



E-ALERT: BILLS OF EXCHANGE (AMENDMENT) ACT, NO. 13 OF 2025



November 2025

BACKGROUND

At present, the dynamic nature and the rising demands of domestic and international trade have led to a gradual decline in the usage of traditional forms of negotiable instruments[1] globally. Despite this shift, certain negotiable instruments such as cheques and bank drafts have continued to remain important in Sri Lanka's business sector. The Bills of Exchange Ordinance ("BOE Ordinance") predominantly governs the law relating to negotiable instruments in Sri Lanka. Over six decades after its last amendment, the Bills of Exchange (Amendment) Act, No. 13 of 2025 ("Amendment Act"), was certified by Parliament on 15 August 2025. The Amendment Act introduces key reforms to several provisions which, inter alia, relate to the imposition of penalties on dishonoured cheques, the introduction of facsimile and other methods of electronic transmission, and the crossing of cheques.

This e-alert addresses the key changes introduced under the Amendment Act and their impact on individuals and business entities.

PENALTIES FOR DISHONOUR OF CHEQUES

Sections 82A to 82F introduced under the Amendment Act address the imposition of penalties on dishonoured cheques. The penalties outlined under section 82A to the BOE Ordinance include either:

- (i) a fine equivalent to the amount of the cheque; and/or
- (ii) imprisonment of either description for a term of 2 years.

[1] Negotiable instruments covered under the BOE Ordinance are bills of exchange, cheques, bankers' drafts, and promissory notes.

The new provisions set out in the Amendment Act, inter alia, state that a person will be deemed to have committed an offence when a cheque drawn by an individual, or a body of persons^[2] ("Drawer") to pay any amount of money as debt or liability, to another person ("Payee") on an account maintained by the Drawer, which is subsequently returned by the bank, due to:

- (i) insufficient funds;
- (ii) exceeding the limit payable from that account;
- (iii) issuance of cheques from a closed account; or
- (iv) the countermanding of a cheque.

In such cases, a cheque or cheque return notification would indicate the dishonour of a cheque by way of notations that state "refer to drawer", "account closed" or "payment countermanded" issued by either the drawee or collecting bank, respectively. Exclusive jurisdiction to hear and determine such matters will be vested with the Magistrate's Courts. Furthermore, the new provisions recognise the submission of conclusive evidence in relation to a dishonoured cheque, which will constitute:

- (i) the cheque return notification;
- (ii) the deposit slip issued by the collecting bank; or
- (iii) the cheque returned by the drawee bank.

SPA Comments

The introduction of criminal sanctions under the Amendment Act for dishonoured cheques establishes a direct and clear enforcement mechanism aimed towards the prevention of fraud and offences in relation to negotiable instruments, which were not previously covered under the BOE Ordinance. Having introduced section 82F, which states that a body of persons may be convicted for an offence, liability for the commission of an offence in terms of the BOE Ordinance may extend to a body corporate, a firm or a body of persons in an unincorporated body.

The previously vague nature of the definition of 'banker' under the BOE Ordinance has also been addressed to, inter alia, include branches of foreign banks incorporated outside Sri Lanka. The provisions outline the applicability of the relevant provisions to foreign banks, which may enhance and streamline mechanisms involving cheques relating to commercial dealings with foreign business entities. However, the impact of these provisions, particularly on cross border transactions remains uncertain, given the availability of other efficient payment options such as letters of credit and wire transfers.

TRANSMISSION BY ELECTRONIC MEANS

Definitions for 'new methods of transmission' ("New Transmission Methods") have been introduced under the Amendment Act:

- (i) "electronic means" is defined broadly to include any method of generating, sending, receiving, or storing information through electronic, magnetic, optical or similar mediums; and
- (ii) "facsimile transmission" which entails the transmission of documents over the telephone system by scanning them photoelectrically and reproducing images thereafter.

Where a 'bill of exchange' ("Bill") has been dishonoured, the newly introduced section 49 (5) sets out that in addition to notifying such dishonour in writing or through personal communication, notice may also be provided using the New Transmission Methods to identify the relevant Bill and communicate the reason for such dishonour.

^[2] Under section 82F of the Amendment Act, a body of persons may include a body corporate, a firm, and an unincorporated body.

Furthermore, the New Transmission Methods may be utilised to present a cheque for payment by transmitting an image of both the front and back view of the cheque along with payment information, such as serial number, codes to identify the banker and branch, account number of Drawer, amount, and other relevant information.[3] This provision enables cheques to be presented for payment at any time as the newly introduced section 74(6) to the BOE Ordinance does not require presentment to be made at a proper place, a reasonable hour or on a business day.

SPA Comments

The shift towards digitisation in the presentation of a cheque for payment (including through email and other electronic communication platforms) eliminates the need for physical paperwork, reducing the need for additional administrative processes. This transition incentivises enterprises and individuals to streamline internal systems with digital-friendly solutions, to eliminate complexities and maintain accuracy in their business operations.

As such, businesses may now be encouraged to function in a financial ecosystem that offers clear, secure and enforceable payment mechanisms involving cheques, which were previously left unaddressed. However, the operational steps and duration required to be adopted by a banker[4] to implement these provisions in practice to achieve a desirable outcome remains to be seen.

CROSSING OF CHEQUES

The Amendment Act introduces provisions to address the position of a banker when faced with irregularities, which may only take effect once payment is made. In this backdrop, a banker will not incur liability due to irregularities or in the absence of an indorsement, when discharging payment for a cheque crossed either generally or specially[5], if made in accordance with section 80 (1) (i.e., in good faith and without negligence). Additionally, this provision safeguards a Drawer acting in good faith and without negligence when drawing a cheque, and shall be entitled to the same rights as if such payment was made to the true owner.

The Amendment Act introduces the following criteria to determine the effect of crossing a cheque as an amendment to section 81 of the Ordinance:

- (i) the inclusion of “not negotiable” does not give better title than that which the person from whom he took it had; and
- (ii) including the words “Account Payee” or “A/C Payee” with or without “Only” makes a cheque non-transferable, and will remain valid between the parties to such cheque.

SPA Comments

The amended section 80 of the BOE Ordinance safeguards the interests of bankers by limiting a banker's liability which may otherwise arise due to certain irregularities that may be discovered or raised after payment.

The amendments introduced under section 81(2) to the BOE Ordinance indicate that a cheque will not be transferable and will only be valid between the parties to that cheque, for so long as such cheque contains the words “Account Payee” or “A/C Payee” either with or without the word “Only”. This safeguards the interests of a banker and Drawer by ensuring that funds are credited to the account of the intended Payee and not third-party accounts.

[3] section 74 (7) mandates for the accuracy of the image and payment information presented, which otherwise shall be a nullity.

[4] The substituted definition of a ‘banker’ set out under the Amendment Act includes a licensed commercial bank or a licensed specialised bank or a branch of a foreign bank incorporated outside Sri Lanka, which carries on the business of banking within the meaning of the Banking Act, No.30 of 1988.

[5] The Amendment Act defines general and special crossing set out in section 76 of the BOE Ordinance as (i) Where a cheque bears across its face an addition of two parallel transverse lines, either with or without the words “not negotiable”, that addition constitutes a crossing, and the cheque is crossed generally, and (ii) Where a cheque bears across its face an addition of the name of a banker, either with or without the words “not negotiable”, that addition constitutes a crossing, and the cheque is crossed specially and to that banker, respectively.

OTHER DEVELOPMENTS INCLUDE:

- (i) substitution of “Ceylon” with “Sri Lanka”, where the word occurs in the BOE Ordinance (section 2 of the Amendment Act);
- (ii) the applicable interest rate when a Bill is payable is the legal rate applicable at the time (section 4 of the Amendment Act, section 9 of the BOE Ordinance);
- (iii) a Bill is payable on the last day of payment set out in the Bill and if such date is a non business day, payment will be the succeeding business day (section 5 of the Amendment Act, section 14 of the BOE Ordinance);
- (iv) repeal of section 15 of the BOE Ordinance, which previously addressed the inclusion of a referee in case of need (section 6 of the Amendment Act);
- (v) amendment of the illustration in section 35 (1) of the BOE Ordinance which outlines how further negotiability or transferability of a negotiable instrument under restrictive indorsements can be limited (“Pay D only”, “Pay D for the account of X” or “Pay D or order for collection”) (section 7 of the Amendment Act, section 35 of the BOE Ordinance);
- (vi) any alteration of the name of the payee, the date, will constitute a material alteration of a Bill (section 9 of the Amendment Act, section 64 of the BOE Ordinance);
- (vii) enables the addition of the words “not negotiable” to cheques that have been generally or specially crossed (section 12 (1) of the Amendment Act, section 77 (4) of the BOE Ordinance); and
- (viii) substitution of the words to himself with to himself and such crossing for the purpose of collection may be placed either on the face or the rear of the cheque, in relation to cheques (crossed or not) sent to a banker for collection when such cheque is crossed specially to himself (section 12(2) of the Amendment Act, section 77(6) of the BOE Ordinance).

FOR FURTHER INFORMATION, PLEASE CONTACT:



Dushyantha Perera

Partner – Head of Corporate & Commercial Law

E: dushyantha@sudathpereraassociates.com

T: +94 11 7559944



Chenelle Fernando

Associate (Corporate & Commercial Law)

E: chenelle@sudathpereraassociates.com

T: +94 11 7559944

Sudath Perera Associates is a leading independent law firm based in Sri Lanka. Further information about the firm can be obtained on its website – www.sudathpereraassociates.com



© Sudath Perera Associates. November 2025.

The contents of this e-alert are based on the prevailing laws, regulations, directives, and circulars as at the date hereof. This e-alert has been prepared for general information purposes only and should not be construed as legal advice or applied to any set of facts without seeking such legal advice.

 **Sudath
Perera
Associates**