</td>
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<tr>
<td>Others</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
</tr>
<tr>
<td>Profit / (Loss)</td>
<td></td>
</tr>
<tr>
<td>No. of investors on debt instruments</td>
<td></td>
</tr>
</tbody>
</table>

5. Whether necessary approval has been obtained from the relevant local authority to close the branch / business place:

6. Action to be taken on investors of debt instruments holders:

7. Justifying reasons for the closure of branch / business place:

I certify that the above information is true and correct.

Name of the officer: ...........................................

Designation: ..........................................................

Signature: ..........................................................

Date: .............................................................
APPLICATION FOR SHIFTING OF A BRANCH / BUSINESS PLACE

1. Name of the specialized leasing company:

2. Category: head office / branch / window office / service centres / any other outlets:

3. Address of the current location:

4. Address of the proposed location:

5. Details of the branch/business place to be shifted as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>As per the latest financial statements Rs. ’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Core Capital</td>
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<tr>
<td>Total Accommodation</td>
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<tr>
<td>Finance Leasing (including No. of contract)</td>
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<tr>
<td>Hire Purchase</td>
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<tr>
<td>Total borrowings</td>
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<tr>
<td>Promissory notes borrowings</td>
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<tr>
<td>Commercial paper borrowings</td>
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<tr>
<td>Others</td>
<td></td>
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<tr>
<td>Total Assets</td>
<td></td>
</tr>
<tr>
<td>Profit / (Loss)</td>
<td></td>
</tr>
<tr>
<td>No. of investors on debt instruments</td>
<td></td>
</tr>
</tbody>
</table>

6. Whether necessary approval has been obtained from the relevant local authority to shift the branch / business place to the proposed location from the existing location:

7. Justifying reasons for the shifting of branch / business place:

I certify that the above information is true and correct.

Name of the officer: ________________________________
Designation: ______________________________________
Signature: ________________________________________
Date: ____________________________________________
1. This Direction may be cited as the Finance Leasing (Structural Changes) Direction No.3 of 2011 and shall apply to every registered finance leasing establishment which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act, No.56 of 2000 (hereinafter referred to as ‘specialised leasing company’) with immediate effect.

2. No specialised leasing company without the prior approval in writing from the Director:–

(a) establish any subsidiary or associate company;

(b) enhance or reduce its issued capital;

(c) sell specialised leasing company’s/subsidiary’s business or part of business;

(d) change the name of the company;

(e) acquire whole or part of the business of any other leasing company, finance company or any other company;

(f) change its Articles of Associations;

(g) amalgamate, consolidate or merge the company with any other leasing company or any other institution(s);

(h) change the Board of Directors and Chief Executive Officer/Managing Director/General Manager;

(i) opening/closure/shifting of a branch or a business place; and

(j) transfer assets and or liabilities of the company.

3. Any specialised leasing company which fails to comply with the provisions of section (2) shall, pay to the Central Bank a charge equivalent to Rs. 250,000 per violation.

4. Finance Leasing (Corporate and Operational Information) Direction No. 7 of 2006 is hereby revoked.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred as “Director”) is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as “specialised leasing companies”) for the purpose of ensuring that competent and qualified auditors conduct external audits as part of measures to maintain efficient standards in carrying out duties of specialised leasing companies. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Panel of External Auditors) Direction No.5 of 2012.

**FINANCE LEASING**  
(PANEL OF EXTERNAL AUDITORS)  
**DIRECTION No. 5 OF 2012**

Panel of external auditors.

1. Every specialised leasing company shall select an external auditor to audit its financial statements from the following panel of auditors,

<table>
<thead>
<tr>
<th>Name of the auditor</th>
<th>Head office address</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. BDO Partners</td>
<td>‘Charter House’</td>
</tr>
<tr>
<td></td>
<td>65/2, Sir Chittampalam A Gardiner Mawatha Colombo 02</td>
</tr>
<tr>
<td>b. B.R.De Silva &amp; Company</td>
<td>22/4, Vijaya Kumaratunga Mawatha Colombo 05</td>
</tr>
<tr>
<td>c. B. V. Fernando &amp; Company</td>
<td>70/B/8/SP, Old Y.M.B.A. Building Colombo 08</td>
</tr>
<tr>
<td>d. Ernst &amp; Young</td>
<td>201, De Saram Place Colombo 10</td>
</tr>
<tr>
<td>e. HLB Edirisinghe &amp; Company</td>
<td>45, Braybrooke Street Colombo 02</td>
</tr>
<tr>
<td>f. KPMG Ford Rhodes Thornton &amp; Company</td>
<td>32/A, Sir Mohamed Macan Markar Mawatha Colombo 03</td>
</tr>
<tr>
<td>g. Kreston MNS &amp; Company</td>
<td>50/2, Sir James Peiris Mawatha Colombo 02</td>
</tr>
<tr>
<td>h. SIMS Associates</td>
<td>2, Castle Lane Colombo 04</td>
</tr>
<tr>
<td>i. PricewaterhouseCoopers</td>
<td>100, Braybrooke Place Colombo 02</td>
</tr>
</tbody>
</table>

2. Every specialised leasing company shall select an audit firm from the above panel to audit the financial statements commencing next financial year.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (CORPORATE GOVERNANCE)
DIRECTION No. 4 OF 2009

1. This Direction may be cited as the Finance Leasing (Corporate Governance) Direction No. 4 of 2009 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act (hereinafter referred to as a ‘relevant establishment’) and shall come into operation with effect from 01 January, 2010.

2. The Responsibilities of the Board of Directors
   (1) The Board of Directors (hereinafter referred to as the Board) shall strengthen the safety and soundness of the relevant establishment by—
      (a) approving and overseeing the relevant establishment’s strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the relevant establishment;
      (b) approving the overall business strategy of the relevant establishment, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;
      (c) identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;
      (d) approving a policy of communication with all stakeholders, including lenders, creditors, shareholders and borrowers;
      (e) reviewing the adequacy and the integrity of the relevant establishment’s internal control systems and management information systems;
      (f) identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;
      (g) defining the areas of authority and key responsibilities for the Board and for the key management personnel;
      (h) ensuring that there is appropriate oversight of the affairs of the relevant establishment by key management personnel, that is consistent with the relevant establishment’s policy;
      (i) periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the identification of weaknesses and implementation of changes where necessary;
      (j) ensuring that the relevant establishment has an appropriate succession plan for key management personnel;
      (k) meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;
      (l) understanding the regulatory environment;
      (m) exercising due diligence in the hiring and oversight of external auditors.

   (2) The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.

   (3) There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the relevant establishment’s expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the relevant establishment.
(4) A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.

(5) The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the relevant establishment is firmly under its authority.

(6) The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action.

(7) The Board shall include in the relevant establishment’s Annual Report, an annual corporate governance report setting out the compliance with this Direction.

(8) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.

3. Meetings of the Board

(1) The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board’s consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.

(2) The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the relevant establishment.

(3) A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For other Board meetings, a reasonable notice shall be given.

(4) A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors’ meetings through an alternate director shall, however, be acceptable as attendance.

(5) The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.

(6) If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.

(7) All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.

(8) The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.

(9) Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:

(a) a summary of data and information used by the Board in its deliberations;

(b) the matters considered by the Board;

(c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;

(d) the explanations and confirmations of relevant executives which indicate compliance with the Board’s strategies and policies and adherence to relevant laws and regulations;
(e) the Board’s knowledge and understanding of the risks to which the relevant establishment is exposed and an overview of the risk management measures adopted; and

(f) the decisions and Board resolutions.

4. Composition of the Board

(1) Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 9.

(2) Subject to paragraph 5(1) and the transitional provisions contained herein, the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.

(3) Subject to the transitional provisions contained herein, an employee of a relevant establishment may be appointed, elected or nominated as a director of the relevant establishment (hereinafter referred to as an “executive director”) provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.

(4) Commencing 01.01.2013, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.

A non-executive director shall not be considered independent if such director:

(a) has shares exceeding 2% of the paid up capital of the relevant establishment or 10% of the paid up capital of another relevant establishment;

(b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the relevant establishment as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the relevant establishment as shown in its last audited balance sheet;

(c) has been employed by the relevant establishment during the two year period immediately preceding the appointment as director;

(d) has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the relevant establishment or exceeding 12.5% of the paid up capital of another relevant establishment;

(e) represents a shareholder, debtor, or such other similar stakeholder of the relevant establishment;

(f) is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization:

i. which has a transaction with the relevant establishment as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment; or

ii. in which any of the other directors of the relevant establishment is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment; or

iii. in which any of the other directors of the relevant establishment has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the relevant establishment.

(5) In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.
(6) Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.

(7) Commencing 01.01.2013, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one third of the number of directors that constitute the quorum at such meeting are non-executive directors.

(8) The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the relevant establishment. The relevant establishment shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.

(9) There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.

(10) All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.

(11) If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director’s disagreement with the Board, if any.

5. Criteria to assess the fitness and propriety of directors

(1) Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a relevant establishment.

(2) A director of a relevant establishment shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the relevant establishment. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.

6. Management functions delegated by the Board

(1) The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.

(2) The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the relevant establishment.

7. The Chairman and the Chief Executive Officer

(1) The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after three years commencing from January 01, 2010.

(2) The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent
element. The designation of the Senior Director shall be disclosed in the relevant establishment’s Annual Report.

(3) The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.

(4) The chairman shall:

(a) provide leadership to the Board;
(b) ensure that the Board works effectively and discharges its responsibilities; and
(c) ensure that all key issues are discussed by the Board in a timely manner.

(5) The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.

(6) The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.

(7) The chairman shall encourage each director to make a full and active contribution to the Board’s affairs and take the lead to ensure that the Board acts in the best interests of the relevant establishment.

(8) The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.

(9) Subject to the transitional provisions contained herein, the chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.

(10) The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.

(11) The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the relevant establishment’s operations and business.

8. Board appointed Committees

(1) Every relevant establishment shall have at least two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the relevant establishment.

(2) Audit Committee

The following shall apply in relation to the Audit Committee:

(a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.
(b) The majority of Board members appointed to the committee shall be non-executive directors.
(c) The committee shall make recommendations on matters in connection with:

(i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;
(ii) the implementation of the Central Bank guidelines issued to external auditors from time to time;
(iii) the application of the relevant accounting standards; and
(iv) the service period, audit fee and any resignation or dismissal of the external auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.

(d) The committee shall review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.

(e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor’s independence or objectivity. When assessing the external auditor’s independence or objectivity in relation to the provision of non-audit services, the committee shall consider:

(i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;
(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and
(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.

(f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:

(i) an assessment of the relevant establishment’s compliance with Directions issued under the Act and the management’s internal controls over financial reporting;
(ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and
(iii) the co-ordination between auditors where more than one auditor is involved.

(g) The committee shall review the financial information of the relevant establishment, in order to monitor the integrity of the financial statements of the relevant establishment, its Annual Report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the relevant establishment’s Annual Report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:

(i) major judgmental areas;
(ii) any changes in accounting policies and practices;
(iii) significant adjustments arising from the audit;
(iv) the going concern assumption; and
(v) the compliance with relevant accounting standards and other legal requirements.

(h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.

(i) The committee shall review the external auditor’s management letter and the management’s response thereto.
(j) The committee shall take the following steps with regard to the internal audit function of the relevant establishment:

(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;

(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;

(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;

(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;

(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;

(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;

(k) The committee shall consider the major findings of internal investigations and management’s responses thereto;

(l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.

(m) The committee shall have:

(i) explicit authority to investigate into any matter within its terms of reference;

(ii) the resources which it needs to do so;

(iii) full access to information; and

(iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.

(n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

(o) The Board shall, in the Annual Report, disclose in an informative way:

(i) details of the activities of the audit committee;

(ii) the number of audit committee meetings held in the year; and

(iii) details of attendance of each individual member at such meetings.

(p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.

(q) The committee shall review arrangements by which employees of the relevant establishment may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the relevant establishment’s relations with the external auditor.

(3) Integrated Risk Management Committee

The following shall apply in relation to the Integrated Risk Management Committee:

(a) The committee shall consist of at least one non-executive director, chief executive officer and key management personnel supervising broad risk categories, i.e., credit, market, liquidity,
operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.

(b) The committee shall assess all risks, *i.e.*, credit, market, liquidity, operational and strategic risks to the relevant establishment on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the relevant establishment basis and group basis.

(c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.

(d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the relevant establishment’s policies and regulatory and supervisory requirements.

(e) The committee shall, at least quarterly, assess all aspects of risk management including updated business continuity plans.

(f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

(g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board’s views, concurrence and/or specific directions.

(h) The committee shall establish a compliance function to assess the relevant establishment’s compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.

9. Related Party Transactions

(1) The following shall be in addition to the provisions contained in the Finance Leasing (Lending) Direction, No.2 of 2009 and the Finance Leasing (Business Transactions with Directors and their Relatives) Direction, No.3 of 2009 or such other directions that shall repeal and replace the said directions from time to time.

(2) The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the relevant establishment with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction:

(a) A subsidiary of the relevant establishment;
(b) Any associate company of the relevant establishment;
(c) A director of the relevant establishment;
(d) A key management personnel of the relevant establishment;
(e) A relative of a director or a key management personnel of the relevant establishment;
(f) A shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment;
(g) A concern in which a director of the relevant establishment or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment, has substantial interest.
The transactions with a related party that are covered in this Direction shall be the following:

(a) Granting accommodation,
(b) Creating liabilities to the relevant establishment in the form of borrowings and investments,
(c) Providing financial or non-financial services to the relevant establishment or obtaining those services from the relevant establishment,
(d) Creating or maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.

The Board shall ensure that the relevant establishment does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to an unrelated comparable counterparty of the relevant establishment. For the purpose of this paragraph, “more favourable treatment” shall mean:

(a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the relevant establishment’s regulatory capital, as determined by the Board.

The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the relevant establishment’s share capital and debt instruments with a remaining maturity of 5 years.

(b) Charging a rate of interest lower than the relevant establishment’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;

(c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;

(d) Providing or obtaining services to or from a related-party without a proper evaluation procedure;

(e) Maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.

10. Disclosures

(1) The Board shall ensure that annual audited financial statements and periodical financial statements are prepared and published in accordance with the requirements of the regulatory and supervisory authorities and applicable accounting standards.

(2) The Board shall ensure that at least the following disclosures are made in the Annual Report:

(a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.

(b) A report by the Board on the relevant establishment’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.

(c) The external auditor’s certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after 01 January 2011.

(d) Details of directors, including names, transactions with the relevant establishment.

(e) Fees/remuneration paid by the relevant establishment to the directors in aggregate, in the Annual Reports published after January 01, 2011.
(f) Total net accommodation as defined in paragraph 9(7) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage capital funds of the relevant establishment.

(g) The aggregate values of remuneration paid by the relevant establishment to its key management personnel and the aggregate values of the transactions of the relevant establishment with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and borrowing through debt instruments or investments made in the relevant establishment.

(h) A report setting out the details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.

(i) The external auditor’s certification of the compliance with the Act and directions issued by the Director of Department of Supervision of Non-Bank Financial Institutions in the annual corporate governance reports published after January 01, 2012.

11. Transitional provisions

(1) If the number of directors on the Board of a relevant establishment is either less than 5 or exceed 9, such relevant establishment shall comply with paragraph 4(1) hereof, within three years from 01.01.2010.

(2) If the number of executive directors in a relevant establishment is more than one half of the number of directors of the Board, the Board shall expressly identify the excess executive directors and inform the names of such excess executive directors to the Director of the Department of Supervision of Non-Bank Financial Institutions within three months from 01.01.2010. On the expiry of three years commencing 01.01.2010, such excess executive directors shall not be considered as members of the Board.

(3) The following transitional provision shall apply to the 9-year retirement requirement imposed under paragraph 4(2) of this Direction:

A director who has completed nine years as at January 01, 2010 or who completes such term at any time prior to December 31, 2010, may continue for a further maximum period of 3 years commencing January 01, 2010.

(4) The following transitional provision shall apply to the maximum age limit imposed under paragraph 5(1) of this Direction:

A director who has reached the age of 70 years as at January 01, 2010 or who would reach the age of 70 years prior to December 31, 2010, may continue in office for a further maximum period of three years commencing January 01, 2010.

(5) The following transitional provision shall apply to the maximum 20 company directorship limitation imposed under paragraph 5(2) of this Direction:

If any person holds posts of director in excess of the limitation given in paragraph 5(2), such person shall within a period of three years from January 01, 2010, comply with the limitation and notify the Director of the Department of Supervision of Non-Bank Financial Institutions accordingly.

(6) If the Director of the Department of Supervision of Non-Bank Financial Institutions considers that exemptions referred to in sub-paragraphs 11(3), 11(4) and 11(5) should not be availed of for a person for any reason such as ill health or legal or personal incapacity of such person, such reason may be notified to such person by the Director of the Department of Supervision of Non-Bank Financial Institutions, and after a hearing, the Director of the Department of Supervision of Non-Bank Financial Institutions may limit the period of exemption.
12. Definitions

(1) “Act” shall mean the Finance Leasing Act, No.56 of 2000.

(2) “accommodation” shall have the same meaning as contained in the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No.2 of 2006.

(3) “relative” shall mean the spouse and dependent child of an individual.

(4) “key management personnel” are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

(5) “substantial interest”

   (i) in relation to a company means the holding of a beneficial interest by another company or an individual or his relative whether singly or taken together, in the shares thereof the paid up value of which exceeds one million rupees or ten per centum of the paid up capital of the company, whichever is less or the existence of guarantee or indemnity given by an individual or his relative or by another company on behalf of such company;

   (ii) in relation to a firm means the holding of a beneficial interest in the capital thereof by an individual or his relative which singly or take together represents more than ten per centum of the total capital subscribed by all partners of that firm or the existence of a guarantee or indemnity given by an individual or his or her spouse or parent or child on behalf of such firm.

(6) “Associate company” when used in relation to a relevant establishment shall mean a company in which the relevant establishment holds not less than 20 per centum and not more than 50 per centum of the paid up ordinary share capital of the investee company.

(7) “body corporate” means a person incorporate under the laws of Sri Lanka or any other foreign country.

(8) “Society” mean shall have the meaning assigned to it in the Societies Ordinance, No. 16 of 1891.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
FINANCE LEASING (ASSESSMENT OF FITNESS AND PROPRIETY OF ALL DIRECTORS ON THE BOARD AND OFFICERS PERFORMING EXECUTIVE FUNCTIONS)
DIRECTION No. 3 OF 2012

In terms of Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred to as “Director”) is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as ‘specialised leasing companies’) for the purpose of ensuring that such specialised leasing companies maintain efficient standards in carrying out their business operations.

Fitness and Propriety of all directors on the board and officers performing executive functions is a key requirement to ensure good governance and effective risk management in the specialised leasing companies and thereby to promote stability in the financial system. Therefore, in the exercise of the powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director hereby issues the Finance Leasing (Assessment of Fitness and Propriety of all Directors on the Board and Officers performing executive functions) Direction No. 3 of 2012 and shall apply to every specialised leasing company from the date of this direction.

1. No person shall be appointed as a director of a specialised leasing company, or as an officer performing executive functions (hereinafter referred to as “officer”) in such company unless such person is a fit and proper person to hold office as a director or an officer in terms of the provisions of this Direction.

2.1 In assessing the fitness and propriety of a person for the purpose of section 1 above, the following matters shall be considered by the Director:

(a) that such person possesses academic or professional qualifications or effective experience, in banking, finance, business, administration or of any other relevant discipline;

(b) that such person is not being subjected to any investigation or inquiry involving fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, Commission of Inquiry, tribunal or other body established by law, in Sri Lanka or abroad;

(c) that such person has not been found guilty in respect of an act of fraud, deceit, dishonesty or other similar criminal activity, by any court of law, regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, at any time during the period of fifteen years immediately prior to being so appointed or elected;

(d) that such person has not been found by any regulatory or supervisory authority, professional association, commission of inquiry, tribunal, or any other body established by law, in Sri Lanka or abroad, that such person has committed or has been connected with the commission of any act which involves fraud, deceit, dishonesty, improper conduct or non-compliance with provisions of any Statute or rules, regulations, directions or determinations issued thereunder;

(e) that such person has been convicted in any court in Sri Lanka or abroad for an offence involving moral turpitude;
(f)  
(i) that such person is being subject to court proceedings for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity;

(ii) that such person has been convicted by any court for an offence involving an act of fraud, deceit, dishonesty or other similar criminal activity at any time during the period of fifteen years immediately prior to being so appointed or elected;

(g) that such person has not been declared insolvent or declared bankrupt in Sri Lanka or abroad;

(h) that such person has not failed to satisfy any judgment or order of any court whether in Sri Lanka or abroad, or to repay a debt;

(i) that such person has not been declared by a court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind;

(j) that such person has not been convicted by any court for any offence under the Finance Business Act, No.42 of 2011 or the Companies Act, No.07 of 2007 or Banking Act, No.30 of 1988;

(k)  
(i) that such person is not a person against whom action has been taken by the Monetary Board of the Central Bank of Sri Lanka under section 51 of the Finance Business Act, No.42 of 2011;

(ii) that such person has not been determined by the Monetary Board as having carried on finance business or accepted deposits in contravention of section 2 of the Finance Business Act, No.42 of 2011 or has been a director, chief executive officer or held any other position of authority in any body corporate or unincorporated body which the Monetary Board has determined as having carried on finance business or accepted deposits in contravention of section 2 of the Finance Business Act, No.42 of 2011;

(l) that such person has not been removed or suspended by a regulatory or supervisory authority from serving as a Director, chief executive officer or other officer or an employee in any bank, finance company, specialised leasing company or a corporate body in Sri Lanka or abroad;

(m) that such person has not been a Director, chief executive officer or held any other position of authority in any bank, finance company, specialised leasing company or financial institution:

(i) whose licence or business has been cancelled or suspended on grounds of regulatory concerns; or

(ii) which has been wound up or is being wound up, or which is being compulsorily liquidated;

whether in Sri Lanka or abroad.

2.2 In addition, criteria set out in section 5 of the Direction, No. 4 of 2009 on Corporate Governance for Specialised Leasing Companies shall also be applicable for all directors on the board.

3.1 Every specialised leasing company shall obtain from respective directors or officers selected for appointment an affidavit and declaration as in Annex I and II and submit to the Director, seeking approval for appointment.
3.2 In addition to 3.1, a letter from the institution/company in which such director or officer held office immediately preceding the appointment regarding the level of performance of duties assigned to him/her in the particular institution shall be submitted to Director.

3.3 With respect to existing Directors and officers, specialised leasing companies shall obtain affidavits and declarations as in Annex I and II respectively, and submit to the Director within thirty days of this Direction.

3.4 In respect of every continuing Director, a specialised leasing company shall obtain and submit affidavits and declarations to Director annually before the Annual General Meeting of the respective specialised leasing company if such Directors are nominated for re-appointment.

4.1 The Director may, having regard to the matters specified in section 2 of this Direction, approve or refuse to approve the appointment or continuation as the case may be as a director or an officer of a specialised leasing company.

4.2 The Director shall notify the specialised leasing company of such approval or refusal giving reasons therefor and it shall be the duty of the specialised leasing company to communicate such notification to the Director or the officer concerned and implement same.

5. Where the Director, having regard to the matters specified in section 2 of this Direction, is satisfied at any time that a person appointed or continued is not fit and proper as a Director or an officer for continuation, may determine that the person is not fit and proper to be a Director or an officer of a specialised leasing company and the section 4.2 above shall be applicable thereafter.

6.1 Every specialised leasing company shall notify the Director of any reasonable suspicions or findings to the effect that any Director or an officer is not a fit and proper person to hold office in the respective specialised leasing company within fourteen days of it being aware of such suspicion or findings.

6.2 If circumstances vary, change, render invalid, make inapplicable or falsify the information contained in an affidavit or declaration submitted by a director or an officer, such person shall, within fourteen days, notify the Director.

7.1 A person aggrieved by the refusal or determination of the Director under sections 4.1 or 5 of this Direction may within fourteen days of receipt of the communication sent by the specialised leasing company make an appeal giving reasons in writing in justifiable manner to the Monetary Board of the Central Bank of Sri Lanka.

7.2 The Monetary Board may, after considering reasons given by the Director and the appeal of the aggrieved party, decide either to confirm or over-rule the refusal/decision made by the Director.

8. In this Direction, unless the context otherwise requires:–

(a) “Act” shall mean the Finance Leasing Act, No.56 of 2000.

(b) “Date of receipt” of any document under this Direction shall be, if sent via facsimile, electronic mail or hand delivery: on the same day of dispatch; if sent via registered post: on the expiry of 3 working days from the date of dispatch. For the purposes of clarity, if a document has been dispatched on more than one delivery method, the time of delivery of the most expeditious method shall be considered.
(c) “Officers performing executive functions” in a specialised leasing company are as follows:

(i) Chief Executive Officer / General Manager
(ii) Additional General Manager
(iii) Senior Deputy General Manager
(iv) Deputy General Manager
(v) Assistant General Manager
(vi) Chief Operating Officer
(vii) Chief Risk Officer
(viii) Chief Accountant
(ix) Chief Financial Officer
(x) Chief Internal Auditor
(xi) Compliance Officer
(xii) Head of Treasury
(xiii) Head of Legal
(xiv) Head of Information Technology
(xv) Head of Marketing
(xvi) Company Secretary
(xvii) Officers serving as consultants or advisors to the board of Directors of the specialised leasing company.
(xviii) Any other officer within the meaning of “key management personnel” as stated in the Finance Leasing (Corporate Governance), Direction No.04 of 2009.

This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.
Name of Specialised Leasing Company: .................................................................

AFFIDAVIT

I, ......................................................................................................................... (full name)

holder of National Identity Card No. / Passport No. ......................................................... of

................................................................................................................................. (address)

being a [Buddhist / Hindu / Christian / Catholic / Muslim] do hereby solemnly, sincerely and truly declare and [affirm / make oath and state] (a) as follows:

1. I am the [affirmant / deponent] above named and ( I am / I have been selected for appointment as)

........................................ (designation) of ......................................................... (name of the specialised leasing company):

2. I [affirm / state] that I possess the following academic and / or professional qualification/s in banking, finance, business, administration or of any other relevant discipline:

3. I [affirm / state] that the effective experience that I possess in banking, finance, business, administration or of any other relevant discipline is as follows:

4. I [affirm / state] that I am not subjected to any disqualifications given under Section 2.1 and 2.2 (b) of the Finance Leasing (Assessment of Fitness and Propriety of all Directors on the Board and Officers Performing Executive Functions) Directions No. 3 of 2012.

The averments contained herein were read over to the [affirmant / deponent] who having understood the contents hereof and having accepted same as true, affirmed / swore to and placed his / her signature at

................................. on this
................................. day of
.................................

Affix Stamps as applicable

Before me

JUSTICE OF THE PEACE /
COMMISSIONER FOR OATHS

(a) Delete the inapplicable words- Buddhist, Hindu, Muslims and any persons who is not a Christian or a Catholic should solemnly sincerely and truly declare and affirm. Christians and Catholic should make oath and state.

(b) Section 2.2 of the Direction shall be applicable only for all directors on the Board / Directors selected for appointment to the Board.
Name of Specialised Leasing Company: ..............................................................................................

DECLARATION

1. Personal Details
1.1 Full name: ........................................................................................................................................
1.2 National Identity Card Number: ........................................................................................................
1.3 Passport Number: ..........................................................................................................................
1.4 Date of birth: ......................................................................................................................................
1.5 Permanent address: ................................................................................................................................
1.6 Present address: ...................................................................................................................................

2. Appointment to the Specialised Leasing Company
2.1 Date of appointment to the board / present position:
   (please attach a certified copy of the appointment letter in the case of an officer performing executive functions):
   ............................................................................................................................................................
2.2 Designation: ......................................................................................................................................
2.3 Local or expatriate: ............................................................................................................................
2.4 Annual remuneration (with details): ...................................................................................................
2.5 Annual value of benefits derived by Director or officer performing executive functions and/or his/her family from company assets. (Example by use of company land, building, vehicles, etc).
   2.5.1 Expenses borne by the company on account of the maintenance of assets referred to in 2.5 or for reimbursement of any expenses (credit card bills, utility bills etc.)
2.6 Purchased value and book value of such assets and the location of immovable assets.

3. Personal Details of Relatives(c)
3.1 Full name of spouse: ..........................................................................................................................
3.2 National Identity Card Number: ........................................................................................................
3.3 Passport Number: ............................................................................................................................
3.4 Details of dependant children:

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<tr>
<th>Full name</th>
<th>NIC No.</th>
<th>Passport No.</th>
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(c) Relative – In relation to a director means spouse or dependent child of such director.
4. Background and Experience

Name/s of specialised leasing company/ies or licensed finance company/ies or licensed bank/s, if any, in which he/she is or has been a Director or has been employed as an officer performing executive functions:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Period of office</th>
<th>Designation</th>
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5. Shareholdings in Specialised Leasing Companies and their Related Companies

Share ownerships in specialised leasing companies, their subsidiaries and associates, if any, presently held:

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>No. of shares</th>
<th>Percentage holding</th>
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6. Business Transactions(d)

Any business transaction the Director or officer performing executive functions presently has with the specialised leasing company, its subsidiaries or associates if any.

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Date of transaction</th>
<th>Amount as at ∙∙∙∙∙∙∙∙∙∙∙∙ (Rs. mn)</th>
<th>Classification (performing/non-performing)</th>
<th>Type and value of collateral (Rs. mn)</th>
<th>% of the specialised leasing company’s Capital Funds</th>
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<tr>
<td>Limit</td>
<td>Out-standing</td>
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<tr>
<td>Loans and such other accommodation obtained from the specialised leasing company</td>
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<tr>
<td>Loans and such other accommodation obtained from subsidiaries and associates of specialised leasing company</td>
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<tr>
<td>Investments (Promissory Notes / Commercial Paper etc.) made with the specialised leasing company</td>
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<td>Investments (Promissory Notes / Commercial Paper etc.) made with subsidiaries and associates of specialised leasing company</td>
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<tr>
<td>Deposits made with subsidiaries and associates of specialised leasing company</td>
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(d) “Business transaction” shall mean any accommodations, investments in debt instruments and deposits.
7. Appointments, Shareholdings and Business Transactions of Relatives

7.1 Any relative/s presently employed as a Directors or an officer performing executive functions in any specialised leasing company.

<table>
<thead>
<tr>
<th>Name of the specialised leasing company</th>
<th>Full name of the relative</th>
<th>Relationship</th>
<th>Position held</th>
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</table>

7.2 Direct or indirect share ownership in the specialised leasing company, if any, presently held by any relative.

<table>
<thead>
<tr>
<th>Full name of the relative</th>
<th>No. of Shares</th>
<th>Percentage holding</th>
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<td>Direct</td>
<td>Indirect</td>
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<td>Indirect</td>
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7.3 Any business transaction, a relative currently has with the specialised leasing company, if any.

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<thead>
<tr>
<th>Full Name of the relative</th>
<th>Nature of business transaction</th>
<th>Date of transaction</th>
<th>Limit as at ............. (Rs.mn)</th>
<th>Outstanding as at ........ (Rs.mn)</th>
<th>Type and value of collateral (Rs. mn)</th>
<th>% of specialised leasing company’s paid-up capital</th>
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8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the Director or officer performing executive functions in the specialised leasing company.

DECLARATION:
I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the specialised leasing company and the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka duly informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by any Statute from being appointed to the above post.

Date: ....................

Signature of Director or Officer Performing Executive Functions in the Specialised Leasing Company / Director or Officer performing executive function selected for appointment
TO BE COMPLETED BY THE CHIEF EXECUTIVE OFFICER WITH REFERENCE TO OFFICERS PERFORMING EXECUTIVE FUNCTIONS / PERSONS SELECTED FOR APPOINTMENT

Additional explanation / information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing executive functions in the specialised leasing company.

Date: ……………...  ........................................................................................................

Signature of the Chief Executive Officer
and the official stamp

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TO BE COMPLETED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS WITH REFERENCE TO THE CHIEF EXECUTIVE OFFICER

Any other explanation / information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing the function of the chief executive officer.

Date: ……………...  ........................................................................................................

Signature of the Chairman of the Board of Directors
1. This Direction may be cited as the Finance Leasing (Reporting Requirements) Direction No. 2 of 2010 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000, (hereinafter referred to as ‘specialised leasing company’) with immediate effect.

2. Every specialised leasing company shall submit information in the following periodical returns to the Director through the web-based data transmission system provided by the Central Bank Financial Information System by the due dates specified.

<table>
<thead>
<tr>
<th>Return</th>
<th>Periodicity</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBL-MF-01-SB (Statements of Borrowings)</td>
<td>Monthly</td>
<td>By 7th of the following month</td>
</tr>
<tr>
<td>NBL-MF-02-PL (Profit &amp; Loss)</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>NBL- MF-03-BS (Balance Sheet)</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-04-MG (Maturity Gap Analysis)</td>
<td>Quarterly</td>
<td>By 15th of the following month</td>
</tr>
<tr>
<td>NBL-QF-05-CA (Classification of Accommodations)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-06-AG (Accommodations Granted &amp; Outstanding)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-07-AD (Accommodations Granted to Directors, Holding/Subsidiary companies)</td>
<td>Monthly</td>
<td>Within 7 days from the date of granting</td>
</tr>
<tr>
<td>NBL-QF-08-AI (Repossessed Assets)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-09-SA (Sector wise Credit Exposure)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-10-AR [Accommodations (repaid in fixed ins.) arrears 3 months or more]</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-QF-11-AC [Accommodations (not repaid in fixed ins.) arrears 3 months or more]</td>
<td>Quarterly</td>
<td>By 15th of the following month</td>
</tr>
<tr>
<td>NBL-QF-12-OL (Operating Leases in arrears for 3 months or more)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>NBL-MF-14-AG (Accommodations granted &amp; outstanding in excess of 10% of capital funds)</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td>Audited Financial Statements (Balance Sheet/Profit &amp; Loss Account)</td>
<td>Annually</td>
<td>Within six months after the end of each financial year (by 30th September)</td>
</tr>
<tr>
<td>A certified copy of the auditor’s confidential letter to the Board of Directors of the company</td>
<td>Annually</td>
<td></td>
</tr>
</tbody>
</table>
3. The time periods and the format numbers relating to submission of information stated in following Directions and instructions issued under the Act are hereby repealed.

   (a) Paragraph 8 and 9 of the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006.

   (b) Paragraph 5 and 7 of the Finance Leasing (Single Borrower Limit) Direction No. 3 of 2006.

   (c) Paragraph 5 of the Finance Leasing (Gearing Ratio) Direction No. 4 of 2006.

   (d) Paragraph 2 of Instructions given by the letter issued by the Director dated 07.06.2007 (reference No 24/07/0002/0004/002)

4. Finance Leasing (Financial Statements) Direction No. 6 of 2006 is hereby revoked.

*This Direction was made by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the section 34 of the Finance Leasing Act, No.56 of 2000.*
To: All Chief Executive Officers of Registered Finance Companies and Specialised Leasing Companies

Dear Sir/Madam,

**Guidelines on the Operations of the Investment Fund Account**

We enclose the Guidelines on the establishment and operations of the Investment Fund Account proposed in the Budget 2011, for compliance.

Yours faithfully,

Director

Encl;

**Guidelines to Registered Finance Companies and Specialised Leasing Companies on the Operations of the Investment Fund Account proposed in the 2011 Budget**

1. **Establishment of an Investment Fund Account (IFA)**
   As proposed in Budget 2011, every person or partnership who is in the business of banking or financial services, is required to establish and operate an IFA.

2. **Initial Credits to IFA**
   As and when taxes are paid after 1 January 2011, Registered Finance Companies (RFCs) and Specialised Leasing Companies (SLCs) shall transfer the following funds to the IFA and build a permanent fund in the RFC/SLC:
   (i) 8 per cent of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.
   (ii) 5 per cent of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payments of tax.

3. **Utilization of Funds**
   3.1 RFCs & SLCs shall commence utilization of funds in the IFA in the following manner within three months from the date of transfer to the IFA;
   (i) Invest in long-term Government securities and/or bonds with maturities not less than seven years.
   (ii) Lend on maturities not less than five years at interest rates not exceeding 5-year Treasury bond rates plus 2 per cent.
   (iii) Facilities granted only for the following purposes:
(a) Long-term loans for cultivation of plantation crops/agriculture crops including, fruits, vegetables, cocoa and spices and for livestock and fisheries.
(b) Factory/mills modernization/establishment/expansion
(c) Small and medium enterprises:
   a. loans up to Rs. 30 mn or
   b. loans over Rs. 10 mn to enterprises with annual turnover less than Rs. 300 mn and employees less than 400.
(d) Information Technology related activities and Business Process Outsourcing
(e) Infrastructure development
(f) Education - vocational training and tertiary education
(g) Restructuring of loans extended for the above purposes.

3.2 Facilities should be only in Sri Lanka Rupees.

3.3 RFCs & SLCs shall invest funds in short-term Government securities until the commencement of utilization of funds as stated in 3.1 above.

3.4 Facilities should not be granted for subsidiary companies, associate companies, holding company or any director or any other related party of such RFCs and SLCs.

4. Conditions

4.1 Applicability of Prudential Requirements
   (i) Transactions of the IFA shall be subject to all Regulations, Directions, Determinations and Circulars issued by the Central Bank of Sri Lanka as applicable.

4.2 Accounting for Transactions
   (i) Transfers to the IFA shall be treated as appropriations of profit after tax.
   (ii) The IFA shall be maintained as a separate item under general and other reserves and constitutes a part of shareholder funds.
   (iii) Cost of operations of IFA and income from investments and lending operations shall be accounted for in the financial statements of the RFC/SLC.
   (iv) RFCs & SLCs shall maintain separate accounts with necessary details on all operations of the IFA.
   (v) IFA shall not be impaired or reduced without the approval of the Central Bank of Sri Lanka.

4.3 Disclosures and Reporting to Central Bank of Sri Lanka
   (i) The following disclosures shall be made in the “Notes to the financial statements”:
      (a) Number of loans granted and total amount outstanding for each purpose stated in paragraph 3.1(iii), interest rates and tenure of loans.
      (b) Total investments in Government securities, interest rates and maturity.
   (ii) Information on the operations of the IFA shall be made available as and when required by the Central Bank of Sri Lanka and Ministry of Finance.

4.4 Treatment of Taxation
   The tax liability in relation to the operations of IFA shall be computed in accordance with applicable tax laws. However, the following shall be noted:
   (i) Interest income on investments, stated in paragraphs 3.1(i) and 3.3 is liable to income tax.
   (ii) Interest income on loans granted utilizing the IFA will be exempt from income tax.
   (iii) Specific provisions on loan losses will be subject to normal adjustments applicable to bad debts.
   (iv) Any over-funding or under-funding shall be in accordance with the relevant tax laws/regulations/guidelines.
To: All Chief Executive Officers of Registered Finance Companies
and Specialised Leasing Companies

Dear Sir/Madam,

Guidelines to Registered Finance Companies (RFCs) and Specialized Leasing Companies (SLCs) on the
Operations of the Investment Fund Account proposed in the 2011 Budget

The following clarifications are issued with respect to the above guideline issued on 11/05/2011.

<table>
<thead>
<tr>
<th>Section</th>
<th>Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1(ii), (iii)</td>
<td>3.1 (ii) and 3.1(iii) should be considered together and not in isolation.</td>
</tr>
<tr>
<td>3.1.(iii) c</td>
<td>Loans up to Rs. 30 million should be considered per facility.</td>
</tr>
</tbody>
</table>

Yours faithfully,

Director
All SLCs

Dear Sir / Madam,

INFORMATION REQUIRED FROM REGISTERED FINANCE LEASING ESTABLISHMENTS

We shall be thankful if you could make necessary arrangements to furnish us information on finance leasing and hire purchase facilities provided by your company and the gap analysis of assets and liabilities, as per the formats (SNBFI/FLA/2007/01, SNBFI/FLA/2007/03 respectively) annexed hereto, on a quarterly basis, commencing the quarter ended 31.12.2006.

You are kindly requested to submit to us the returns for the quarters ended 31.12.2006 and 31.03.2007, on or before 22.06.2007. Thereafter, the quarterly statements should reach this department within one month from the end of each quarter.

We also wish to inform that you are no longer required to submit the Format No. SNBFI/FL/03/08 as required by our letter dated 29.05.2006.

Yours faithfully

Director
Quarterly Statement of Accommodations

(Name of the Registered Finance Leasing Establishment)

For the Quarter ended ……./……./ 20……

(Rs. 000)

<table>
<thead>
<tr>
<th>Description</th>
<th>Finance Leases</th>
<th>Hire Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Granted during the quarter</td>
<td>Total outstanding as at end of quarter</td>
</tr>
<tr>
<td></td>
<td>Motor vehicles</td>
<td>Others</td>
</tr>
<tr>
<td>1. Purposewise breakdown of accommodations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>granted &amp; outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Equipmentwise breakdown of accommoda-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>tions granted &amp; outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computers – software / hardware</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Total Accommodations *</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted during the quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total outstanding as at end of quarter</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Do you think that there is potential for further expansion in the leasing sector? Yes / No

If the answer is ‘Yes’, please give details of the purpose / sectors / particular areas which have potential.

If the answer is ‘No’, please give reasons.

5. Do you have credit lines which provide refinancing for any particular sector / purpose? Yes / No

If the answer is ‘Yes’, please give details

* Total accommodations should include all types of financial facilities provided as loans, finance leases, hire purchase, operating lease, factoring, redeemable cumulative preferance shares, bonds, debentures, securitisation, pro notes / commercial paper and inter co. credit.

Date: …………………

Name and Signature of CEO / Authorized Officer
Quarterly Statement

(Name of the Registered Finance Leasing Establishment)

Statement of Maturity Analysis of Assets and Liabilities as at …./…../2007

(Rs. '000)

<table>
<thead>
<tr>
<th>Assets / Liabilities</th>
<th>Maturity period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 3 Months</td>
</tr>
<tr>
<td>(a) Interest earning assets</td>
<td></td>
</tr>
<tr>
<td>Investments in Govt. securities</td>
<td></td>
</tr>
<tr>
<td>Fixed deposits and savings deposits</td>
<td></td>
</tr>
<tr>
<td>with banks / finance companies</td>
<td></td>
</tr>
<tr>
<td>(b) Loans &amp; Advances net of provisions</td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td></td>
</tr>
<tr>
<td>Hire Purchase</td>
<td></td>
</tr>
<tr>
<td>Loans to real estate/housing</td>
<td></td>
</tr>
<tr>
<td>Other loans (pl. specify)</td>
<td></td>
</tr>
<tr>
<td>(c) Non-interest earning assets</td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td></td>
</tr>
<tr>
<td>(d) Investments in</td>
<td></td>
</tr>
<tr>
<td>Subsidiary companies</td>
<td></td>
</tr>
<tr>
<td>Associate companies</td>
<td></td>
</tr>
<tr>
<td>Dealing securities</td>
<td></td>
</tr>
<tr>
<td>Debentures/Commercial paper</td>
<td></td>
</tr>
<tr>
<td>Stocks (vehicles/real estates/machines)</td>
<td></td>
</tr>
<tr>
<td>etc)</td>
<td></td>
</tr>
<tr>
<td>(e) Fixed Assets</td>
<td></td>
</tr>
<tr>
<td>(f) Other Assets (pl. specify)</td>
<td></td>
</tr>
</tbody>
</table>

Total Assets

| (a) Interest bearing liabilities       |                 |             |              |              |                   |       |
| Bank overdrafts                        |                 |             |              |              |                   |       |
| Bank loans(excluding overdrafts)       |                 |             |              |              |                   |       |
| Redeemable preference shares          |                 |             |              |              |                   |       |
| Debentures                             |                 |             |              |              |                   |       |
| Other borrowings (pl. specify)         |                 |             |              |              |                   |       |
| (b) Non-interest bearing liabilities  |                 |             |              |              |                   |       |
| Amount due to subsidiaries/associates  |                 |             |              |              |                   |       |
| Other liabilities (pl. specify)        |                 |             |              |              |                   |       |
| (e) Shareholders funds (excluding redeemable preference shares) | | | | | | |

Total Liabilities

Please state briefly the arrangements such as credit lines, if any, to meet liquidity deficit in the event of negative gap in short term assets and liabilities.

Date : …………………

Name and Signature of CEO / Authorized Officer

( 84 )
To : All SLCs, RFCs, LCBs and LSBs

Dear Sir / Madam,

COLLECTION OF INFORMATION FOR THE FACTS BOOK AS AT ...........

We shall be thankful if you will furnish us information for the Facts Book Sheet with the latest available information with financial data, as per the attached format on a quarterly basis, commencing the quarter ended 30.06.2007.

You are kindly requested to send the information for the quarter ended 30th June, 2007 on or before the 27th of July, 2007. Thereafter, the Facts Book Sheet should reach this department within one month from the end of each quarter. Any changes in respect of name of the company, composition of Board of Directors, Chief Executive Officer, Chairman and address of business place, should be communicated to us within seven days from the date of such change.

Yours faithfully,

Director
1. Name of Company

2. (a) Date of Incorporation          (b) Registration Number          (c) No. allocated under the new Companies Act

3. Date of Commencement of Business

4. Registered Address

5. Head Office Address

6. Secretary of Company

7. Location of Branches

8. Name of (if any) Parent Co.  % Shares Holding  Subsidiary Co(s).  Associate Co(s).

9. Financial Year ends on

10. Name of Auditor

11. Name(s) of Banker(s)

12. Date of Listing on CSE (if Listed)

13. Credit Rating (if Rated)

14. Date of Registration under Finance Leasing Act

15. Stated Capital as at …………. Rs.

16. Issued Capital as at …………. Rs.

17. Paid up Capital as at …………. Class of Shares  No. of Shareholders

18. Reserve Funds as at …………. Rs.

19. Retained Profits as at …………. Rs.

20. Ten Largest Shareholders (Voting Shares) Latest Name  No. of Shares  % of Issued Capital

21. Board of Directors (Full Name) Latest

22. Audit Committee – Names of members

23. Loan / Credit Committee – Names

24. No. of Staff as at …………..

25. Financial data (Rs,000') as at latest quarter ended …………..

26. Total Assets

27. Total Accommodations

28. Investments

29. Core Capital

30. Shareholders Funds

31. Key Ratios as at …………..

(a) Gearing (Times)  (b) Total Advances to Total Assets

(c) Return on Equity  (d) Return on Assets

Key Persons

<table>
<thead>
<tr>
<th>Name</th>
<th>Telephone</th>
<th>Fax</th>
<th>E-mail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Genaral</td>
<td></td>
</tr>
</tbody>
</table>

1. Chairman

2. Deputy Chairman

3. Managing Director

4. Chief Executive Officer

5. Compliance Officer