



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA
BANKING ACT DIRECTIONS**

02 February 2023

No. 01 of 2023

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 capital position of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the prevailing macroeconomic conditions and the importance of maintaining appropriate levels of liquidity and capital levels to ensure sustainability 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 Licensed banks shall give due consideration to the requirements of the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the potential impact of the prevailing macroeconomic conditions when deciding on payments of cash dividends and repatriation of profits for the year 2022.



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- 3.2 Licensed banks shall inform the Director of Bank Supervision, the Board approved detailed assessment carried out in deciding the payments of cash dividends and repatriation of profits for the year 2022, prior to payment of such dividend/repatriation of profits.
- 3.3 Licensed banks shall defer payment of cash dividends and repatriation of profits for the year 2023, until the financial statements/interim financial statements for the year 2023 are finalized and audited by its External Auditor.
- 3.4 Licensed banks shall adhere to the following with immediate effect, until 31 December 2023.
- (a) Refrain from buying-back of its own shares.
 - (b) Refrain from increasing management allowances and payments to Board of Directors.
 - (c) Refrain from incurring non-essential and/or non-urgent expenditure such as advertising, business promotions, gift schemes, entertainment, sponsorships, travelling, contesting for awards/trophies, and have a Board approved policy to rationalise if such expenditure is to be incurred.
 - (d) Exercise extreme due diligence and prudence when incurring capital expenditure, if any.
- 3.5 Licensed banks shall form a Board level Sub Committee to operate during the years 2023 and 2024, entrusting the responsibility of evaluating and approving, non-essential and/or non-urgent expenditure and/or capital expenditure to be incurred by the bank, if any.
- 4. Effective Date** 4.1 These Directions shall be implemented with immediate effect.

Dr. P Nandalal Weerasinghe

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