



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

26 April 2019

No. 03 of 2019

**SMALL AND MEDIUM ENTERPRISES REFERRED UNDER BASEL III
REGULATORY FRAMEWORK ON CAPITAL AND LIQUIDITY STANDARDS**

The Banking Act Directions No. 01 of 2016 on Capital Requirements, the Banking Act Directions No. 09 of 2018 on Liquidity Coverage Ratio and the Banking Act Directions No. 08 of 2018 on Net Stable Funding Ratio issued under Basel III capital and liquidity standards are amended as follows:

1. Amendments

1.1 **Capital Requirements**

The qualifying criteria for SME exposures given in the web-based return code of 20.3.1.8.1.0 (d)(i) of Part III(A) of Appendix IV of Schedule I of Banking Act Directions No. 01 of 2016 on Capital Requirements is amended as in Part I of Annex I hereto.

1.2 **Liquidity Coverage Ratio**

The web-based return code of 19.3.1.1.2.0 of Appendix II of Banking Act Directions No. 09 of 2018 on Liquidity Coverage Ratio is amended as in Part II of Annex I hereto.

1.3 **Net Stable Funding Ratio**

The web-based return code of 32.2.2.1.0.0 of Appendix II of Schedule I of Banking Act Directions No. 08 of 2018 on Net Stable Funding Ratio is amended as in Part III of Annex I hereto.

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

Part I: Capital Requirements

Web-based Return Code	Item
20.3.1.8.1.0	<p>(d) (i) SME Exposures</p> <p>I. The maximum credit exposure of the lending bank to an SME shall not exceed Rs. 250 million.</p> <p>II. The annual turnover of the SME shall not exceed Rs.750 million at the time of granting a facility.</p> <p>III. Banks shall adopt an internal mechanism approved by the Board to verify the annual turnover of the SME. The Board approved internal mechanism shall be included in to the credit policy of the bank.</p>

Part II: Liquidity Coverage Ratio

Web-based Return Code	Item
19.3.1.1.2.0	<p>Small and medium enterprises</p> <p>Deposits placed with a bank by small and medium enterprises (SME). The total amount of deposits placed with the bank by an SME shall not exceed Rs. 250 million.</p> <p>Qualifying criteria to be classified as an SME are as follows:</p> <p>(i) The annual turnover of the SME shall not exceed Rs.750 million at the time of obtaining a deposit/granting a facility.</p> <p>(ii) Banks shall adopt an internal mechanism approved by the Board to verify the annual turnover of the SME.</p>

Part III: Net Stable Funding Ratio

Web-based Return Code	Item
32.2.2.1.0.0	<p>Non-maturity deposits and term deposits with residual maturity of less than one year provided by retail customers and SMEs</p> <p>Non-maturity deposits and/or term deposits with residual maturity of less than one year provided by retail customers and SMEs. In the case of SMEs, the total amount of deposits placed with the bank by an SME shall not exceed Rs. 250 million.</p> <p>Qualifying criteria to be classified as an SME are as follows:</p> <p>(i) The annual turnover of the SME shall not exceed Rs.750 million at the time of obtaining a deposit/granting a facility;</p> <p>(ii) Banks shall adopt an internal mechanism approved by the Board to verify the annual turnover of the SME.</p>