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Rs. 170 million invested in violation of guidelines

Millions of Samurdhi cash in Pramuka

by Uditha Kumarasinghe

The saga surrounding the crash of the Pramuka Savings and Development Bank took a further twist with revelations yesterday that as much as Rs.170 million belonging to Samurdhi depositors had been invested with Pramuka in violation of guidelines laid down with Samurdhi Bank Societies.

Samurdhi Director General Dr.Sunil Jayantha Nawaratne told the *Daily News* yesterday that this Rs.170 million has been deposited with Pramuka Bank purely due to personal interests on the part of Samurdhi bank managers.

Several Divisional Secretaries are also involved in this issue.

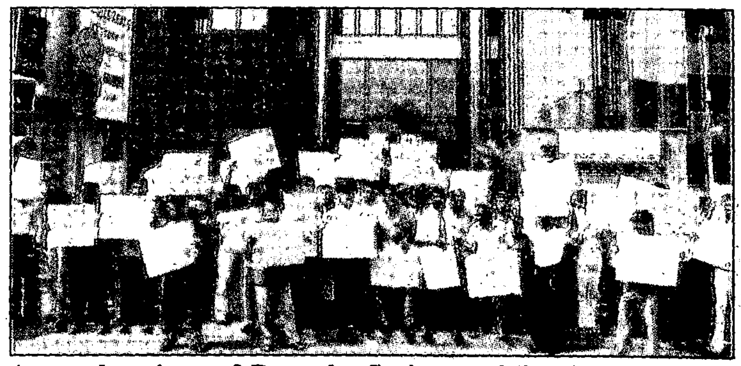
He said the Sri Lanka Samurdhi Authority will deal severely with these 'Samurdhi Officers' and Divisional Secretaries who have acted in complete violation of the guidelines.

Under the directions issued, Samurdhi Bank Societies can deposit only Rs.3 million or 8 percent of their total investments at any private bank. But several Samurdhi banks have deposited money at Pramuka ignoring these guidelines, he said.

Dr. Nawaratne said of this Rs.170 million, the highest amount of money has been deposited at Pramuka Bank by Samurdhi bank societies set up at Kandy, Matale and Polonnaruwa districts and at Elahera ranging from Rs.5 million to Rs.90 million. " The Elahera Samurdhi bank alone has deposited Rs.90 million at Pramuka bank."

He said Pramuka Bank officials have misled the Samurdhi Bank Managers by pledging to pay 14 percent interest on their savings. This is a high interest rate compared to the rates offered by institutions such as the People's Bank which is about 7.5 percent on fixed deposits.

However, a problem has also arisen in a situation where the Pramuka Bank has been allowed to continue by the Central Bank when there were clear signs of its collapse, he said.



Angry depositors of Pramuka Savings and Development Bank staged a protest in front of the Pramuka Bank premises yesterday demanding their money back. Some of the protestors called for action to be taken against the top management of the bank and for the intervention of the State to safeguard their savings.

Pramuka sick but not dead say stakeholders

by Chandani Jayatilleke

Pramuka is 'sick but not a dead bank'. However, the Central Bank (CB) is trying to bury it with their mistakes, stakeholders charged at a demonstration held outside the Pramuka Bank premises yesterday.

The Central Bank on December 19 decided to liquidate Pramuka Bank following the recommendations of the Monetary Board in the wake of investigations revealing mismanagement, unsound, improper and imprudent practices at the bank. The Central Bank also cancelled the banking licences issued to Pramuka Bank

"The CB's verdict on Pramuka is unfair by its stakeholders. The CB has made the first mistake. How could the CB say that Pramuka Bank has run into a crisis if they had supervised the bank in a proper manner over the last five years, they asked.

The stakeholders also accused Pramuka's auditors KPMG Ford Rhodes Thornton and Company of not having performed their responsibilities with regard to financial reports. "Had the financial reports disclosed such mismanagement, it wouldn't have faced these problems," President, Pramuka Bank Employees' Union and Pramuka Stakeholders Union, Sunil Dabare told the *Daily News* yesterday.

"We challenge the Central Bank's Banking Supervision unit to publicise reports on Pramuka Bank since 1997 and disclose the truth," he said.

Following the demonstration at Kollupitiya, the stakeholders comprising employees, depositors, borrowers and debenture and shareholders walked with placards up to the Presidential Secretariat to submit a petition to President Chandrika Bandaranaike Kumaratunga requesting her to intervene in this issue and safeguard the rights of 15,000 stakeholders who are severely affected due to the closure of the bank.

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) said that it has slaunched an investigation to ascertain whether the PSDB had violated any accounting or auditing standards.

The investigations began following the Central Bank's decision to suspend the bank.

"Based on the findings of the investigations, the SLAASMB could take action against the Pramuka Bank, if the bank is found guilty for such fraud," SLAASMB sources said.