

Sri Lanka Deposit Insurance Scheme (SLDIS)

Frequently Asked Questions (FAQs) - Deposit Insurance

1. Who are the Member Institutions of SLDIS?

All Licensed Commercial Banks registered under the Banking Act No. 30 of 1988

All Licensed Specialised Banks registered under the Banking Act No. 30 of 1988

All Licensed Finance Companies registered under the Finance Business Act No. 42 of 2011

2. What are the Deposits insured/covered by SLDIS?

The SLDIS covers the following LKR or FCY denominated deposits placed with a member institution of SLDIS

- Savings Deposits
- Demand Deposits
- Fixed Deposits including Certificate of Deposits

3. Who is covered by SLDIS?

SLDIS covers deposits held by an individual, joint venture, sole proprietorship, corporate etc. but excludes the non-eligible deposits mentioned in section 43(3) of the Banking (Special Provisions) Act, No. 17 of 2023.

4. What is the current deposit insurance coverage under SLDIS?

Current coverage under SLDIS is up to Rs.1,100,000/- on per depositor per institution basis.

5. How is the eligible value of deposits for each depositor computed for compensation payments?

The compensation payable will be computed on a “per-depositor” basis, aggregating all deposits of each depositor denominated in any currency, inclusive of any interest accrued as at the date of the cancellation of licence of the Member Institution and no interest shall be paid for the succeeding period.

The current coverage under SLDIS is up to Rs.1,100,000/- on per depositor per institution basis.

6. How is the amount of the compensation payment to a depositor computed when the depositor has foreign currency deposits?

As in the case of compensation payments for LKR Deposits as explained in FAQ No. 5, in the event of cancellation of the licence issued to a member institution of SLDIS, insured depositors of the member institution who have foreign currency deposits, will

be compensated up to a maximum of Rs. 1,100,000 equivalent, on per-depositor per institution basis.

7. How is the amount of the compensation payment to a depositor computed when the depositor has joint deposits?

In the case of joint deposit holders, each joint depositor is considered as a separate depositor, and he/she will be compensated up to a maximum of Rs.1,100,000/- considering all insured deposits he/she possesses in the member institution.

8. How is the amount of the compensation payment to the beneficiaries (joint holders/nominees) of a deceased depositor computed?

If there are several beneficiaries for the claim of a deceased depositor, the individual payments up to a maximum of Rs. 1,100,000/- is proportionately divided according to the respective share of the total deposits.

9. What are the timelines for applying for compensation payments?

i. In terms of the Banking (Special Provisions) Act No. 17 of 2023, a depositor of insured deposits shall submit a duly completed claim for compensation within six (06) years from the date of the cancellation of the licence issued to the member institution.

ii. In the case of insured depositors of the member institutions of which licences have been cancelled/suspended prior to the appointed date of the Banking (Special Provisions) Act (i.e. 15.11.2023), the following deadlines will be applicable for submitting their claims:

a. Insured depositors of a member institution of which the licence has been cancelled prior to 06/08/2021, shall submit their claims not later than four (04) years from the date of cancellation/suspension of the licence issued to the member institution.

b. Insured depositors of a member institution of which the licence has been cancelled prior to 15/11/2023 but after 06/08/2021, shall submit their claims not later than six (06) years from the date of cancellation/suspension of the licence issued to the member institution.

10. What is the procedure for paying the balance Rs. 500,000 to depositors who have already claimed upto Rs. 600,000?

Insured depositors should submit the consent form as per the format prescribed by the Deposit Insurance and Resolution Department (DIRD) within the deadlines for submitting claims (Refer FAQ No. 11 and 16 for deadlines). The consent forms can be [downloaded](#).

Compensation Payments to Depositors through the Central Bank of Sri Lanka

11. What are the licence cancelled member institutions for which compensation payments are/were handled directly by the Central Bank?

Compensation payments to the depositors of the following licence cancelled Member Institutions (MIs), are/were directly handled by the Central Bank of Sri Lanka:

- a) Central Investments and Finance PLC (CIFL) – terminated w.e.f 09.06.2023
- b) The Standard Credit and Finance Ltd (TSCFL) – terminated w.e.f 08.02.2023
- c) TKS Finance Ltd (TKSFL) – terminated w.e.f 19.09.2023
- d) Bimpuh Finance PLC (BFP) – until 31.08.2029

The compensation payments to the depositors of CIFL & TSCFL were discontinued from the dates indicated above due to the appointment of a liquidator and TKSFL was terminated due to expiration of the maximum compensation claimable period.

12. How can a depositor apply for a compensation payment?

The Depositors can download the [claim form](#)

or

Obtain the claim form and other formats from the front desk of the Head Office building and the Regional Offices of the Central Bank of Sri Lanka.

Depositors have to submit the duly completed claim form along with other requested documents (Refer FAQ No 13.) to the Central Bank of Sri Lanka as hard copies via registered post or by hand.

a) By registered post:

Addressed to: The Director, Deposit Insurance and Resolution Department, Central Bank of Sri Lanka, No 30, Janadhipathi Mawatha, Colombo-01.

or

b) Deliver by hand to:

The mail room located at the ground floor of the Central Bank of Sri Lanka Head Office at No 30, Janadhipathi Mawatha, Colombo-01 during 8.00 am to 4.00 pm on weekdays, in a sealed envelope addressed to “The Director, Deposit Insurance and Resolution Department”.

13. What are the necessary documents for making a claim for compensation?

Duly certified Claim Form

Original deposit certificates

Duly certified identification documents as per the original certificates

Bank account details

Affidavits should be submitted in the case of a name change etc.

The above documents should be submitted as hard copies via registered post or hand delivered and addressed as indicated in FAQ No.12.

14. How long will it take to make the compensation payment?

The time taken will depend on the completeness of the applications and the submission of all other required documents. If all required documents are in order, the claim will be processed and paid in the immediate next batch.

15. What is the procedure followed by the Central Bank of Sri Lanka when the documents are not in order?

The depositors are informed by DIRD through telephone, e-mail or by post of the shortcomings and any additional details required.

Compensation Payments to Depositors through the Agent Bank

16. What are the licence cancelled member institutions whose depositors are/were paid compensation through the Agent Bank?

The compensation payments for depositors of ETI and SFS were commenced from 25.07.2020.

17. When did the payment process start for ETI & SFS?

The compensation payments for depositors of ETI and SFS were commenced from 25.07.2020.

18. What should be done to obtain compensation through the Agent Bank?

Depositors may visit the nearest branch of the Agent Bank with the original deposit certificates and a valid identification document (NIC/Passport/Driving Licence) and follow the instructions given by the Agent Bank in order to receive the payment.

19. What documents need to be submitted to the Agent Bank ?

Originals of the Identification Documents of the depositor (NIC, Passport, Driving Licence)

Original Certificates, Pass Books, Share Certificates

Duly completed claim form

Any other documents as requested by the Agent Bank such as power of attorney,

letters issued by the Department of Registration of Persons, indemnities issued by the respective failed member institution, etc.

20. Is it possible to get refunds from the Agent Bank over the counter?

Yes.

Alternatively, the depositors of failed member institutions are allowed to be credited the compensation payment to their existing/new accounts at the Agent Bank.

Other matters relating to Compensation Payments to Depositors

21. If the depositor does not have the original certificates of deposits, what is the procedure to be followed?

Depositor may submit duly completed affidavit and letter of indemnity as per the format provided by the Deposit Insurance and Resolution Department (DIRD)/Agent bank. The format of the affidavit and indemnity will be issued on request of the depositor by the DIRD in case of payment through CBSL. If compensation is to be paid through the Agent Bank, the relevant format of the affidavit and indemnity (Form 07) will be issued by the respective Agent Bank.

Affidavit should be filled by the depositor and attested by a Justice of Piece/Commissioner for Oaths

Indemnity should be filled by the respective failed member institution.

22. In case of Joint deposits, can only one depositor claim his/her portion of the compensation payment?

Yes. The joint holder who personally appears at the Agent Bank or the joint holder who submits the duly completed claim form to DIRD, can obtain only his/her eligible portion of the compensation payment in the event where the other joint holder/s is/are unable to submit a valid claim form/s.

23. How can depositors living abroad receive the compensation?

Depositors living abroad are required to provide a 'Special Power of Attorney' to submit claim forms.

If a depositor signs a Power of Attorney while he/she resides in Sri Lanka, it can be attested by a Justice of Piece/Commissioner of Oath. If the depositor signs the Power of Attorney while abroad, then it should be attested through the embassy of the country in which the depositor resides. However, in both scenarios the Power of Attorney should be registered at the Register General's Department.

When a depositor who resides abroad claims through the Agent Bank and has an account with such bank, the Agent Bank will directly credit the funds to the depositor's account.

If the depositor does not have an account with the Agent Bank, the Special Power of Attorney should be provided to open an account on behalf of the depositor, to enable the Agent Bank to directly credit funds to such account.

Compensation payment is credited only to an account which is maintained under the name of the depositor, either individual or joint.

24. What is the procedure to be followed in the case of illegible/ handwritten/ marked/ stamped certificates?

Indemnities will be obtained from relevant failed member institutions by DIRD/Agent Bank.

25. How can compensation be claimed for deceased depositors?

The following procedures should be followed after submitting the Death Certificate and all relevant documents.

a. Joint depositors where one account holder is deceased

Each joint holder is entitled to receive a maximum of Rs.1,100,000/- as compensation payment. However, in the case of a deceased depositor, the portion of the compensation payment of the deceased depositor will be made to the remaining joint holder/s on behalf of the deceased depositor. Accordingly, joint holder/s will receive both the payments made for himself/herself and on behalf of the deceased depositor.

b. Deceased depositors where nominee/s have been appointed for all accounts maintained at MIs

The compensation payment will be made to the nominee/s of the deceased depositor.

c. Deceased depositors where no nominees have been appointed according to the list of depositors submitted to DIRD

The Agent Bank/DIRD will obtain an Indemnity from the respective member institutions to verify the nominees as per the mandate.

d. Deceased depositors where a nominee has not been appointed but an acceptable Last Will is available

Compensation will be paid to the legal beneficiaries, after obtaining legal clearance from legal officers of the Agent Bank/CBSL.

e. Deceased depositors where there is no nominee and no Last Will available

Compensation is paid according to general law and banking practices after obtaining necessary Indemnities from the legal beneficiary/ies and required legal advice from legal departments of the Agent Bank/CBSL.

f. Different nominees and/or joint holders for different deposits of the deceased depositor

The Agent Bank/DIRD will obtain Indemnities from the respective failed member institution and obtain legal advice if required.

26. How shall the nominee details be obtained?

Nominee confirmation shall be obtained by DIRD/ Agent Bank from the respective failed member institution via an indemnity form.

27. How can the remaining balance of the deposit be obtained after the compensation payment upto the applicable limit of Rs.1,100,000 has been made?

The balance can be claimed from the liquidator during the liquidation process of the failed member institution.

Mandatory Recording of Unique Identification Numbers

28. What are the Directions applicable for recording the Unique Identification Number (UIN) by Licensed Commercial Banks and Licensed Specialised Banks (hereinafter referred as Licensed Banks /LBs) and Licensed Finance Companies (LFCs)?

For LBs - Banking Act Direction No. 07 of 2022 on ‘Mandatory Recording of the Unique Identification Numbers of Depositors by Licensed Banks’.

For LFCs - Finance Business Act Direction No. 03 of 2022 on ‘Recording of Unique Identification Numbers of Depositors’.

29. What are the main objectives of mandating the recording of UIN by LBs and LFCs?

The Central Bank of Sri Lanka (CBSL) expects to strengthen the soundness and integrity of the information management process of LBs and LFCs, as well as facilitate compiling of depositor information by the Sri Lanka Deposit Insurance Scheme for improving the efficiency of the compensation payment process.

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30. What is the UIN to be used when opening accounts for minors?

The date of birth followed by the Birth Certificate Number should be used in the same field to create a 12-digit number, as explained below.

Eg:- Date of Birth: 2005 January 7th (2005.01.07) and Birth Certificate Number: 0325

31. How do you record the UIN of a minor in an exceptional circumstance where the birth certificate number contains five digits?

The date of birth followed by the Birth Certificate Number should be used in the same field to create a 13-digit number, similar to that explained in FAQ 29.

32. Can the National Identity Card (NIC) number of a minor, if available, be recorded as the UIN?

The primary identification number for a Sri Lankan citizen is recognized as the NIC for the purpose of the Directions referred in FAQ 1 above. Accordingly, if a minor has obtained an NIC before reaching adulthood, the NIC number of the minor can be recorded as the UIN, instead of recording the date of birth followed by the Birth Certificate Number as the identification number as explained in FAQ 29 above.

However, in such circumstances, the LBs and LFCs should ensure to record all existing minor accounts of that respective depositor under his/her NIC without duplicating such depositors in their core banking systems under different UINs.

33. What is the UIN to be used when opening accounts for ‘Buddhist Saamanera’ under the category of minors?

Similar to minors as referred in FAQ 29, the date of birth followed by the Birth Certificate Number should be used as the UIN of the Buddhist Saamanera until an NIC is obtained from the Department of Registration of Persons. Further, the change in the name of the Buddhist Saamanera should be verified by obtaining the Certificate of Ordination (Saamanera Certificate/ Upasampada Certificate) as it contains the names given at birth and the current name of the Saamanera.

34. What is the UIN of a Sri Lankan living overseas or leaving Sri Lanka prior to becoming a major and not holding an NIC?

Considering the practical difficulties, it is allowed to record the Sri Lankan Passport Number as the UIN of such depositors.

However, since the passport number is not a unique identifier, LBs and LFCs are requested to ensure not to duplicate a depositor in the core banking system under different identification numbers. Further, LBs and LFCs are required to take necessary measures to encourage such depositors to obtain their NICs and to update the same in the bank’s system at a future date.

35. What is the UIN of a dual citizen who is residing in or outside Sri Lanka and not holding an NIC?

Considering the practical difficulties, it is allowed to record the Foreign Passport Number as the UIN of such depositors.

However, since the passport number is not a unique identifier, LBs and LFCs are requested to ensure not to duplicate a depositor in the core banking system under different identification numbers. Further, LBs and LFCs are required to take necessary measures to encourage such depositors to obtain their NICs and to update the same in the bank’s system at a future date.

36. What is the UIN of an entity incorporated by an Act of Parliament?

LBs and LFCs are permitted to use the initial Act number followed by the year of incorporation as the UIN.

Eg:- An entity incorporated under the Act, No. 35 of 2023.

The unique identification number of the entity should be "352023"

37. Could the identification number obtained from the International Transaction Reporting System (ITRS) by LBs be used as a UIN?

The CBSL has implemented a data collection system known as the International Transactions Reporting System (ITRS) with the participation of LBs for the purpose of developing a comprehensive data gathering system on cross border transactions

and domestic foreign currency transactions aimed at filling multitude of existing data gaps. As a part of ITRS, unregistered entities involved in this system are required to obtain UINs from the CBSL. Consequently, identification numbers issued under ITRS are permitted to be recorded as the UIN for that specific entity.

38. What are the examples for the authorities granting registration for other entities referred in the above Directions such as Societies, Associations, Clubs and Trusts?

Societies

Department of Registrar of Companies in terms of the Societies Ordinance No. 16 of 1891 and subsequent amendments.

Local Authorities

Associations

Department of Registrar of Companies - Associations under section 34 of the Companies Act, No. 07 of 2007: where the Registrar of Companies is satisfied that an association is to be formed for promoting commerce, art, science, religion, charity, sport, or any other useful object, and intends to apply its profits, if any, or other income in promoting its objects, and prohibits the payment of any dividend to its members, the association may be registered as a company limited by guarantee.

Clubs

Local Authorities - As per the Licensing of Clubs Law No. 17 of 1975 and subsequent amendments thereof, clubs located in the area of a local authority should be registered with that local authority.

Trusts

Department of Social Services: Volunteer Registered Elderly Homes/Trusts

National Secretariat of Non-Governmental Organizations: Related to Non-Governmental Organizations

Registrar of Companies: Eg. Unit Trusts

Trusts Incorporated under Acts of Parliament: the initial Act number followed by the year of incorporation may be used as the identification number.

Resolution

1. What is resolution of a financial institution?

Resolution is the restructuring of a Financial Institution (FI) by the Central Bank through the exercise of resolution powers of the Central Bank in order to safeguard the public interest including the continuity of the critical functions of such institution, securing financial stability and ensuring minimal costs to taxpayers.

2. What are the objectives of resolution?

Resolution of FI is required to ensure:

the stability of the financial system, including the payment, clearing and settlement systems;

the continuity of critical functions of such FI;

the protection of public funds by minimizing public financial support;

the protection of depositors of such FI; and

avoiding destruction of the value of assets and minimizing losses to creditors and minimizing overall costs of resolution of such FI.

3. What are the applicable legislations on resolution of FIs in Sri Lanka?

The legislations applicable for resolution of FIs in Sri Lanka are:

Central Bank of Sri Lanka Act, No. 16 of 2023;

Banking (Special Provisions) Act, No. 17 of 2023 (BSPA); and

Finance Business Act, No. 42 of 2011 (FBA).

4. Who is responsible for the resolution of FIs in Sri Lanka and what are the FIs covered by the above-mentioned legislations?

According to the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank of Sri Lanka (CBSL) is the authority responsible for the resolution of FIs while the BSPA empowers CBSL to resolve Licensed Banks (LBs) and Licensed Finance Companies (LFCs).

The Deposit Insurance and Resolution Department is the Department (DIRD) of CBSL established under the BSPA for the proper and efficient exercise, performance and discharge of CBSL's powers, duties and functions relating to the resolution authority. Accordingly, Director of DIRD is entrusted with the resolution and winding up of LBs. However, the resolution and winding up of LFCs will continue to be handled by the Director of Supervision of Non-Bank Financial Institutions until the proposed amendments to the FBA are enacted. These amendments are intended to strengthen the resolution framework for LFCs and transfer the relevant functions to DIRD by empowering it for the same.

5. Does the Government get involved in the resolution of FIs?

Yes. The resolution measures can be implemented by CBSL and the Government of Sri Lanka to resolve an FI. When the resolution measures involve public funds, CBSL is required to take resolution decisions in consultation with the Minister in charge of the subject of Finance. However, when the Government is of the opinion that the failure of an FI can have systemic importance or impact, the Government has the authority to resolve such FI. The Government can recapitalize such LB or take over such LB into temporary public ownership.

6. What are the factors that CBSL should consider in the exercise, performance and discharge of the powers, duties and functions relating to its resolution authority?

CBSL should take into consideration the structure, scale, complexity, interconnectedness with other institutions and the risk profile of the FIs subject to resolution.

7. What is the difference between supervision and resolution?

Supervision is a proactive and continuous process focused on preventing financial instability while resolution is a reactive and crisis-management process designed to address financial distress when preventive measures have not been sufficient. Both processes are essential components of financial regulation and contribute to the overall stability of the financial system.

8. What is a Recovery Plan?

Recovery plan means a plan which provides for measures to be taken by an FI in the event of a deterioration of its financial position prior to the CBSL taking resolution action on such FI.

9. Who is responsible for the preparation of Recovery Plans?

Every FI shall prepare a recovery plan as part of its risk management process, which shall provide for measures to be taken by such FI in the event of deterioration of its financial position.

10. What is a Resolution Plan?

A Resolution Plan means a plan designed for an FI having systemic importance or impact, in accordance with the international standards and best practices available for resolution of FIs.

11. Who is responsible for the preparation of Resolution Plans?

CBSL is responsible for developing Resolution Plans. However, it will be a process adopted in line with recovery planning.

12. In what circumstances may CBSL decide to initiate a resolution process for an FI under the BSPA?

CBSL may decide to initiate resolution of an FI under this Act in the event that it is satisfied that an LB or an LFC as the case may be, is, or is likely to be, no longer viable, and has no reasonable prospects of becoming viable under the following circumstances:

where CBSL is of the opinion that an FI has failed, or is likely to fail, to comply with the provisions of the Banking Act, or any regulation, direction, determination, Order, or any requirement made, issued or imposed thereunder, including the regulatory, capital and liquidity requirements, in a manner that would compel CBSL to cancel the licence issued to such FI.

where CBSL is of the opinion that an FI is, or is likely to become, insolvent.

where an FI is unable to meet its obligations to its depositors or other creditors, or CBSL is of the opinion that such FI is likely to be unable to meet its obligations to its depositors or other creditors as they fall due.

13. What are the main Resolution Powers available to CBSL under the BSPA?

CBSL has the following main resolution powers in addition to additional resolution powers to resolve an FI:

appoint an Administrator to an FI under resolution;

effect a transfer of shares of such FI;

transfer all or any selected assets and liabilities of such FI;

cause a capital increase through the existing shareholders and new shareholders;

request the Minister to provide capital to establish a bridge bank; and

request the Minister to provide temporary financial assistance for the resolution of such FI, based on reports submitted by the CBSL to that effect.

In addition, as per the BSPA, the Government of Sri Lanka can infuse capital for such FI or take over such FI into temporary public ownership, if the Government is of the opinion that the failure of an FI can have systemic importance or impact.

14. How will the resolution of an FI be funded, if required?

Resolution of an FI can be funded mainly by two sources:

Deposit Insurance Fund for limited purposes subject to strict conditions; and

Financial Stability Fund to achieve the objectives of resolution and to ensure the effective implementation of resolution measures.

15. How is the Financial Stability Fund to be established?

The Financial Stability Fund (FSF) is to be established with various sources of funding, including the following:

budgetary allocations from the Government,

contributions from the Government,

grants or loans from International Financial Institutions,

investment income,

gains from fund investments,

contributions from FIs as determined by CBSL, and

income from other approved sources by the Minister.

Accordingly, the primary funding source for FSF would be provided by the Government.

16. For what purposes can the funds of FSF be used?

The utilization of the FSF is designated for specific purposes, namely, establishing a bridge bank, providing temporary financial assistance by the Government and capitalizing FIs with systemic importance or impact.

17. What is a Bridge Bank?

A bridge bank is an institution established by CBSL to take over and continue operations of certain critical functions and viable operations of an FI subject to resolution or to transfer shares, any one or more of the assets, liabilities, legal rights and obligations or other property instruments owned or issued by an FI subject to resolution, which, in the opinion of the CBSL, is having systemic importance or impact.