



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

25 January 2021

BANKING ACT DIRECTIONS

No. 03 of 2021

**AMENDMENTS TO DIRECTIONS ON CAPITAL REQUIREMENTS UNDER BASEL
III FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

Banking Act Directions No. 1 of 2016 on Capital Requirements under Basel III for licensed commercial banks and licensed specialised banks are hereby amended by replacing the following Directions.

SCHEDULE I

Appendix IV

PART III(A) – COMPUTATION OF RISK WEIGHTED AMOUNT FOR CREDIT RISK

Web Based Return Code	Assets	Risk Weight (%)
20.3.1.1.1.2	Foreign Claims on Central Government All foreign claims on Government of Sri Lanka (The revised risk weight is applicable for the year 2021 only)	10
20.3.1.9.0.0	Claims Secured by Residential Property The amount must agree with the sum of the claims secured by residential property that qualify for regulatory capital purposes and claims secured by residential property that do not qualify for regulatory capital purposes. (WBRC 20.3.1.9.1.0 to 20.3.1.9.2.0) The exposures secured by mortgages on commercial real estates shall be excluded from here.	
20.3.1.9.1.0	Claims that Qualify for Regulatory Capital Purposes a) Subject to conditions below, residential housing loans fully secured by a primary mortgage over such residential property that is or will be occupied by the borrower, or rented. b) The claims should strictly meet the following qualifying criteria to be able to use the preferential risk weight: <ul style="list-style-type: none"> • A margin of at least 25% on the forced sale value of the property based on the latest valuation report; 	35



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	<ul style="list-style-type: none">Valuation of property: valuation of property is carried out by an external independent valuer or current internal assessment of the value of the properties subject to the conditions stated in the Directions on Classification of Loans and Advances, Income Recognition and Provisioning issued under Banking Act. <p>c) Mortgages other than primary mortgages will qualify for the same risk weight, subject to the above conditions, if:</p> <ul style="list-style-type: none">The mortgage is with the same bankThe purpose of the loan is for residential purposes.	
20.3.1.9.2.0	Claims that do not Qualify for Regulatory Capital Purposes Performing claims that do not meet the criteria given above.	100

Prof. W D Lakshman

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