

From time to time, the Central Bank receives inquiries from the public with regard to financial institutions that are authorised to accept deposits from the public, the kinds of deposits that they would accept and the types of loans and financial services they would provide and on what terms. They also wish to know the safety in dealing with other financial institutions that engage in trading in securities and foreign exchange, etc. Most are concerned with the safety of their money and the adequacy of returns they receive by way of interest etc. With a view to increasing the awareness of the public about the financial system, the Central Bank of Sri Lanka presents the following information in the public interest.

It should be clearly understood that there are risks to be borne by depositors and borrowers and that the return on a deposit or the cost of a borrowing or a transaction will reflect the degree of risk, among other things. The fact that the financial institutions are regulated or approved by the Central Bank does not involve a guarantee of the deposit, the loan or the transaction, whatsoever. However, the Central Bank supervises the institutions to encourage them to act in a prudent manner, which will protect the public interest.

Sri Lanka's financial system consists mainly of the following:

- Central Bank of Sri Lanka;
- 25 licensed commercial banks of which, 11 are locally incorporated banks while 14 are local branches of foreign banks. They all have a total of 998 branches spread throughout the country;
- 14 licensed specialised banks, which consist of long-term lending development banks, savings banks, regional development banks, etc.;
- 25 registered finance companies which engage primarily in hire purchase, leasing and real estate business;
- 5 leasing companies;
- 10 merchant banks and investment banks which engage in a variety of financial services;
- Savings and loan associations such as 1,476 co-operative rural banks and 8,435 thrift and credit co-operative societies which collect savings from members and lend exclusively to the members;
- Contractual savings institutions functioning in the form of insurance establishments, Employees' Provident Fund, Employees' Trust Fund and other provident funds;
- Other specialised financial institutions which include 7 venture capital companies, 12 unit trusts and the Housing Development Finance Corporation;
- In addition, there are a large number of individual money savers and lenders in the informal sector.

Assets of the Financial Institutions (End 2000)		
Institution	Rs. Bn.	%
Central Bank of Sri Lanka (CBSL)	217	13.5
Institutions Supervised by the CBSL		
Deposit-Taking Institutions	984	61.0
Licensed Commercial Banks	745	46.2
State Banks	422	25.3
Domestic Private Banks	247	15.3
Local Branches of Foreign Banks	76	4.7
Licensed Specialised Banks	205	12.7
Registered Finance Companies	34	2.1
Other Institutions	280	16.1
Employees' Provident Fund	225	14.0
Primary Dealers	21	1.3
Leasing Companies	14	0.9
Group Total	1,244	77.1
Institutions not Supervised by the CBSL		
Deposit-Taking Institutions	20	1.2
Co-operative Rural Banks	15	0.9
Thrift and Credit Co-op. Societies	5	0.3
Contractual Savings Institutions	106	6.6
Approved Private Provident Funds	46	2.9
Insurance Institutions	30	1.9
Employees Trust Fund	30	1.9
Other Specialised Financial Institutions	26	1.6
Merchant Banks	18	1.1
Housing Development Finance Corp.	3	0.2
Venture Capital Companies	3	0.2
Unit Trusts	2	0.1
Group Total	152	9.4
Total	1,613	100.0

Deposit - Taking Institutions

Institutions Regulated and Supervised by the Central Bank

The Central Bank of Sri Lanka is the apex institution, overlooking the financial system as the central monetary and regulatory authority. It has been empowered to license, regulate and supervise the banks and other major deposit-taking institutions in order to ensure a stable and sound financial system and an efficient cheque clearing and payment mechanism.

There are three major categories of institutions that are subject to licensing, regulation and supervision by the Central Bank in the public interest because they accept deposits from the general public. They are licensed commercial banks, licensed specialised banks and registered finance companies.

These financial institutions which account for about 6% of the formal market on the basis of assets are closely supervised and regulated by the Central Bank by means of monthly and quarterly information received and by regular inspections and advices which encourage these institutions to act in a prudent manner in order to safeguard depositors' interests.

Regulation and supervision are governed by several laws, mainly the Banking Act, the Monetary Law Act and the Finance Companies Act. A complete set of laws and regulations relating to the banking and financial sector is available in 7 volumes for personal and for purchase at the Central Bank (Rs. 1,000 for each volume).

Licensed Commercial Banks

A commercial bank is a banking institution issued with a licence by the Central Bank to carry on, among other things, maintaining current accounts for customers, where money could be transferred by cheque and withdrawn on demand. They also maintain savings, fixed and time deposits for customers on which interest is paid and some minimum notice has

Licensed Commercial Banks	
Domestic Banks	Telephone
1. Bank of Ceylon	446790
2. Commercial Bank of Ceylon Ltd.	445010-5
3. Hattion National Bank Ltd.	421855-7
4. Nations Trust Bank Ltd.	447655
5. National Mercantile Bank Ltd.	074-523456
6. NDB Bank Ltd.	448448
7. Pan Asia Bank Ltd.	565570-1
8. People's Bank Berhad	327841-9
9. Sampath Bank Ltd.	300260-72
10. Seylan Bank Ltd.	456789
11. Union Bank of Colombo Ltd.	346346
Branches of Foreign Banks	
1. American Express Bank Ltd.	682787-8
2. Citibank NA	447316-8
3. Deutsche Bank AG	447062-6
4. Habib Bank AG Zurich	343806-4
5. Habib Bank Ltd.	326565
6. Hongkong & Shanghai Banking Corporation Ltd.	446591
7. Indian Bank	323422-3
8. Indian Overseas Bank	324422-4
9. Mashreq Bank psc	679000
10. Mulsim Commercial Bank Ltd.	448765-6
11. Public Bank Berhad	576289-92
12. Standard Chartered Bank	326671
13. Standard Chartered Grindlays Bank	446150
14. State Bank of India	326133-6

to be given for withdrawal. In addition, they undertake a wide range of financial services and on appointment by the Hon. Minister of Finance, deal in foreign currency as "authorised dealer".

The 25 commercial banks, licensed and operating in Sri Lanka, generally depend on short-term deposits from the public for their funding requirements and are best suited to grant short-term loans. These banks are regulated and supervised by the Central Bank under the Monetary Law Act and the Banking Act.

Licensed Specialised Banks

Licensed specialised banks are financial institutions which have obtained a licence from the

Licensed Specialised Banks	
National Level Banks	Telephone
1. Ceylincio Savings Bank	674308-9
2. DFCC Bank	440366
3. National Development Bank of Sri Lanka	437701-0
4. NDB Housing Bank Ltd.	552552
5. National Savings Bank	573006-5
6. Pramuksa Savings & Development Bank	565411-6
7. Sanasa Development Bank Ltd.	678175
8. State Mortgage and Investment Bank	573561
Regional Development Banks	
1. Kandurata Development Bank	08-234536
2. Rajarata Development Bank	025 23080
3. Ruhuna Development Bank	041-26208-9
4. Sabaragamuwa Development Bank	045-23120
5. Uva Development Bank	055-22849
6. Wayamba Development Bank	037-27428-9

Central Bank to conduct specialised banking business under the Banking Act. These banks are different from commercial banks in that they are not authorised to accept demand deposits from the public and, therefore, do not maintain current accounts for customers. However, they are authorised to accept savings and time deposits on which interest is paid. Also, they are not authorised to operate foreign exchange transactions. There are 14 licensed specialised banks operating in the country. Of these, 8 are national level banks, while the remaining 6 are regional development banks, whose operational area is limited to a specified region. The institutions operating at national level are engaged mainly in long-term lending for development projects, while regional banks undertake mainly short and medium-term lending out of deposits mobilised from the public. Licensed specialised banks are supervised and regulated by the Central Bank under the Banking Act.

Registered Finance Companies

A finance company is a company registered and licensed by the Central Bank to accept time deposits and lend and invest such moneys. They do not maintain current and savings

Registered Finance Companies	
	Telephone
1. Alliance Finance Co. Ltd.	692368
2. Arpio Finance Co. Ltd.	580471
3. Asian Finance Ltd.	438141
4. Associated Motor Finance Co. Ltd.	687265
5. Bartlett Financial Services Ltd.	326495
6. Central Finance Co. Ltd.	08-227900
7. Central Investments & Finance Ltd.	694753
8. Chillaw Finance Ltd.	032-22055
9. Commercial Credit Ltd.	08-234963
10. Edirisinghe Trust Investments Ltd.	694822
11. Finance & Land Sales Ltd.	573660
12. Industrial Finance Ltd.	321231
13. LB Finance Ltd.	074-521000
14. Mercantile Investments Ltd.	343720
15. Merchant Credit of Sri Lanka Ltd.	074-710502
16. Mutual Investments & Finance Ltd.	441930
17. Nanda Investments Ltd.	685223
18. Senkadagala Finance Co. Ltd.	08-223206
19. Silverview Finance Co. Ltd.	08-222703
20. Sinhapura Finance Ltd.	08-223235
21. The Finance & Guarantee Co. Ltd.	074-710310
22. The Finance Co. Ltd.	684278
23. The Multi Finance Co. Ltd.	08-225130
24. The Rupee Finance Co. Ltd.	694026
25. Trade Finance & Investments Ltd.	684241

accounts. At present, there are 25 registered finance companies. Most of them engage in hire-purchase, leasing and real estate business.

Type of Deposit Accounts

Above institutions are permitted to accept several types of deposits from the public.

- Licensed Commercial Banks: All categories of deposit accounts, including current accounts, savings accounts and time deposit accounts.
- Licensed Specialised Banks: Savings and time deposit accounts only.
- Registered Finance Companies: Time deposit accounts for a period of not less than 3 months and not more than 60 months.

Interest Payments on Deposits

Banks do not pay interest on balances in current accounts or deposits which can be withdrawn on demand. Regarding other deposits, it has been the practice for deposit taking institutions soliciting deposits to disclose, in their advertisements, interest rates payable on such deposits. Interest rates so announced could be daily, monthly or quarterly rates. Since such disclosure is inadequate and could mislead the public (for instance, if interest is paid at a given rate monthly, the **annual effective rate** would be higher than the same rate payable at maturity), the Central Bank has

instructed the commercial banks and specialised banks to publish annual effective interest rates in advertisements soliciting deposits. With this information, the depositors could compare the return on the deposits they make with different institutions.

Commercial Banks' Fees and Commissions (As at end October 2001)	
	Maximum Minimum
A. Export and Import Related Transactions	
Export Services	
LC Advising Charges	Rs. 3,000 US \$ 45
Negotiation of documentary bills	0.25% 0.063%, Rs. 500
Bills for collection	0.375% 0.1% Rs. 300
Confirmation of documentary credit	Rs. 1,500
Documents with discrepancies	Rs. 1,750
Import Services	
Establishing of LCs	0.50% 0.25%
Shipping indemnities	1.75% 0.25%
Import bills for collection	0.30% 0.25%
DC Transmission/Telex Charges	Rs. 2,850
Documents with discrepancies	US \$ 100
B. Foreign Remittances - Inward	
Telegraphic Transfers	Rs. 1,650 US \$ 10
Foreign Drafts Purchased	Rs. 2,250
Foreign Remittances - Outward	
Telegraphic Transfers	0.25% Rs. 2,500 US \$ 30
Foreign Drafts	Rs. 1,000 US \$ 25
Traveller's Cheques	1 per cent
Agent's commission	1 per cent
Issuing charges	Rs. 325
Encashment charges	
Foreign Currency Accounts	
Inward TTS	US \$ 30 US \$ 5
Foreign currency notes	1% Rs. 300
Traveller's cheques	1% US \$ 5
	Rs. 200
C. Domestic Operations	
Current Accounts	
Issuing cheques	Rs. 10 per leaf
Returned cheques	Rs. 1,500
- for insufficient funds	Rs. 1,000
- technical objections	Rs. 100
Stopped cheques	Rs. 1,000
Standing instructions	Rs. 350
Monthly services charges	Rs. 200
Loans	
Application processing fees	Rs. 2,500
Inspection charges	Rs. 5,000
ATM and Credit cards	
ATM cards	Rs. 200
Credit cards	Rs. 100
Issuing fee	Rs. 2,000
Renewal fee	Rs. 1,500

Notes: (1) Commercial banks charge a variety of fees and commissions on their services. The table gives a range of the maximum and minimum fees and commissions which are based on the information provided by commercial banks in October 2001. These charges, which do not change very frequently, will be published quarterly to enable the public to negotiate better terms. These fees and commissions could be different when services and products are provided as a package.

(2) These are standard charges of commercial banks. However, charges for some specific products could include charges payable to banks abroad. For example, banks in Sri Lanka may include in their charge fees payable to banks abroad such as: for adding confirmation to Letters of Credit, and for correction of discrepancies.

(3) In the case of Documentary Credits, the charges for transmission outward from Sri Lanka would differ, depending on the mode of transmission used.

(4) Loan application processing fees vary according to the loan amount.

Interest Rates of Licensed Specialised Banks (As at 5th November, 2001)	
Bank	Interest Rates on Deposits - % per annum
Types of Deposits	
Savings Deposits	9.5 n.a. 9.0 n.a. 8.4-9.9 n.a. 11.0 10.0 10.0-12.0 9.0-10.0 10.0-11.0 11.5 10.0 10.0
Annual Effective Rate	9.9 n.a. 9.0 n.a. 8.4-9.9 n.a. 11.6 10.0 10.0-12.0 9.0-11.0 10.5-11.6 11.5 10.0 10.0
Time Deposits - 12 months	
Interest payable at maturity	13.5 14.5 14.0 14.0 13.0 n.a. 14.5-15.2 14.0 13.0 14.0 13.2-14.5 14.0 14.0 13.0
Annual Effective Rate	13.5 14.5 14.0 14.0 13.0 n.a. 14.5-15.2 14.0 13.0 14.0 13.2-14.5 14.0 14.0 13.0
Interest payable monthly	12.7 13.6 11.2 13.2 12.0 n.a. 13.5-14.0 13.0 12.0 13.0 12.2-13.5 13.2 13.5 11.0
Annual Effective Rate	13.5 14.5 11.8 14.0 13.0 n.a. 14.4-14.9 13.0 12.7 13.8 12.9-14.4 14.1 14.4 11.6
Certificates of Deposit - One year	n.a. n.a. n.a. n.a. n.a. n.a. 14.5 n.a. 13.0 11.0 n.a. n.a. n.a. 13.0
Annual Effective Rate	n.a. n.a. n.a. n.a. n.a. n.a. 14.5 n.a. 13.0 11.0 n.a. n.a. n.a. n.a.
Types of Advances	
Corporate Lending	20.0-23.0 n.a. 16.5-22.0 n.a. 12.0-24.0 n.a. n.a. 19.0-26.0 22.0 19.0-24.0 n.a. 23.0 n.a. n.a. n.a.
Personal / Retail Lending	20.0-23.0 n.a. n.a. n.a. n.a. 19.0 n.a. 19.0-26.0 20.0 19.0-24.0 n.a. 24.0 n.a. n.a. 22.0
Lending to Prime Customers	17.5 n.a. n.a. n.a. n.a. n.a. 19.0 22.0 19.0-24.0 n.a. n.a. n.a. n.a. n.a.
Lease Finance	n.a. 19.0-23.0 n.a. 26.0 18.0-24.0 n.a. n.a. 14.0 24.5 n.a. n.a. 12.0 n.a. n.a. n.a.
Agriculture - short-term (up to one year)	n.a. n.a. n.a. 12.0 n.a. n.a. n.a. 19.0-26.0 12.0 18.0-19.0 16.0-21.0 21.0 n.a. 20.0 23.0
SMI Lending (up to 5 years)	n.a. 14.0 21.0 14.0 n.a. n.a. n.a. n.a. 19.0-24.0 18.0-21.0 n.a. n.a. n.a. 14.0
Residential Housing	17.5-20.0 n.a. 15.7-21.0 n.a. 16.0-18.5 14.5-20.0 19.0-24.0 16.0-18.0 20.0-26.0 20.0 16.0-18.0 n.a. 19.0
Pawning	n.a. n.a. 29.0 n.a. 24.0 n.a. n.a. n.a. 24.0 26.0 22.0-28.0 26.0 n.a. 28.0 28.0

Interest Rates of Licensed Commercial Banks (As at 5th November, 2001)

Bank	American Express Bank Ltd.	Bank of Ceylon	Citibank, N.A.	Commercial Bank of Ceylon Ltd.	Deutsche Bank AG	Habib Bank Ltd.	Habib Bank AG Zurich	Hattion National Bank Ltd.	Hongkong & Shanghai Banking Corporation Ltd.	Indian Bank	Indian Overseas Bank	Mashreq Bank psc	Muslim Commercial Bank Ltd.	National Mercantile Bank Ltd.	NDB Bank Ltd.	Nations Trust Bank Ltd.	Pan Asia Bank Ltd.	People's Bank	Public Bank Berhad	Sampath Bank Ltd.	Seylan Bank Ltd.	Standard Chartered Bank	Standard Chartered Grindlays	State Bank of India	Union Bank of Colombo Ltd.	
Types of Deposits																										
Savings Deposits	9.0	8.0-10.0	7.0	7.0-8.0	7.5-8.0	8.5	7.0	8.0	5.5-7.0	5.5-6.5	5.0-7.0	7.0-8.0	9.0	10.5	8.0	9.0	10.0	8.5	10.0	7.0-10.5	8.0	5.0-8.0	5.0-8.0	4.0-8.0	9.0-14.0	
Annual Effective Rate	9.3	8.4-10.0	7.1	7.2-8.0	7.6-8.2	8.0	7.1	9.0	5.6-7.2	5.6-6.6	5.1-7.1	7.7-8.6	9.2	11.0	8.3	9.4	10.5	7.8	10.5	7.3-11.0	8.3	5.1-8.3	5.1-8.3	4.1-8.3	9.4-14.9	
Time Deposits - 12 months																										
Interest payable at maturity	12.0	14.0	12.0	13.0	10.0-11.0	12.0	14.0	13.0	11.0	10.0-12.0	11.0	13.0-14.5	12.0	14.0-15.0	13.0	14.2	14.0-14.5	13.5	13.0	13.0	13.0	10.7-11.5	10.7-11.5	11.5	14.5	
Annual Effective Rate	12.0	14.0	12.0	13.0	10.0-11.0	12.5	14.0	13.0	11.0	10.0-12.0	11.0	13.0-14.5	12.0	14.0-15.0	13.0	14.2	14.0-14.5	13.5	13.0	13.0	13.0	10.7-11.5	10.7-11.5	11.5	14.5	
Interest payable monthly	11.2	13.1	11.0	12.2	10.0-11.0	11.0	n.a.	12.0	10.5	9.0-11.0	10.0	11.5-13.0	11.0	13.0-14.0	12.2	13.2	13.0-13.5	12.5	12.7	12.0	12.0	9.7-10.5	9.7-10.5	10.0	14.5	
Annual Effective Rate	11.8	14.0	11.6	12.0	10.5-11.6	12.0	n.a.	12.0	11.0	9.4-11.6	10.5	13.7-14.2	11.6	13.8-14.4	12.9	14.1	13.8-14.3	13.5	12.7	12.7	12.0	10.2-11.0	n.a.	10.5	15.5	
Certificates of Deposit - One year	n.a.	12.0	n.a.	13.0	n.a.	12.0	13.0	13.5	n.a.	9.0	10.0	13.0-14.0	12.0	15.0	13.0	14.2	14.0	12.5	n.a.	13.0	13.0	n.a.	n.a.	8.0-10.0	14.0	
Annual Effective Rate	n.a.	12.0	n.a.	13.0	n.a.	12.0	13.0	14.0	n.a.	9.0	10.0	13.0-14.0	12.0	15.0	13.0	14.2	14.0	12.5	n.a.	13.0	13.0	n.a.	n.a.	8.0-10.0	14.0	
NRFC Savings Deposits - US Dollars	2.0	2.5	2.0	3.0	1.0	5.0	2.0	3.0	0.7-2.0	3.0-4.0	2.0	3.0-4.0	2.5	n.a.	2.5	2.3	3.0	4.2	2.0	3.2	2.7	1.0-2.0	1.0-2.0	2.0-2.3	3.0	
Annual Effective Rate	2.0	2.5	2.0	3.0	1.0	5.0	2.0	3.0	0.7-2.0	4.0-5.1	2.0	3.1-4.8	2.5	n.a.	2.5	2.4										