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Weekly News Bulletin on Banking & Finance

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[Latest breakthrough in \\$ 10 b external debt restructuring a “critical milestone” says Treasury Secretary](#)

Treasury Secretary Mahinda Siriwardena yesterday described Sri Lanka reaching agreements with the Official Creditors Committee (OCC) and China EXIM Bank as a “critical milestone”, and said the Government is continuing the process to stabilise and promote long-term economic growth.

[Cabinet nod for drafting Bill to amend National Innovation Agency Act](#)

The Cabinet of Ministers on Monday approved the drafting of a Bill to amend the National Innovation Agency Act, directing the Legal Draftsmen to proceed with the necessary changes. The National Innovation Agency, established in 2022, plays a crucial role in formulating national policies and offering innovative recommendations across social, scientific, technological, security, environmental and service sectors.

[Sri Lanka economic recovery gathers pace](#)

AFC Asia Frontier Fund Co-Fund Manager Ruchir Desai travelled to Colombo from 29 May to 2 June 2024 to meet with policymakers and the fund's Sri Lankan portfolio companies

[Finance Ministry explains how external debt relief deal works](#)

On the 26 June 2024, Sri Lanka reached a final agreement on its debt treatment with the members of the Official Creditor Committee (OCC) of Sri Lanka's major bilateral lenders, and also Bilateral Debt Treatment Agreements in relation to the loans owed by Sri Lanka to Exim Bank of China. Accordingly, through these two sets of agreements reached on 26 June 2024, Sri Lanka has successfully concluded the treatment of its debt with its major official bilateral creditors, including China, and the OCC members; Japan, India, France, Australia, Austria, Belgium, Canada, Denmark, Germany, Hungary, Korea, the Netherlands, Russia, Spain, Sweden, United Kingdom and the United States of America.

[Kanaka details digital surge, economic reforms propel growth](#)

State Minister of Technology Kanaka Herath yesterday detailed the country's digital surge, noting significant growth in internet, social media usage, ambitious tech initiatives and economic reforms. Addressing the first DigiEcon Global Investment Summit 2024, he outlined ambitious plans to achieve a \$ 15 billion digital economy by 2030. “Individual internet usage in Sri Lanka increased by 3.9% in 2023, surpassing the global average of 1.8%, while social media usage saw a surge of 6.5% and mobile penetration reached an impressive 148%, underscoring the country's potential for digital transformation,” he added.

Corporate Governance Listing Rules on Board policies



This article delves into the essential policies that listed entities must establish and uphold to navigate the complex regulatory environment mandated by the Corporate Governance Rules that will be effective from 1 October 2024. Additionally, companies are required to disclose their Governance Policies on their respective websites. Listed entities are required to establish and maintain a comprehensive array of policies.

New property taxes are coming: Key changes and impacts



The primary change is the introduction of an imputed rental income tax. This tax targets the notional income homeowners could earn from renting their properties, ensuring a fair contribution to public finances. It will be implemented before 1 April 2025.

Sri Lanka must renegotiate IMF Agreement for sustainable recovery from crisis

There should be a change of orientation in dealings with the IMF and Sri Lanka's creditors. The aim must be to protect the living standards of the people and to promote the growth of the economy in ways that expand incomes, create good-quality jobs, and improve the trade balance. This means that the debt restructuring process has to be based on ensuring that the debt stock does not increase with interest payments; on a haircut on commercial debt that is far more than 30%; on multilateral and bilateral agencies also accepting a reduction of their contribution to the debt stock

Debt stock rises over Rs.4.0tn amid hoopla around restructuring deals



As Sri Lanka is set to ink debt deals with the Paris Club creditors, bringing to close more than a year-long negotiations with the bilateral creditors, the data showed that Sri Lanka has increased its debt stock by as much as Rs.4.3 trillion in less than two years.

Why do banks exist?

“What Sri Lanka needs is four strong banks with an asset base exceeding Rs. 2 trillion each by 2025, to get us to an over-\$ 100 billion GDP economy. Therefore, the Government should push for bank consolidation keeping in view synergies and the benefits of mergers, with the Government role purely as that of a facilitator. However in certain institutions there is certainly a need to get rid of board toxicity and the management capacity deterioration, and investigate the vested lending. “

Management of international reserves

Foreign exchange reserves comprise of financial assets held in foreign currencies by central banks and governments. They not only provide liquidity for people to transact with the rest of the world, but also help build up confidence that a country is able to honour all its external payments in a timely manner. In the face of BOP difficulties, a country can draw down its own reserves to defend the exchange rate and/or draw on the reserves of the IMF to regulate the magnitude and duration of crises

Is Sri Lanka on right path for economic and social recovery?

- Constitutional amendments
- International Monetary Fund mess
- Blatant failures of the government
- Economic shocks and misplaced priorities could threaten Sri Lanka's tourism and growth



Harvard Business Review

Column

How Smaller Companies Can Join the Circular Economy

by Rana Hajirasouli



Even smaller and medium-size enterprises can become more sustainable by finding other companies that need their waste. Pursuing those opportunities — and becoming part of the circular economy — entails four steps: take stock of your materials flow, seek collaboration opportunities, leverage digital marketplaces, and treat going circular as a major change program.

The Economist

Column

America’s rich never sell their assets. How should they be taxed?

It is tempting to tax them during their lives. It is wiser to do so after their deaths



What is income, really? Ask an economist and they might describe “Haig-Simons” income—the value of a person’s consumption of goods and services, plus the change in their net worth over a certain period. A lawyer might refer to Section 61(a) of the IRS Code 26, which defines “gross” income as “all income from whatever source derived”, including but not limited to commission, interest, property deals and wages. An accountant might talk about how to reduce that gross income, via deductions or carve-outs, to a skinnier “taxable income base”.

Expert Panel Discussion on "Trade Agreements, Unlocking Economic Potential for Sri Lanka"

-CBSL-

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