



**MOTION FOR THE APPOINTMENT OF A PARLIAMENTARY SELECT COMMITTEE TO REVIEW THE CENTRAL BANK OF SRI LANKA ACT NO. 16 OF 2023 AND RECOMMEND REFORMS FOR A MORE ACCOUNTABLE, TRANSPARENT, GROWTH-ORIENTED AND CONSTITUTIONALLY RESPONSIBLE MONETARY GOVERNANCE FRAMEWORK**

**Hon. Speaker,**

I move that this Honourable Parliament appoint a Parliamentary Select Committee to comprehensively review the operation, effectiveness, outcomes and institutional consequences of the Central Bank of Sri Lanka Act No. 16 of 2023 and recommend legislative, institutional and governance reforms necessary to establish a monetary and financial governance framework that combines professional independence with democratic accountability, national policy alignment, measurable performance and economic development.

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**PART I – PURPOSE OF THE REVIEW**

**1. Why This Review Is Necessary**

The issue before Parliament is not whether the Central Bank should be independent.

The issue before Parliament is whether the framework of independence established under the Central Bank of Sri Lanka Act No. 16 of 2023 has achieved the objectives Parliament was assured it would achieve.

When this House enacted the legislation, Members were told that enhanced independence would produce:

1. Stronger institutional credibility;
2. Enhanced transparency;
3. Improved accountability;
4. Better monetary governance;
5. More effective supervision;
6. Stronger financial stability; and
7. Greater public confidence.

Parliament now has a constitutional duty to determine whether those objectives have been realised in practice.

A mature democracy does not merely create institutions.

A mature democracy periodically reviews whether those institutions are delivering the outcomes for which they were established.

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## **PART II – KEY CONCERNS REQUIRING REVIEW**

### **2. Independence Without Alignment**

The most fundamental concern arising from the present framework is that independence has increasingly evolved into institutional separation from the broader economic objectives of the nation.

The Central Bank today exercises substantial influence over:

1. Interest rates;
2. Exchange rates;
3. Reserve management;
4. Sovereign liquidity;
5. Banking-sector regulation;
6. Credit availability;
7. Investment conditions;
8. Business expansion;
9. Employment opportunities; and
10. Economic growth.

Yet there exists no effective statutory mechanism ensuring continuous alignment between monetary policy and the economic priorities approved by the people through their elected representatives.

There is no structured framework requiring the monetary authority to continuously understand and coordinate with:

1. Government economic policy;
2. National development strategies;
3. Export promotion programmes;
4. Reserve-building initiatives;
5. Industrial development priorities;
6. Employment-generation strategies;
7. SME development programmes;
8. Investment attraction policies; and
9. Broader national economic objectives.

This does not mean politicians should direct monetary policy.

It means monetary policy should not operate in isolation from the nation's economic aspirations.

Independence must not mean disengagement from national economic direction.

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### **3. Independence Without Accountability**

Independence was never intended to eliminate accountability.

However, practical experience demonstrates that parliamentary oversight remains limited.

The Central Bank generally appears before Parliament or Parliamentary Committees only two or three times annually, often for brief presentations lasting only a few hours.

For an institution exercising extraordinary influence over public finance and economic conditions, such engagement is inadequate.

Members of Parliament have repeatedly encountered:

1. Delays in responses to Parliamentary questions;
2. Delays in responses to Committee inquiries;
3. Inadequate follow-up on oversight concerns;
4. Difficulty obtaining timely monetary and supervisory information; and

5. Concerns regarding the completeness and transparency of information supplied.

Increasing concerns have also been expressed that institutional shortcomings, supervisory weaknesses and operational failures are not always disclosed with the level of transparency expected by Parliament.

Whether these concerns are justified or not, public confidence requires independent examination.

An institution exercising significant authority must be:

- Independent;
- Transparent;
- Responsive; and
- Accountable.

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**4. Independence Without Responsibility for Outcomes**

The current framework grants substantial authority.

However, Parliament lacks adequate mechanisms to assess:

1. Policy effectiveness;
2. Supervisory performance;
3. Reserve accumulation outcomes;
4. Crisis-management capability;
5. Operational competence;
6. Payment-system resilience;
7. Financial-sector stability; and
8. Broader economic impacts.

Authority and responsibility must operate together.

No institution should exercise significant powers without corresponding obligations to demonstrate measurable performance and accountability for outcomes.

#### **5. Recent Developments Requiring Parliamentary Examination**

The Committee shall examine concerns arising from:

1. Supervisory oversight issues associated with the reported NDB Bank fraud;
2. Perceptions of delayed regulatory intervention;
3. Repeated concerns regarding inadequate responses to Parliament;
4. The reported misrouting of approximately USD 2.5 million in international payments during 2025;
5. Operational weaknesses in payment systems and risk management;
6. Continued exchange-rate volatility;
7. Economic uncertainty affecting businesses and investors;
8. The disconnect between policy formulation and productive-sector realities; and
9. Repeated failures to achieve stated monetary objectives despite enhanced independence.

These matters do not justify predetermined conclusions.

They do justify independent Parliamentary examination.

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### **PART III – CONSTITUTIONAL CONSIDERATIONS**

#### **6. Article 148 and Parliamentary Sovereignty Over Public Finance**

The Committee shall review whether the present Act sufficiently recognises Parliament's constitutional responsibilities regarding:

1. Reserve management;
2. Sovereign liabilities;
3. Liquidity operations;
4. Monetary policy actions;

5. Financial-sector oversight; and
6. Broader economic consequences arising from monetary decisions.

The Committee shall determine whether enhanced parliamentary disclosure, accountability and performance-review mechanisms are required.

#### **PART IV – REVIEW OF THE MANDATE OF MONETARY GOVERNANCE**

##### **7. A Narrow Mandate for a Developing Economy**

The present framework focuses predominantly on inflation management.

Price stability is important.

However, Sri Lanka is a developing economy seeking recovery, growth and transformation.

The Committee shall review whether monetary governance should explicitly support:

1. Economic growth;
2. Employment generation;
3. SME and MSME sustainability;
4. Export competitiveness;
5. Productive-sector financing;
6. Reserve accumulation;
7. Supply-side expansion;
8. Technological advancement;
9. Financial inclusion; and
10. Long-term economic resilience.

Economic stability must not be measured solely by inflation.

It must also be measured by investment, production, exports, productivity and employment.

## **PART V – PRINCIPLES FOR REFORM**

### **8. Guiding Principles**

The objective of this review is not to weaken professional independence.

Nor is it to politicise monetary policy.

Rather, it is to establish a framework that:

1. Protects professional decision-making from improper political influence;
2. Strengthens transparency and accountability;
3. Promotes professional competence and practical expertise;
4. Prevents excessive concentration of institutional power;
5. Ensures segregation of regulatory responsibilities;
6. Introduces measurable performance standards; and
7. Aligns monetary governance with Sri Lanka's long-term development objectives.

Sri Lanka must avoid two dangerous extremes:

1. Political influence without professionalism; and
2. Institutional independence without accountability.

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## **PART VI – PROPOSED NEW INSTITUTIONAL FRAMEWORK**

### **9. Review of Institutional Restructuring**

The Committee shall examine the feasibility of restructuring the present framework into four specialised institutions:

#### **9.1 Monetary Authority of Sri Lanka (MASL)**

Responsible for:

- Monetary policy;
- Exchange-rate management;

- Reserve management;
- Liquidity management;
- Payment systems;
- Financial stability;
- Productive-sector credit coordination;
- Export refinancing; and
- Crisis management.

Mandatory quarterly reporting to Parliament.

### **9.2 Prudential Regulation Authority (PRA)**

Responsible for:

- Banking supervision;
- Finance-company supervision;
- Fraud prevention;
- Stress testing;
- Depositor protection;
- Governance reviews; and
- Recovery and resolution frameworks.

Mandatory quarterly reporting to Parliament.

### **9.3 Financial Conduct Authority (FCA)**

Responsible for:

- Consumer protection;
- Market conduct;
- Investor protection;
- Disclosure standards;
- Audit oversight;

- Debenture-market supervision; and
- Financial-sector ethics.

Mandatory quarterly reporting to Parliament.

#### **9.4 National Investment and Supply-Side Growth Council (NISGC)**

Responsible for:

- Investment promotion;
- SME development;
- Productive-sector financing;
- Export competitiveness;
- Industrial development;
- Agriculture modernisation;
- Tourism expansion;
- Technology adoption; and
- Supply-side economic growth.

Mandatory quarterly reporting to Parliament.

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### **PART VII – GOVERNANCE REFORMS**

#### **10. Governance Reforms for Consideration**

##### **10.1 Rebalancing Governance**

The Committee shall examine the appointment of two nominees of the Minister of Finance to the governing Monetary Authority Board, whether with voting rights or observer status.

The objective is not political control.

The objective is policy awareness, strategic coordination and alignment with national priorities.

##### **10.2 External Deputy Governors**

The Committee shall consider requiring at least two Deputy Governors to be appointed from outside the institution.

### **10.3 Strengthening Parliamentary Accountability**

The Committee shall examine:

1. Mandatory quarterly appearances before Parliament;
2. Statutory response deadlines for Parliamentary questions;
3. Annual accountability hearings;
4. Independent verification of information provided to Parliament; and
5. Publication of measurable performance indicators.

### **10.4 Monetary–Fiscal Coordination Framework**

The Committee shall consider establishing a formal coordination framework between:

- The Monetary Authority;
- The Ministry of Finance; and
- Other relevant economic institutions,

to ensure policy coherence and unified national economic direction.

## **PART VIII – INTERNATIONAL REVIEW**

### **11. The IMF Dimension and International Best Practice**

The Committee shall review the extent to which the current framework, influenced by IMF-supported reforms, remains appropriate to Sri Lanka's constitutional and economic realities.

The objective is not to abandon independence.

The objective is to improve it.

Sri Lanka should pursue a framework combining:

1. Independence with accountability;
2. Autonomy with transparency;

3. Stability with growth;
4. Professionalism with performance; and
5. Technical competence with democratic oversight.

## **PART IX – FINAL PRINCIPLE**

### **12. Conclusion**

Sri Lanka does not require weaker institutions.

Sri Lanka requires better institutions.

Institutions that are:

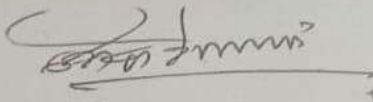

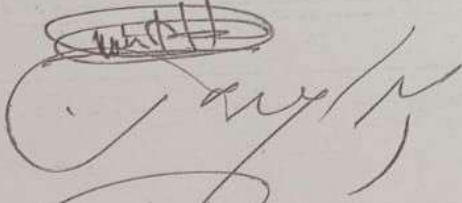
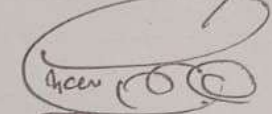
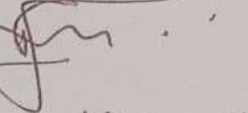

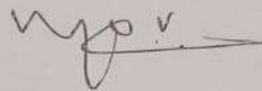
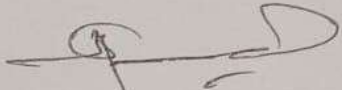
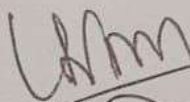
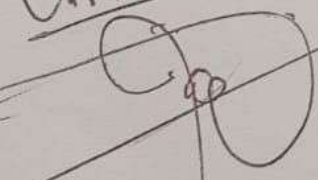
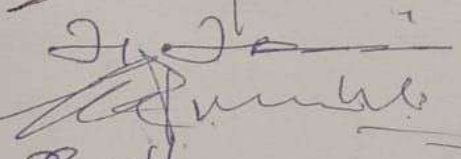
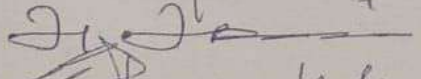
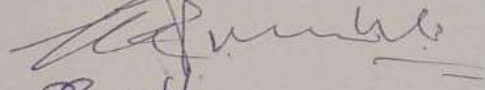
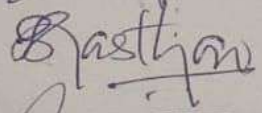
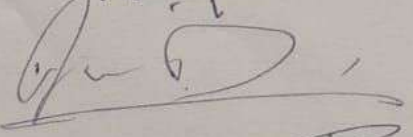
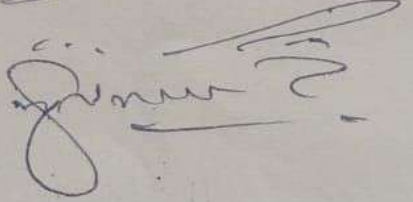
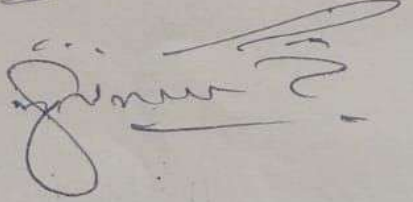
- Independent enough to make professional decisions;
- Accountable enough to explain those decisions;
- Transparent enough to justify those decisions;
- Responsive enough to answer for those decisions; and
- Aligned enough to contribute to national development.

The purpose of this Select Committee is not to weaken the Central Bank.

It is to strengthen public confidence, strengthen accountability, strengthen professionalism and ensure that monetary governance serves both stability and prosperity.

### **Final Principle**

**“Independence without accountability is dangerous. Accountability without professionalism is political. Professionalism without measurable performance is ineffective. Sri Lanka requires all three.”**

- 24. Hesha Withanage 
- 25. S. m. marikku 
- 26. Mr. Karinda Jayawardene 
- 27. K. Sujith Sanyo Perera 
- 28. ~~Prema Sanyo Perera~~ 
- 29. ~~K. Kodewesan ITAR~~ 
- 30. MPA Wameetha (CWC) 
- 31. M. S. Uthumaleela (CWC) 
- 32. Gayantha Kamnathilleke 
- 33. MANO GANESAN (TPA) 
- 34. Raveff Akeweene (CWC) 
- 35. A. Jeyarajasingh 
- 36. G. G. Ponnambalan 
- 37. K. Kader Masthan 
- 38. JEEVAN THONDAMAN (CWC) 
- 39. Rohitha De-sarama 
- 40. Na'ih Bandula 

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| 1) RAVI KASUNADAYANE           |  |
| 2) Dr. Ramachandran Arachchana |  |
| 3) Lokini Wijeratne            |  |
| 4) Kings nelson                |  |
| 5)                             |  |
| 6) Chandrasekera Kiriella      |  |
| 7) S.C. Athanathumala          |  |
| 8) H.S. Rajakaruna             |  |
| 9) S.A. Somasinghe             |  |
| 10) Muzibul Rehman             |  |
| 11) Chathura Galappaththi      |  |
| 12)                            |  |
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| 14)                            |  |
| 15) Rishad Bathiudeen          |  |
| 16. R. M BANDARA               |  |
| 17. MAM Thahir                 |  |
| 18. Ajith P. Perera            |  |
| 19                             |  |
| 20. U. Radhakrishnan           |  |
| 21 Y. Muralidharan             |  |
| 22 Dayasiri Jayasekara         |  |
| 23 L.W.C Wijesiri              |  |