



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

27 October, 2016 MICROFINANCE ACT DIRECTIONS NO.04 OF 2016

MAINTENANCE OF MINIMUM LIQUID ASSETS RATIO

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

1. Minimum Liquid Assets Ratio (LAR)
- 1.1 Every Licensed Microfinance Company (LMFC) shall at all times maintain minimum average monthly liquid assets at not less than Fifteen percent (15%) of its total monthly deposit liabilities.
- 1.2. The computation of the LAR shall be based on the following formula. The detailed computation of the LAR is provided in Annexure.

$$\text{LAR} = \frac{\text{Total Average Liquid Assets} * 100}{\text{Total Deposits}}$$

2. Total Average Liquid Assets
- 2.1. Every LMFC shall compute total average liquid assets by aggregating the daily average of the following assets for the maintenance period.
- a) Cash in hand
 - b) Balance in the current account in the commercial banks free from any bankers lien or charge
 - c) Balance in the deposit account in the commercial banks free from any bankers lien or charge
 - d) Balance in the deposit account in the specialised banks free from any bankers lien or charge
 - e) Sri Lanka Government Treasury Bills free from any bankers lien or charge
 - f) Sri Lanka Government Treasury Bonds maturing within one year free from any bankers lien or charge
 - g) Sri Lanka Government Securities maturing within one year free from any lien or charge
 - h) Central Bank Securities maturing within one year free from any lien or charge

- i) Treasury bills and Treasury bonds held under reverse repurchase agreements maturing within one year free from any lien or charge.
- 3. Supervisory Intervention and step to secure minimum requirement
 - 3.1. The Central Bank of Sri Lanka shall intervene at an early stage to prevent liquidity of a LMFC falling below the minimum requirement.
 - 3.2. Where a LMFC has failed to meet minimum liquidity requirement referred to in the Direction 1, such LMFC shall pay to the Central Bank 0.1 percent per day on the amount of the deficiency of liquidity or Rs. Twenty Five Thousand (Rs. 25,000/-), whichever is lower, until minimum requirement is effected and confirmed by the Director/ Department of Supervision of Microfinance Institutions (D/DSMI).
- 4. Regulatory Reporting
 - 4.1. Every LMFC shall submit a report on liquid assets ratio to D/DSMI on a monthly basis within Fifteen (15) days from the end of each month as per the reporting format annexure herewith.

Indrajit Coomaraswamy
Chairman of the Monetary Board
Governor of the Central Bank of Sri Lanka

From :

To : Director of Department of Supervision of Microfinance Institutions
Central Bank of Sri Lanka

Liquid Assets Ratio

	Rs. '000
1. Total Deposits as at the last working day of the month of (Base date)
2. Average statutory liquid assets for the Month of(Maintenance period)
a) Cash
b) Balance in the current account in the commercial bank free from any bankers lien or charge
c) Balance in the deposit account in the commercial bank free from any bankers lien or charge
d) Balance in the deposit account in the specialised bank free from any bankers lien or charge
e) Sri Lanka Government Treasury bills free from any bankers lien or charge
f) Sri Lanka Government Treasury bonds maturing within one year free from any bankers lien or charge
g) Sri Lanka Government Securities maturing within one year and free from any lien or charge
h) Central Bank Securities maturing within one year free from any bankers lien or charge
i) Treasury bills and Treasury bonds held under reverse repurchase agreements maturing within one year free from any lien or charge.
3. Liquid Assets Ratio [(2) as a % of (1)]

We/I hereby certify that the above statement is correct and is in accordance with the books of this company.

Date:.....

.....
Authorized officer's Signature

NOTE: The base date is the last working day of the previous month, e.g., Liquid assets for the month of April will be based on the deposit liabilities of end March. Liquid assets to be maintained for the period (Maintenance period) commencing from the 1st working day to last working day of the calendar month following the month in which the base date occur.