



**CENTRAL BANK OF SRI LANKA
BANK SUPERVISION DEPARTMENT**

18 July 2019

EXPLANATORY NOTE

No. 04 of 2019

**Interpretations for Banking Act Directions No. 12 of 2018 on Leverage Ratio
under Basel III for Licensed Commercial Banks and Licensed Specialised Banks**

The Bank Supervision Department issued Explanatory Note 03 of 2019 on 18 July 2019 to ensure the consistency of capital and risk weighted assets computation in terms of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III considering the implications of adoption of Sri Lanka Accounting Standard - SLFRS 9: Financial Instruments.

Accordingly, with a view to ensuring consistency licensed banks shall hereinafter use Sri Lanka Accounting Standards based Statement of Financial Position to compute the exposure measure in the Leverage Ratio computation under Basel III whilst computation of off-balance sheet exposure remains the same.

A handwritten signature in blue ink, appearing to be 'A A M Thassim'.

A A M Thassim

Director of Bank Supervision