



MONETARY BOARD
CENTRAL BANK OF SRI LANKA

19 December 2019

BANKING ACT DIRECTIONS

No. 07 of 2019

**AMENDMENTS TO REGULATORY FRAMEWORK ON VALUATION OF
IMMOVABLE PROPERTIES OF LICENSED COMMERCIAL BANKS AND LICENSED
SPECIALISED BANKS**

In the exercise of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, the Monetary Board hereby issues the following amendments to Banking Act Directions No. 01 of 2014 on the Regulatory Framework on Valuation of Immovable Property of Licensed Commercial Banks and Licensed Specialised Banks, hereinafter referred to as licensed banks.

Accordingly, the following Directions of the Banking Act Directions No. 01 of 2014 on the Regulatory Framework on Valuation of Immovable Property of licensed banks shall be replaced as follows:

**5. Eligibility
Criteria for
Valuers**

5.1 Every licensed bank shall ensure that:

a) eligibility criteria for valuers are set out as follows:

A. A member of the Institute of Valuers of Sri Lanka (IVSL) who shall be:

- i. A Fellow Member; or
- ii. A Professional Associate Member with 5 years of experience in such grade of membership.

For the purpose of determining number of years of experience in the grade of Professional Associate Membership, the transitional provisions stated in Section 24 of the IVSL amendment Act. No. 9 of 2019, shall be applicable.

B. A member of the Royal Institution of Chartered Surveyors of the United Kingdom (RICS) who shall be:

- i. A Fellow Member of RICS and a member of IVSL; or
- ii. Other members of RICS who have passed the final examination of RICS in the General Practice Division with 05 years of experience in such grade of membership and a member of IVSL.

- b) valuers selected for the panel of valuers of the licensed banks as per the qualifications set out in Direction 5.1 a) above shall acquire Continuous Professional Development as approved/ recommended by the respective professional body; and
- c) internal valuation of immovable property is undertaken by valuers who satisfy the eligibility criteria set out in Direction 5.1 a) above.

6. Threshold for internal and external valuation reports

- 6.1 In respect of immovable property obtained/to be obtained as collaterals against all performing loans and advances, banks shall establish an appropriate threshold for internal and external valuation as per the bank's policy.
- 6.2 In respect of non-performing loans, where the capital outstanding amount is less than Rs. 10,000,000 or 0.1% of the bank's capital base, whichever is less, an internal valuation report may be obtained.
- 6.3 Licensed banks shall obtain an external valuation report in the case of obtaining valuation for a foreclosed property where the capital outstanding amount is over Rs. 5,000,000 or 0.1% of the bank's capital base, whichever is less.

7. Frequency of valuation

- 7.1 The frequency of valuation as referred to in Direction 2.2 (f) of the cited Direction shall be as follows:
 - a) Valuation of immovable property obtained as collateral against loans and advances which are non-performing shall be made at the frequency as follows for any regulatory purpose.
 - i. In respect of credit facilities granted against residential property which is occupied by the borrower for residential purposes: a report that is not more than five years old.
 - ii. All other credit facilities: a report that is not more than four years old.
 - b) Revaluation of immovable property as referred to in Directions 3.1 b) and c) cited Direction shall be made in line with the internal policies approved by the Board of Directors or depending on any significant and volatile changes in fair value of such immovable property are experienced. However, such gains can only be included in Tier 2 capital once in three years.

- c) Valuation of immovable property obtained as collateral against loans and advances which are performing, shall be made at the time of initial granting and at the time of any subsequent enhancement of credit facilities.



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