



**THE EMBASSY OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
TO BELGIUM, LUXEMBOURG AND THE EUROPEAN UNION**

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Governor Cabraal says Sri Lanka to develop as a financial hub in South Asia

Sri Lanka's Central Bank Governor Ajith Nivard Cabraal has said Sri Lanka looked to learn from the experiences of countries such as Luxembourg, as it seeks to find its own niche and develop as a financial hub in the South Asian region. He said Sri Lanka's hospitable climate for expatriates, liberal policies on repatriation of funds and recent restructuring of the tax base, would serve as attractions in this endeavour.

Governor Cabraal made these observations when he participated in a round table discussion titled "Investment and Financial Market Prospects in Sri Lanka", held at the Chamber of Commerce of Luxembourg on 9 March 2011. During his visit to Luxembourg, the Governor met with Mr. Yves Mersch, Governor of the Central Bank of Luxembourg and participated in bilateral discussions with senior officials of the Foreign Ministry of Luxembourg.

The Governor who detailed the measures that had been adopted by Sri Lanka to minimize the impact of the recent financial crisis, said Sri Lanka could take much pride in that it had not permitted the collapse of any banking institutions and had maintained a growth rate of 3.5% in 2009 during the height of the crisis. None who had invested in Sri Lanka's market were prevented from repatriating their money, which ensured that once stability was reached these funds returned to the island manifold. He said the continued recovery in the financial sector has supported effective financial intermediation, ensuring improved performances of financial institutions leading to improved asset quality, higher profitability and higher capitalization levels. In 2010 the Colombo Stock Exchange had also recorded the highest growth in the world while doubling market capitalization. As a result, the external outlook had improved substantially, with the country graduating to 'Middle-Income Emerging Market Country' status as classified by the IMF and with its sovereign ratings upgraded by all rating agencies over the past year. Governor Cabraal said, the 10-year sovereign bonds which traded at a higher level than Sri Lanka's ratings suggest, was over-subscribed by six times in twelve hours. In respect of the IMF-SBA programme, he said so far, Sri Lanka has received six tranches, totalling UD\$ 1,516 million, out of the total facility available of approximately US\$ 2,600 million.

Sri Lanka's Ambassador to Belgium, Luxembourg and the EU Ravinatha Aryasinha, said economic ties with Luxembourg had grown appreciably over the past years. The Luxembourg Chamber of Commerce had received a delegation from the Benelux Business Council of the Ceylon Chamber of Commerce for the first time in May 2010, and several investors from Luxembourg had participated in the 'Belgium Business Week' held in Sri Lanka in November 2010. The Ambassador said negotiations will commence in Luxembourg in May,

2011 towards signing an Agreement for the Avoidance of Double Taxation between Sri Lanka and Luxembourg which will give further momentum to broaden and deepen the increasing contact between the two countries.

The Director General of the Luxembourg Chamber of Commerce, Ambassador Pierre Gramegna who chaired the round table, said the Chamber welcomed the opportunity to bring Luxembourg and Sri Lanka closer together and would continue to encourage their members to avail of the new vistas that are opening up in Sri Lanka.

Mr. C.J.P. Siriwardana, Assistant Governor of the Central Bank, Mr. D.M. Rupasinghe, Director/Financial Intelligence Unit of Sri Lanka and Mr. R.D.S. Kumararatna, Minister (Economic & Commercial) were associated at these meetings.

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