

REPORT OF THE COMMITTEE TO LOOK INTO THE BOND ISSUES OF THE
CENTRAL BANK 2015

The Honourable Prime Minister who is also the Minister of Policy Planning,
Economic Affairs, Civil, Trade and Industrial Affairs appointed the Committee
led by the following terms of reference:

REPORT OF THE COMMITTEE TO
LOOK INTO THE BOND ISSUES
OF THE
CENTRAL BANK
2015

The Prime Minister who is the Minister of Policy Planning made available the
services of Mr. A. Wijewardene the former Deputy Governor of the CBSL. Mr.
A. Wijewardene chaired the Committee in judicial capacity.

The Committee was constituted as Public Debt of The Central Bank of Sri
Lanka. It issued 40 bonds amounting to a total of LKR 1,500.00

The Committee reviewed the Superintendent of Public Debt Department
(SPDD), Mr. Dinesh Fernando and the Assistant Superintendent of the Public
Debt Department (PDD) Dr. Asoka

**REPORT OF THE COMMITTEE TO LOOK INTO THE BOND ISSUES OF THE
CENTRAL BANK 2015**

The Honourable Prime Minister who is also the Minister of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs appointed the Committee based on the following terms of Reference;

The Terms of Reference of the Committee are to investigate into;

- 1) The reason for the Department of Public Debt of the Central Bank of Sri Lanka to make an announcement to issue a total of LKR 1 Billion;
- 2) The sequence of events and key statistics associated with the said Bond Issue with respect to each Primary Dealer;
- 3) The bids received and allocations made by the Public Debt Department of the Central Bank in every Bond issue beginning from January 1st 2012 by Auctions and Private Placements.

The Prime Minister who is the Minister of Policy Planning made available the services of Mr. W A Wijewardena the former Deputy Governor of the CBSL. Mr. W A Wijewardena assisted the Committee in technical aspects.

The reason for the Department of Public Debt of the Central Bank of Sri Lanka to make an announcement to issue a total of LKR 1 Billion

The Committee interviewed the Superintendent of Public Debt Department (PDD), Mrs. Deepa Seneviratne and the Assistant Superintendent of the Public Debt Department (PDD) Dr. Aazim.

REPORT OF THE COMMITTEE TO LOOK INTO THE BOND ISSUE OF THE
CENTRAL BANK SRI LANKA

According to the said officials of the Public Debt Department the following sequence of events were revealed;

1. The Government debt requirement is estimated one month prior by the Public Debt Department (PDD) of the Central Bank (CBSL) in consultation with the Domestic Debt Management Committee (DDMC). We have also been furnished with a copy of letter dated 20/02/2015 sent to the Superintendent of PDD by the Director General of Department of Treasury Operations (Mr. M. S. D. Ranasiri). The cash flow and borrowing requirement for the month of March has been annexed to the said letter. In terms of the said annexure the borrowing requirement as at 02/03/2015 was Rs.13,550,000,000/- (Rs Thirteen point five hundred and fifty billion). In terms of the said document the entirety of funding has to be through Treasury Bonds. A Copy is annexed marked as "X1" for easy reference.
2. The Monetary Board at it's meeting held on 23. 02. 2015, copy of which is annexed as "X2" (Meeting No 4/2015), decided the following:

"2.3. The board was of the view that issuing 30 year treasury bonds would be favourable at this stage to extend the yield curve and re-profile the debt service as there is good interest shown by foreign investors. Accordingly the board instructed the SPD to conduct a thirty year Treasury Bond Auction during the week and arrange to list Sovereign Bonds in Euro Clear Exchange in future".
3. The Monetary Board had intimated prior to the 23rd February 2015 of the desire to raise funds through the Bond Auctions and depending on the

market appetite, to discourage direct placements. In fact this is in line with the Operational Manual of the PDD (paragraph 3(a) page 10).

Direct Placement (private placement)


- 3.1 At this stage it is pertinent to define the method of direct placement, which is commonly known as private placement. As per the information obtained through the Public Debt Department, the bonds are issued to a value that is lower than the actual Government Funding requirement. The reason for this, as explained by the officials of the PDD, is on the basis that if the market is aware of the actual debt requirement of the Government, the market will forward bids with competitively higher interest rates.
- 3.2. Therefore the PDD announces a bond, which is lesser than the actual fund requirement of the Government and usually accepts around two to two and a half times more than the value of the bond Auctioned. Thereafter the PDD was planning to call for Direct Placement (private placement) to satisfy the balance requirement of Government funding.
- 3.3. The Committee observed that the monies raised through Private Placements are far greater than the Bond Auctions. Even though the officials of the PDD were of the opinion that the Private Placement is a healthy mechanism, the Primary Dealers interviewed by the Committee were of the opinion that the Private Placement lacks transparency. Mr. Samarasiri who is the acting Governor and the Chairman of the Tender Board ratified the said sentiments.



- 3.4. The Committee observes that there is no proper mechanism with regard to private placement. There is no record as to how the decisions with regard to the private placements are made other than records pertaining to the private placements issued on special instructions. As per the document annexed hereto as "X3", the Committee observes that an average of over 90 percent of the Government debt requirement have been through private placement. The Committee observes that this has affected effective participation by the Primary Dealers at auctions. In fact prior to 27/02/2015 the usual bids by Primary Dealers range between 30 to 50, occasionally going slightly higher. After 27/02/2015 (upon suspension of private placements) the bids received by the CBSL is ranging between 130 to 170.
4. When the Governor was interviewed by the Committee he explained that he made it clear that the restart of auctions was important. He explained that the previous Government had borrowed large sums of money both locally and internationally and it had reached beyond the spill level of debt. He opined that the said maximum levels had been reached in early 2014 and the previous Government had resorted to borrowing through commercial banks. He further pointed out that the previous Governor borrowed from EPF and invested in commercial banks and instructed commercial banks to borrow from overseas. In this context he stated that BOC had raised one billion dollars. NSB had raised 1 billion dollars and DFCC had raised 200 million dollars. The Governor also stated that when he assumed duties on the 23rd of January there was a repayment of 500 million dollars and the Central Bank did not have enough foreign currency to meet such payment and that itself created some volatility in the market.



5. Answering the reason to go for a 30-year bond he said the monetary board and the PDD decided to start with the longest tenure bond and work backwards. He explained that if you start at a shorter end, the interest rate will shoot up due to the duration of the curve and market will start building up the interest rates.
6. When questioned about the effect on the interest rates rising sharply, he explained that the previous Governor's practice of controlling interest rates at 5 % for the whole month except for three days was actually confusing the market. However the market was unclear at that time because the CBSL had not been clear in declaring its Monetary Policy. He also said that he believes that the market should determine the interest rates and was not agreeable with the artificial depression of interest rates from September 2014 up until the elections. So his instructions to the staff of CBSL has been to ensure that they move towards a market based system to raise funds and the price determined to pay for that funding is market driven.
7. When questioned about the success of new Monetary Policy, he said that there is effective participation in the market and that CBSL are raising record amounts of money in the market. When he was asked if he acted in a manner, which favoured any particular Primary Dealer, his answer was that he did not do so and that his concern was to raise money for the Government and not to see who is funding it. He said that the prior month failures and additional funding requirements of the Government were the main objectives he wished to fulfill.
8. Therefore given the fact that the funding requirement of the Government as at 02/03/2015 was 13.550 billion rupees the PDD had decided to announce the said 30-year bond upto an amount of 1 billion rupees. Even



though the minutes of the Monetary Board number 4/2015 specifies to issue a 30-year treasury bond, the amount of the bond has not been decided by the Monetary Board. This exercise is vested with the PDD per the Operational Manual of the PDD.

The sequence of events and key statistics associated with the said Bond Issue with respect to each Primary Dealer

9. The advertisement and press release with regard to the 30-year bond (12.50% 2045 A) had been published. At the time of closing the bids on 27/02/2015, the PDD had received 36 bids and the statistics of the same are as follows:

BIDS SUBMITTED BY PRIMARY DEALERS FOR THE AUCTION HELD ON 27TH FEBRUARY 2015

Name of the Primary Dealer	Bid (Mn)	Price	Yield Net of Tax	Accepted bids (Mn)	Bid %
Acuity Securities Ltd	50	112.01	9.99	50	15%
	100	86.74	13.00	-	
First Capital Treasuries Ltd	100	110.95	10.09	100	10%
Entrust Securities PLC	50	104.5	10.74	50	10%
	50	103.11	10.89	50	
Employees Provident Fund	500	104.5	10.74	500	200%
	1000	104.2	10.99	100	
	500	99.99	11.29	500	

Peoples Bank	100	102.2	10.99	100	10%
Natwealth Securities Ltd	50 50	102.20 99.99	10.99 11.25	50 50	10%
Seylan Bank PLC	1250	95.8	11.75	1250	125%
Wealth Trust Securities PLC	50 50	93.87 90.17	11.99 12.50	50 50	10%
HSBC	100	90.17	12.50	100	10%
Pan Asia Banking Corporation	250 150 100	90.17 88.42 86.74	12.50 12.75 12.99	250 - -	50%
Capital Alliance	100	90.17	12.50	100	10%
Commercial Bank of Ceylon	50 50	86.74 86.08	12.99 13.10	- -	10%
Union Bank	50 50	76.48 74.21	14.75 15.20	- -	10%
Sampath Bank PLC	100	62.62	18.00	-	10%
Perpetual Treasuries	250 250 500 1000	97.87 95.83 93.87 91.99	11.50 11.75 11.99 12.24	250 500 500 1000	200%
Bank of Ceylon	8 500	119.33 109.39	9.35 9.99	8 500	
On behalf of Perpetual Treasuries	3000 5000 5000	90.16 88.40 86.76	12.50 12.75 12.99	3000 - -	

10. In terms of the aforesaid, the cumulative amount tendered was amounting to Rs. 20,708, 000, 000/-. Since the earlier instructions of the Monetary Board in line with the manual of PDD (page 10, para 3 (a)) the Governor had requested to seek the possibility to accept the Government funding requirement from the market.

11. The Public Debt Department thereafter forwarded a document to the Tender Board, which is annexed to this report for easy perusal marked as X4 together with their recommendations. In terms of that report, The Tender Board at its meeting held on 27/02/2015 (meeting no: 02/2015) considered the options and granted the approval for accepting Rs.10,058,000,000/ at the net of tax WAYR of 11.73%, Upon considering;

- a.) Tight financial requirement of the Government;
- b.) Prevailing high liquidity level in the market as reflected in the bids;
- c.) The term structure of interest rates prevailed prior to September 2014.

12. The Committee considered the structure of the Auction Committee (Tender Board) members from 01.01.2012 to date:

The Treasury Bond Tender Board is comprised of the following members:

1. Deputy Governor In Charge of the PDD- Chairperson
2. Assistant Governor in Charge of PDD
3. Assistant Governor in Charge of Price Stability Sector
4. Superintendent of Public Department
5. Director, Economic Research Department
6. Director, Domestic Operations Dept.

7. Additional Superintendent of Public Debt.

13. In terms of the minutes of meeting number 2/2015 the decision to accept Rs.10,058,000,000/- has been approved by the members of the Treasury Bond Tender Committee meeting and the attendance of the same as reflected by the attendance sheet are as follows:

- 1.) Mr. P. Samarasiri DG (S)
- 2.) Mrs S. Rathnayake AG (S)
- 3.) Mr. C. P. A. Karunathilake AG (KL)
- 4.) Mrs. C. M. D. N. K. Seneviratne SPD (PDD)
- 5.) Mr. P. W. V. N . R. Rodrigo DDO (DOD)
- 6.) Mrs. S. Gunaratne DER (ERD)
- 7.) Mrs. U. L. Muthugala ASPD (PDD)
- 8.) Dr. M. Z. M Aazim ASPD (PDD)

14. The Committee observes that the Bank Of Ceylon being a Primary Dealer had placed bids amounting to Rs. 13,000,000,000/- for and on behalf of Perpetual Treasuries. At the interviews, both the Chief Dealer of BOC and the CEO of Perpetual Treasuries stated that this is the first time ever that a Primary Dealer had forwarded bids at an auction for and on behalf of another Primary dealer to the best of their knowledge.

15. The Chief Dealer of BOC informed the Committee that no Board approval was sought in forwarding bids on behalf of another Primary Dealer amounting to Rs. 13,000,000,000/- and failed to apprise the board of BOC even thereafter. He further stated that this is not a credit facility. When the Committee questioned the Chief Dealer of BOC he further stated that Perpetual Treasuries made a call with regard to placing the said bids and mentioned that the funding for such bid is by an Insurance Company. The



Chief Dealer of BOC also stated that he inquired from the CEO of Perpetual Treasuries as to the reason of high amount of yield net of tax and the reply he received from the CEO of Perpetual Treasuries was "awoth atha thamai" (The rough meaning is a colossal profit, if successful).

16. However answering questions by the Committee, the CEO of Perpetual Treasuries denied that he mentioned that their source of funding is by an Insurance Company. He also disputed that it is he who said "Awoth atha thamai" and said that it is the Chief Dealer of BOC who said "Awoth atha thamai". The Committee observes the said discrepancies in the following context.

a.) Though there is no legal bar, it is unusual for a Primary Dealer to forward bids through another Primary Dealer;

b.) The Chief Dealer of BOC has acted without Board approval and has failed and neglected to apprise the Board of BOC thereafter.

c.) The Chief Dealer of BOC had failed to exercise due diligence in checking the source of funding;

d.) The lack of transparency and disparity in statements of the Chief Dealer of BOC and CEO of Perpetual Treasuries;

e.) The discrepancy of statements made by each other.



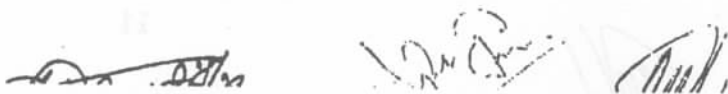
17. The Committee further observes that the bidding pattern of Perpetual Treasuries at this bond auction is unusual for two reasons.
- a.) Considering their previous bidding patterns, bids amounting to Rs.2,000,000,000/- when the value of the Bond is Rs. 1,000,000,000/-;
 - b.) Seeking the assistance of BOC to forward bids amounting to Rs.13,000,000,000/- given the fact that the value of the bond announced was 1 billion.
18. When the Committee interviewed the CEO of Perpetual Treasuries specifically of the unusual bidding pattern at this auction by Perpetual Treasuries, his explanation was as follows:
- a.) They were well aware that the Government would be raising unusually high funds for payments of several projects.
 - b) Answering the questions by the Committee as to whether they possessed any inside information to that effect, his answer was that the said information was available in the public domain and does not amount to insider information.
 - c.) The reason to request BOC to forward bids on behalf of Perpetual Treasuries, he said, that due to the cash influx needed for settlement and the capacity of BOC that he thought fit to seek the support of BOC. He further said that he sought the assistance of Acuity Holdings but failed to do so due to the unavailability of the Director.



d.) Perpetual Treasuries always had an aggressive approach and this was no different. He also said that the Central Bank had, at times, rejected Perpetual Treasuries, because they were too aggressive on TAP issues.

e.) They were successful of securing 50% of the accepted bids due to their careful analysis of the market elements and all factors considered.

19. The Committee at this stage can only make an observation that the bidding pattern of Perpetual Treasuries and securing 50% of the accepted bids as unusual. Given the limited scope of the TOR this Committee is not empowered to make any assumption with regard to the aforesaid. However, in the interest of the public since the said transaction involves public funds and fiscal regulations of the Government, the Committee observes that a full-scale investigation by a proper Government Authority is warranted.
20. The Committee further observes that the Board of Directors of BOC shall initiate a full-scale investigation and if necessary a forensic audit into the activities of the Dealer room of BOC given the fact that it is a State Bank. The Committee further observes that the Board of Directors of BOC may call for explanation from the Chief Dealer and his superior officers with regard to ad-hoc decisions made considering the large portfolio of BOC funds that are involved as stated above.
21. Though not directly within the mandate of the TOR the Committee questioned Mrs. Deepa Seneviratne, the Superintendent of PDD, Dr. Aazim, The Assistant SPD of PDD, and Mr. Samarasiri the Acting Governor of the CBSL whether this bond issue had caused any loss to the



Government and if so a rough estimate of the same. All three stated that they do not agree that there is a loss to the Government given the fact that market conditions vary with regard to the Treasury Bonds depending on various factors and the volume of funds raised. Mr. Samarasiri furnished a copy of the judgment of Supreme Court in Case no: SC FR 457/2012 (The Greek Bonds case). He requested the Committee to take note of a particular paragraph which the Committee thinks fit to quote in verbatim;

Sri Pavan J (as he was then)

" We must not forget that in complex economic policy matters, every decision is necessarily empiric and therefore its validity cannot be tested on any rigid formula or strict consideration....."

22. The Committee observes that there is no impediment for the Government and or Parliament and or any Organization with public interest to engage in necessary mechanism in establishing the loss to the Government, if existent.
23. The Committee also observes, from the information placed before the Committee, that there is a serious lack of transparency pertaining to the activities of the PDD of the CBSL. There is no proper supervision of the activities between the Primary Dealers and the PDD. There is no recording of calls, there is no log of any documents received, no supervision of electronic footprint; such as text messages and emails between the officials of the PDD and the Primary Dealers.
24. Since the PDD is dealing with the most sensitive information of the Government, the Committee is of the opinion that a proper supervisory

and monitoring mechanism has to be immediately implemented with regard to the activities of the PDD and the Primary Dealers.

25. The Committee also observes that an internal document of the Central Bank that contains statistics that are highly confidential is in the public domain. The availability of the said document on the web, newspapers, private circulation, complete with all signatures of the CBSL officials leaves room to doubt the sanctity of sensitive confidential information within a secure environment of the CBSL. The Committee had been informed by the officials of the CBSL that no internal inquiry had been initiated upto date with regard to the question of the said document appearing in the public domain.
26. The Committee further observes that the sentiments expressed by several Primary Dealers establishes a conjecture that sensitive information of the Central Bank and the secrecy of the same may have been compromised on occasions. The Committee is very careful to take note that this is only an assumption bordering on an allegation and nothing more. However, given the fact that a document containing sensitive information is available in the public domain, there may be a possibility of the secrecy of information possessed by the CBSL being compromised. In view of the aforesaid the Committee observes that a full-scale investigation by a proper Government Authority is warranted upon the activities of the PDD and its officials and any other Department of CBSL and its officers, to ascertain whether there is any truth in the assumptions pertaining to the sensitive information of the CBSL being compromised.
27. Given the sanctity and the obligations vested with the CBSL in managing the lifeblood of commerce in Sri Lanka and the onerous responsibility that calls for conduct beyond reproach, the Committee observes that it is not



unfair for the general public to expect a high level of integrity in the conduct of the officials of the CBSL that includes the Deputy Governors and the Governor. Therefore the monitoring of the digital footprints of the officials of the CBSL will espouse the cause in maintaining public trust.



The bids received and allocations made by the Public Debt Department of the Central Bank in every Bond issue beginning from January 1st 2012 by Auctions and Private Placements.

28. The Committee observed that whilst there is only one volume of papers with regard to bond issues by auction for the period of 2012 upto date, there were over four volumes of files available with regard to direct placements.
29. The Committee also took note of a composite document given by Mr. Samarasiri that contained the following statistics.

Year	Auction	Private Placements	Total	Total/ Auction ratio	Auction	Private
2012	59.3	788.6	847.9	14.5	7.0	93.0
2013	201.2	815.9	1017.1	5.1	19.8	80.2
2014	27.8	832.9	860.7	31.0	3.2	96.8

[Handwritten signatures and initials at the bottom of the page]

30. In terms of the said chart Mr. Samarasiri explained that majority of the Treasury bond issues had been through private placement thus hindering the effective participation of the Primary Dealers. He further explained that the practice of direct placement servicing the financing needs does not comply with the policies of the CBSL.
31. The Committee observes that the Operational Manual of the PDD specifies that arrangement to meet financing needs has to be through auction as much as possible. Even the Primary Dealers confirmed that private placement overtaking the auctions may not be good practice due to issues of transparency and effective market participation.
32. In another event of concern Mr. Samarasiri in stating that the practices prior to 2015 did lack transparency and undermined the effectiveness of the Tender Board Committee. He furnished a document (marked as "X5") with regard to the issuance of Treasury bond auctions held on 27th May 2014 wherein there had been no discussion or participation by the members of the Tender Committee. Whereas the document containing the observations had been signed only by the Superintendent of PDD and the Governor. Mr. Samarasiri pointed out that the Tender Board Committee had not been privy to the content of this document since ex facie the signatures of the members of the Tender Board is not on record nor is there a minute of the meeting of the Tender Board Committee.
33. The Committees observed that the private placements (Direct Placements) when made are erratic and has no rationale. Prior bonds issued through auction are placed as direct placement sometimes many years later, thus creating issues of consistency, transparency, and

effective participation. Even though the PDD explained to the Committee that all Dealers are given the opportunity for direct placement they were unable to furnish any proof of such claim due to the absence of the availability of phone records, e-mails or any other documentation. The Committee takes serious note of the lack of paper trail with transactions running up to 2012.

34. The Committee having observed the nature, in which the auctions had been carried out without the proper function of the Tender Board Committee and the lack of paper trail and or recorded calls with regard to Direct Placements, thinks prudent that a full-scale investigation has to be done with regard to direct placements up to 2012.
35. Due to the enormity of the documents involved in direct placements from 01. 01. 2012 up to date, it is vexatious and an exercise in futility to reproduce the statistics in this report. However the Committee has carefully studied the direct placements from;
 - a.) 01st January 2012 up to June contained in volume 11.
 - b.) 2012 July to December contained in volume 12.
 - c.) 2013 January to December contained in volume 13.
 - d.) 2014 January to December contained in volume 14.

36. The Committee also perused documents containing bids received and accepted in bond issues by auctions;
- a.) 2012 January to July contained in volume 16
 - b.) 2013 till 17. 03. 2015 contained in volumes 2 and 3
37. The Committee reiterates that the bonds that are issued are never closed, and the bonds issued several years before are re-adjusted on maturity period and privately placed many years later. This amounts to lack of transparency and opening out for manipulation and suspicion.
38. The Committee re-iterates that this is only a fact finding Committee with a limited mandate granted on the Terms of Reference as above. The Committee makes a humble request to the Hon. Prime Minister who is also the Minister of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs to take all necessary steps within the powers vested in him in taking further remedial measures that may be necessary.
39. The Chairman and the Members of the Committee extends sincere gratitude to all those who appeared before the Committee and the documents submitted upon request. The Chairman and the Members of the Committee further appreciates the invaluable assistance rendered by Mr.W A Wijewardena who guided the Committee with regard to the technical aspects of the investigations.

40. A word of gratitude has to be said about the staff at the Prime Ministerial Secretariat, particularly Mr. Saman Ekanayake, Ms. Damayanthi Wijesinghe, Ms. Razeena Sheriff and Ms. Anusha Cooray. The Committee also thanks Prof. Kithsiri Liyanage, the Secretary to the Ministry of Policy Planning and Economic Affairs and his staff.

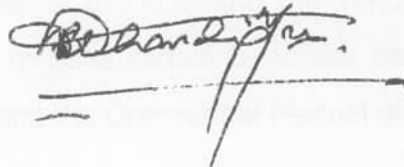
GAMINI PITIPANA
ATTORNEY-AT-LAW
CHAIRMAN



MAHESH KALUGAMPITTIYA
ATTORNEY-AT-LAW
COMMITTEE MEMBER



CHANDIMAL MENDIS
ATTORNEY-AT-LAW
COMMITTEE MEMBER



REPORT OF THE COMMITTEE TO LOOK INTO THE BOND ISSUES OF THE CENTRAL BANK 2015

Synopsis

Involvement of the Governor CBSL

Therefore given the fact that the funding requirement of the Government as at 02/03/2015 was 13.550 billion rupees the PDD had decided to announce the said 30-year bond upto an amount of 1 billion rupees. Even though the minutes of the Monetary Board number 4/2015 specifies to issue a 30-year treasury bond, the amount of the bond has not been decided by the Monetary Board. This exercise is vested with the PDD as per the Operational Manual of the PDD. The decision to accept the excess amount has been taken by the Tender Board Committee that comprises 8 members and the Governor of CBSL is not a member of the Tender Board Committee. (In terms of the above there is no evidence at this stage to the effect that the Governor of the CBSL had direct participation with regard to the activities of the PDD and the Tender Board Committee as aforesaid other than to issue certain directives based on the decisions of the Monetary Board and the Operational Manual of the PDD).

Recommendations of the Committee

Paragraph 19

The Committee at this stage can only make an observation that the bidding pattern of Perpetual Treasuries and securing 50% of the accepted bids as unusual. Given the limited scope of the TOR this Committee is not empowered to make any assumption with regard to the aforesaid.

However, in the interest of the public since the said transaction involves public funds and fiscal regulations of the Government, the Committee observes that a full-scale investigation by a proper Government Authority is warranted.

Paragraph 20

The Committee further observes that the Board of Directors of BOC shall initiate a full-scale investigation and if necessary a forensic audit into the activities of the Dealer room of BOC given the fact that it is a State Bank. The Committee further observes that the Board of Directors of BOC may call for explanation from the Chief Dealer and his superior officers with regard to ad-hoc decisions made considering the large portfolio of BOC funds that are involved as stated above.

Paragraph 22

The Committee observes that there is no impediment for the Government and or Parliament and or any Organization with public interest to engage in necessary mechanism in establishing the loss to the Government, if existent.

Paragraph 24

Since the PDD is dealing with the most sensitive information of the Government, the Committee is of the opinion that a proper supervisory and monitoring mechanism has to be immediately implemented with regard to the activities of the PDD and the Primary Dealers.

Paragraph 26

The Committee further observes that the sentiments expressed by several Primary Dealers establishes a conjecture that sensitive information of the Central Bank and the secrecy of the same may have been compromised on occasions. The Committee is very careful to take note that this is only an assumption bordering on an allegation and nothing more. However, given the fact that a document containing sensitive information is available in the public domain, there may be a possibility of the secrecy of information possessed by the CBSL being compromised. In view of the aforesaid the Committee observes that a full-scale investigation by a proper Government Authority is warranted upon the activities of the PDD and its officials and any other Department of CBSL and its officers, to ascertain whether there is any truth in the assumptions pertaining to the sensitive information of the CBSL being compromised.

Paragraph 27

Given the sanctity and the obligations vested with the CBSL in managing the lifeblood of commerce in Sri Lanka and the onerous responsibility that calls for conduct beyond reproach, the Committee observes that it is not unfair for the general public to expect a high level of integrity in the conduct of the officials of the CBSL that includes the Deputy Governors and the Governor. Therefore the monitoring of the digital footprints of the officials of the CBSL will espouse the cause in maintaining public trust.

Paragraph 34

The Committee having observed the nature, in which the auctions had been carried out without the proper function of the Tender Board

Committee and the lack of paper trail and or recorded calls with regard to Direct Placements, thinks prudent that a full-scale investigation to be done with regard to direct placements up to 2012.

Paragraph 38

The Committee re-iterates that this is only a fact finding Committee with a limited mandate granted on the Terms of Reference as above. The Committee makes a humble request to the Hon. Prime Minister who is also the Minister of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs to take all necessary steps within the powers vested in him in taking further remedial measures that may be necessary.

GAMINI PITIPANA (ATTORNEY-AT-LAW)

CHAIRMAN

MAHESH KALUGAMPITIYA (ATTORNEY-AT-LAW)

COMMITTEE MEMBER

CHANDIMAL MENDIS (ATTORNEY-AT-LAW)

COMMITTEE MEMBER



සාමාන්‍ය ජනතාවගේ මෙහෙයුම් දෙපාර්තමේන්තුව
 திறைசேரி செயற்பாடுகள் திணைக்களம்
 Department of Treasury Operations

1
 XI

දුරකථන තුඩුමසාදන අමාත්‍යාංශය, මහලේකම් කාර්යාලය,
 කැ.පො. 1559, කොළඹ 01, ශ්‍රී ලංකාව.

நிதி திட்டமிடல் அமைச்சு, செயலகம்,
 தப. 1559, கொழும்பு 01, இலங்கை

Ministry of Finance & Planning, The Secretariat,
 P.O.Box: 1559, Colombo 01, Sri Lanka.

අධ්‍යක්ෂ ජනරාල්
 பணிப்பாளர் நாயகம்: } 0094112484729
 Director General } dgto@tod.treasury.gov.lk

ලැන්ද්
 பெக்ஸ் } 0094 112 484970
 Fax }

පොදු
 பொது } 0094 112 484500
 General } 0094 112 484600

මගේ අංකය
 எனது இல } TO/DG/CFS/03
 My No. }

ඔබේ අංකය
 உமது இல }
 Your No. }

දිනය
 திகதி } 20.02.2015
 Date }

Superintendent of Public Debt,
 Public Debt Department,
 Central Bank of Sri Lanka,
 Colombo 01.

HFO
 ASPD(A) M272
 fna pc
 30
 23/2

Dear Sir,

Cash Flow & Borrowing Requirement for the month of March , 2015

I am sending herewith cash flow forecast for the month of March 2015.

I shall be thankful if you could arrange the borrowing requirement mentioned in the cash flow, March 2015. Actual cash flow position up to 19th February , 2015 also attached.

Yours sincerely,

M.S.D. Ranasiri

Director General

Superintendent of Public Debt
 Public Debt Department
 Central Bank of Sri Lanka
 No. 30, Janadhipathi Mawatha,
 Colombo 1, Sri Lanka.
 Tel: +94 - 11 - 2477277
 e-mail: pdebt@cbsl.lk
 Fax: +94 - 11 - 2477718

CERTIFIED TRUE COPY

Additional Director General (Foreign Aid, Public Debt, Admin & Finance)	Additional Director General (Consolidated Fund Mgt, Revenue & Reforms.)	Director (Cash Management)	Director (Consolidated Fund Mgt)	Director (Revenue)	Director (Foreign Aid Mgt)	Director (Debt Mgt)
Tel : 0094 112 484738 Fax : 0094 112 320042	Tel : 0094 112 484738 Tel : 0094 112 484970	Tel: 0094 112484901 Tel : 0094 112 484970	Tel: 0094 112 484994 Tel : 0094 112 484970	Tel: 0094 112484638 Tel : 0094 112 484970	Tel: 0094 112484751 Tel : 0094 112320042	Tel: 0094 112484749 Tel : 0094 112320042



CONFIDENTIAL

THE MONETARY BOARD
CENTRAL BANK OF SRI LANKA

MINUTE PAPER

Board Paper No. : MB/ER/4/2/2015

File No. : 03/16/025/0002/001

Meeting No. : 4/2015

Item No. : 2

Date : 23.02.2015

2. Review of the Monetary Policy Stance - February 2015


2.1 Mrs S Gunaratne, Director of Economic Research (DER), made a presentation to the Board.

2.2 The Board having considered the paper and the presentation was of the view that the cut in policy rates as recommended by the Monetary Policy Committee for the purpose of rationalization of two tier Standing Deposit Rate is not appropriate at this stage, given the rising trend of market interest rates and rising growth of private sector credit and decided to maintain the policy interest rates at current level until the next month's monetary policy review.

2.3 The Board was of the view that issuing 30 year Treasury bonds would be favourable at this stage to extend the yield curve and re-profile the debt service as there is good interest shown by foreign investors. Accordingly, the Board instructed the Superintendent of Public Debt to conduct a 30 year Treasury bond auction during the week and arrange to list sovereign bonds in Euro Clear Exchange in future.

2.4 The Board raised concerns whether bank credit is sufficiently channeled to the needy sectors instead of corporate customers and instructed the DER to undertake a research to identify major borrowers and report to the Board at the next meeting.

TRUE COPY

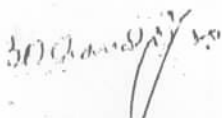

H A Karunaratne
Secretary

MONETARY BOARD

06.03.2015

30

CERTIFIED TRUE COPY







Treasury Board Issues (Rs. Cr.)

Year	Auction	Private Placements		Total	Total/Auction Ratio	Percent Share	
		Auction	Private			Auction	Private
2010	45.1	452.5	508.5	11.0	9.1	90.3	
2011	26.1	576.9	602.9	23.1	4.3	95.7	
2012	59.3	788.6	847.9	14.3	7.0	93.0	
2013	201.2	815.9	1,017.1	5.1	19.8	80.2	
2014	27.8	832.9	860.7	31.0	3.2	96.8	
2015 Jan-March	121.1	93.4	214.5	1.8	56.5	43.5	

Issues on private placements were suspended from 27.02.2015.

[Handwritten signature]

[Handwritten signature]

CONFIDENTIAL

CONFIDENTIAL

X4



TREASURY BOND TENDER COMMITTEE
CENTRAL BANK OF SRI LANKA

MINUTE PAPER

Meeting No: 2/2015

Time: 12.30 to 13.10 hrs.

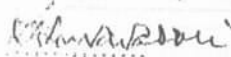
Date: 27.02.2015

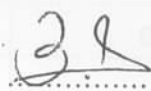
- 1. The information provided by PDD to make a rate decision for Treasury Bond auction held on 27-02-2015 are as follows: (See attendance of the Tender Committee Members)


Series	12.50% 2045 'A'
ISIN	LKB03045C013
Maturity date	01-03-2045
Settlement Date	02-03-2015
Amount Offered (Rs.mn.)	1,000.0
Bid Received (Rs.Bn.)	20,708

- 2. The Tender Committee having considered;
 - a) tight financing requirement of the Government;
 - b) prevailing high liquidity level in the market as reflected in bids; and
 - c) the term structure of interest rates prevailed prior to September 2014,

granted approval for accepting Rs. 10,058 million at the net of tax WAYR of 11.73%.


 Chairman
 (DG overseeing the PDD)


 SPD

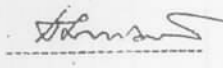


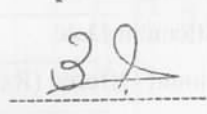
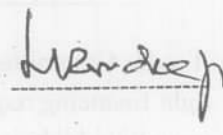

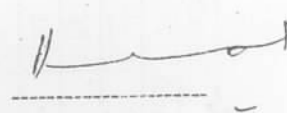
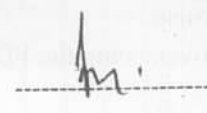

 Secretary to the
 Tender Committee

Approval of the Governor,


 27.02.2015



Public Debt Department
Treasury bond Tender Committee Meeting
27th February 2015

	<i>Name</i>	<i>Designation</i>	<i>Dept.</i>	<i>Signature</i>
1.	Mr. P. Samarasiri	DG(SM)	-	
2.	Mr. S. S. Ratnayake	AG (S)	-	
3.	Mr. C. P. A. Karunatilake	AG (KL)	-	
4.	Mrs. C. M. D. N. K. Senevirathne	SPD	PDD	
5.	Mr. P. W. V. N. R. Rodrigo	DDO	DOD	
6.	Mrs. S. Gunaratna	DER	ERD	
7.	Mrs. U. L. Muthugala	ASPD	PDD	
8.	Dr. M. Z. M. Aazim	ASPD	PDD	



ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department
30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.
Tel : 2477424, 2477423, 2477311
Fax: 2346257, 2477739
E-mail: dcommunications@cbsl.lk, communications@cbsl.lk
Web: www.cbsl.gov.lk

Press Release

Issued By Public Debt Department
Date 27 February, 2015

TREASURY BOND Auction held on 27 February, 2015

Item	12.50% 2045 'A' Series
Period to Maturity	30Years
Date of Maturity	01-03-2045
ISIN *	LKBO 3045C013
Coupon Rate	12.50%
Amount Offered (Rs.mn)	1,000
Bids Received (Rs.mn)	20,708
Amount Accepted(Rs.mn)	10,058
Weighted Average Yield (net of tax) %	11.73
Date of Settlement	02-03-2015

* International Securities Identification Number.

Approved

27/02



ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

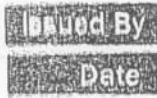
Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

Email: dcommunications@cbsl.lk, communications@cbsl.lk

Web: www.cbsl.gov.lk

Press Release



Public Debt Department

27 May, 2014

05 Years & 01 Month, 14 Years & 07 Months and 30 Years

TREASURY BOND auctions held on 27 May, 2014

(Amounts in Rs. Million)

	10.60% 2019 'A' Series	13.00% 2029 'A' Series	13.50% 2044 'B' Series
Period to Maturity	05 Years & 01 Month	14 Years & 07 Months	30 Years
Date of Maturity	01-07-2019	01-01-2029	01-06-2044
ISIN ⁺	LKB00619G019	LKB01529A012	LKB03044F019
Coupon Rate	10.60%	13.00%	13.50%
Amount Offered	1,000	2,000	2,000
High Received	6,750	5,475	5,530
Amount Accepted	1,750	2,200	2,000
Weighted Average Yield (p.a. net of tax)	8.93	10.88	11.75
Date of Settlement	02-06-2014	02-06-2014	02-06-2014

⁺ International Securities Identification Number.

8



X5(1)

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
ISSUE OF RS 5,000 MILLION TREASURY BONDS

Rs. 1,000 million Treasury Bonds under the series of 10.60% 2019'A', Rs. 2,000 million Treasury Bonds under the series of 13.00% 2029'A' and Rs. 2,000 million Treasury Bonds under the series of 13.50% 2044'B' are to be issued through an auction on May 27, 2014.

The details of these Treasury Bonds are as follows.

Series	10.60% 2019 'A'	13.00% 2029 'A'	13.50% 2044 'B'
ISIN	LKB00619G019	LKB01529A012	LKB03044F019
Amount offered	Rs. 1,000 million	Rs. 2,000 million	Rs. 2,000 million
Period to maturity	05 Years 01 Month	14 Years 07 Months	30 Years
Coupon rate	10.60% per annum	13.00% per annum	13.50% per annum
Date of issue	01 July 2013	01 January 2014	01 June 2014
Date of maturity	01 July 2019	01 January 2029	01 June 2044
Dates of interest payment	01 January & 01 July	01 January & 01 July	01 June & 01 December
Accrued Interest Rate	Rs 4.4509 per Rs. 100.00	Rs 5.4586 per Rs. 100.00	Rs 0.0369 per Rs. 100.00
Date of auction	Tuesday, 27 May 2014		
Closing date and time of tenders	Tuesday, 27 th May 2014 at 11.00 a.m.		
Date of settlement	02 June 2014		
Minimum amount of bid	Rupees five million (Rs.5, 000,000/-) and multiples of Rupees one million (Rs.1, 000,000/-) there onwards.		

Bids are invited from the Primary Dealers in Treasury Bonds on the basis of clean prices (exclusive of accrued interest from the date of issue of the series to the date of settlement). Bids should be made only through the electronic bidding facility provided by the Central Bank of Sri Lanka.

The general public is invited to purchase Treasury Bonds from the following Primary Dealers and any other Licensed Commercial Bank

Acuity Securities Ltd.	2206297	Pan Asia Banking Corporation PLC	2565561
Bank of Ceylon	2541938	People's Bank	2458935
Capital Alliance Ltd.	2317777	Perpetual Treasuries Ltd	2206123
Commercial Bank of Ceylon PLC	2332319	Sampath Bank PLC	2305842
Entrust Securities PLC	2564936	Seylan Bank PLC	2456340
First Capital Treasuries Ltd.	2639883	The Hongkong and Shanghai Banking Corporation Ltd.	2421697
NatWealth Securities Ltd.	4703000	WealthTrust Securities Ltd.	2675096
NSB Fund Management Co. Ltd.	2564601		

Public Debt Department
Central Bank of Sri Lanka
30, Janadhipathi Mawatha, Colombo 1.
Telephone: 2477316 Fax: 2477687
Web: www.cbsl.gov.lk

N W G R D Nanayakkara
Superintendent /Registrar of Public Debt

27/5/14

X 5 (2)

**05 Years 01 months, 14 Years 07 months and 30 Years
TREASURY BOND Auctions held on May 27, 2014**

The primary auctions for 05 Years 01 months, 14 Years 07 months and 30 Years Treasury bond series were held today. The details of auctions are as follows;

Series and Maturity	10.60% 2019 'A'	13.00% 2029 'A'	13.50% 2044 'B'
Amount offered (Rs. Mn.)	1,000	2,000	2,000
Period of maturity	05 years 01 months	14 years 07 months	30 years
Total bids received (Rs. Mn.)	6,750	5,475	5,530
Yield range for total bids received % p.a. (after tax)	8.92 - 15.00	10.50 - 16.00	11.75 - 18.00
Current Auction (29-10-2013)			
Accepted amount (Rs. Mn.)	1,750	2,200	2,000
WAYR % p.a. (after tax)	8.93	10.88	11.75
Yield range for accepted bids % p.a. (after tax)	8.92 - 8.93	10.50 - 10.91	11.75 - 11.75
Previous Auction			
Date	10-01-2014	26-02-2014	27-03-2014
Accepted amount (RS. Mn.)	2,000	1,000	2,000
WAYR % p.a. (after tax)	8.65	10.76	11.75
Yield range for accepted bids % p.a. (after tax)	8.65-8.65	10.76-10.76	11.75-11.75

Observations;

Today's auction: Yield rates of all bond series have declined compared to the secondary market yield levels.

Secondary market rates: Both Treasury bill and bond yields have been quoted at current levels in the secondary market continuing the trend decline of short tenor government securities and steady levels of medium to long term government securities.

Market behavior and expectations: Market was quite active and buying interest could be seen for T-bills and T-bonds.

Considering the above situation in the market, the Treasury Bond Tender Board decided to accept Rs. 1,750 million from the 10.60% 2019 'A' bond series, Rs.2,200 million from the 13.00% 2028 'A' bond series and Rs. 1,000 million from the 13.50% 2044 'B' bond series from the market.

The press release with details is annexed.

Submitted for your approval and information pls.

[Signature]

SPD
27-05-2014

[Handwritten signature]

27 : NTP
DSD (A) 27/5
27/5/14