



## CENTRAL BANK OF SRI LANKA

24 May 2026      CENTRAL BANK OF SRI LANKA ACT DIRECTIONS      No. 02 of 2026

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### LOAN TO VALUE RATIO FOR CREDIT FACILITIES SECURED BY GOLD COLLATERAL

Issued under Section 105(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023.

The Central Bank of Sri Lanka, as the Macroprudential Authority, hereby issues Directions to Licensed Commercial Banks and Licensed Specialised Banks (hereinafter referred to as “licensed banks”) and Licensed Finance Companies (LFCs) for the implementation of maximum caps on loan-to-value (LTV) ratio applicable to credit facilities secured by gold collateral. These Directions aim to enhance the financial system stability and mitigate systemic risks, by reinforcing prudential credit standards in financial institutions regulated and supervised by the Central Bank.

1. Empowerment under the Central Bank Act  
1.1 In terms of Section 105(1) read with 64(1)(e) and 66(1)(g) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank is empowered to adopt and apply the macroprudential instruments to financial institutions regulated and supervised by the Central Bank.
2. Maximum LTV Ratio  
2.1 With effect from 25 May 2026, credit facilities granted by licensed banks and LFCs, which are secured by gold collateral, shall not exceed 70 per cent of the value of the collateral, including any existing credit facility renewed on or after the effective date.
3. Interpretations  
3.1 Credit facilities shall include pawning facilities, gold loans, and any other form of credit or accommodation extended against gold as collateral.  
3.2 (a) Licensed Commercial Banks and Licensed Specialised Banks shall have the meanings assigned to such terms under the Banking Act, No. 30 of 1988



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(b) Licensed Finance Companies shall mean finance companies licensed in terms of the Finance Business Act, No. 42 of 2011 to carry on finance business

3.3 For the purpose of these Directions, the value of the gold shall be the market value. Licensed banks and LFCs are required to continue applying their existing prudential practices for valuation of gold collateral.

3.4 Licensed banks and LFCs shall ensure that the valuation obtained at the time of granting credit facilities provides a true and fair value.

A handwritten signature in blue ink, appearing to read 'P. Nandalal Weerasinghe', with a flourish at the end.

**Dr. P Nandalal Weerasinghe**

*Chairperson of the Governing Board and  
Governor of the Central Bank of Sri Lanka*