



MONETARY BOARD
CENTRAL BANK OF SRI LANKA

19 January 2021

BANKING ACT DIRECTIONS

No. 01 of 2021

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka, 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 the licensed banks, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

- 1. Empowerment** 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed bank, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
- 2. Scope of Application** 2.1 These Directions shall be applicable to every licensed bank incorporated or established 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 dividends until the financial statements for the year 2020 are finalised and audited by its External Auditor.

3.2 Every licensed commercial bank incorporated outside Sri Lanka shall defer repatriation of profits not already declared for financial years 2019 and 2020 until the financial statements for the year 2020 are finalised and audited by its External Auditor.



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- 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 impact of COVID-19 pandemic when deciding on payments of cash dividends and profit repatriation.
- 3.4 Licensed banks, shall until 30 June 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.

Prof. W D Lakshman

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