



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

8 February 2018

**BANKING ACT DIRECTIONS**

**No. 01 of 2018**

**LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED  
IN RESPECT OF MOTOR VEHICLES**

Issued under Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended.

The Monetary Board issues Directions as follows for the implementation of loan to value (LTV) ratios in respect of credit facilities granted by licensed commercial banks (LCBs) and licensed specialised banks (LSBs) for the purpose of purchase or utilisation of motor vehicles.

1. Empowerment under the Banking Act
  - 1.1 In terms of Sections 46(1) and 76(J)(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such banks is to be conducted.
2. Maximum LTV Ratio
  - 2.1 Commencing 01 January 2018, credit facilities granted by every licensed bank for the purpose of purchase or utilisation of vehicles shall not exceed the following percentages of the market value of such vehicles.
    - (i) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;

**Table 1 – Loan to Value Ratio**

Vehicle Category	Vehicle Class of Department of Motor Traffic	Electric Vehicles	Other
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	50%
Three wheelers	B1	90%	25%
Any other vehicle	A1, A, light trucks & single cabs categorized under B	90%	70%
Hybrid Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	70%	



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**8 February 2018**

**BANKING ACT DIRECTIONS**

**No. 01 of 2018**

(ii) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration.

**3. Exemptions  
from the  
Maximum  
LTV**

- 3.1 The limits in Direction 2 above will not be applicable to credit facilities granted to any company engaged in tourism and/or transportation for purchase of vehicle fleets to be utilized for their core business operations, provided that such vehicles financed shall not be transferred to any person or entity within one year from the date of the first registration.
- 3.2 Licensed banks shall have internal limits and adopt adequate risk management procedures in granting credit facilities for this category of vehicles.

**4. Other Credit  
Facilities for  
Vehicles**

- 4.1 A licensed bank shall not grant credit facilities for the purpose of purchase or utilisation of motor vehicles, other than credit facilities granted in accordance with Directions 2 and 3 above.

**5. Interpretations**

- 5.1 Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles by end-users.
- 5.2 The value of the vehicle shall be the market value. Licensed banks may use the following for the purpose of valuing vehicles:
- i) Brand new vehicles - value given by authorized agents
  - ii) Reconditioned vehicles - valuation considered at customs or invoice value given by the dealer
  - iii) Registered vehicles - value given by a professional valuer
- 5.3 Licensed banks should ensure that the valuation is obtained at the time of granting credit facilities and provides a true and fair value.
- 5.4 Fleet of vehicles referred to in Direction 3.1 shall mean two or more vehicles.



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**8 February 2018**

**BANKING ACT DIRECTIONS**

**No. 01 of 2018**

- 5.5 Company engaged in tourism referred to in Direction 3.1 shall mean a company registered with the Sri Lanka Tourism Development Authority or any other authority to provide services to tourism.
- 5.6 A company engaged in transportation referred to in Direction 3.1 shall mean any business entity registered at any state authority for the purpose of business of transportation of goods or passengers.
6. Revocation of previous Directions
- 6.1 The following Directions are hereby revoked:
- (i) Banking Act Directions No. 01 of 2017 on Loan to Value Ratios for Credit Facilities in respect of Motor Vehicles.
  - (ii) Banking Act Directions No. 02 and No. 04 of 2017 on Amendment to Directions on the Loan to Value Ratios for Credit Facilities in Respect of Motor Vehicles.

**Dr. Indrajit Coomaraswamy**  
*Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka*