



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

13 July 2021

BANKING ACT DIRECTIONS

No. 11 of 2021

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 outbreak and the importance of maintaining appropriate levels of liquidity and capital buffers in licensed banks, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

- 1. Empowerment**
 - 1.1 In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76J(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.

- 2. Scope of Application**
 - 2.1 These Directions shall be applicable to every licensed bank incorporated in Sri Lanka and every licensed bank, which is a branch of a bank incorporated or established outside Sri Lanka, on a standalone basis.

- 3. Restrictions on Discretionary Payments**
 - 3.1 Every licensed bank incorporated or established in Sri Lanka shall defer payment of cash dividend until the financial statements/interim financial statements for 2021 are finalised and audited by its External Auditor.



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- 3.2 Every licensed commercial bank incorporated outside Sri Lanka shall refrain from repatriation of profits not already declared for financial years 2020 and 2021 until the financial statements/interim financial statements for 2021 are finalised and audited by its External Auditor.
- 3.3 Licensed banks shall give due consideration to the requirements of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the potential impact of the COVID-19 pandemic and prevailing market conditions when deciding on payments of cash dividends and profit repatriation.
- 3.4 Licensed banks shall adhere to the following until 31 December 2021.
- (a) Refrain from buying-back of its own shares;
 - (b) Refrain from increasing management allowances and payments to Board of Directors;
 - (c) Exercise prudence and refrain to the extent possible from incurring non-essential expenditure such as advertising, business promotions, gift schemes, entertainment, sponsorships, travelling and training etc.; and
 - (d) Exercise extreme due diligence and prudence when incurring capital expenditure, if any.

- 4. Effective Date** 4.1 These Directions shall be in effect from 01 July 2021.

Prof. W.D Lakshman

*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*