



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

18th November 2022

BANKING ACT DIRECTIONS

No. 08 of 2022

REGULATORY REQUIREMENTS ON LIQUIDITY RATIOS

The Monetary Board, considering the extraordinary circumstances caused by the current macroeconomic conditions, issues the following Directions to licensed commercial banks and licensed specialised banks.

- 1. Empowerment**
- 1.1 In terms of Section 21(1) of the Banking Act, every licensed commercial bank (LCB) shall maintain liquid assets in such amount as may from time to time be determined by the Monetary Board having regard to the nature of the business carried on by such bank provided that the percentage determined by Monetary Board shall not be less than 20 per cent and not more than 40 per cent.
- 1.2 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.
- 1.3 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. Statutory**
- Liquid Assets**
- Ratio (SLAR)**
- 2.1 Commencing from December 2022, licensed commercial banks are required to maintain liquid assets of an amount not less than 20% of total adjusted liabilities, on a consolidated basis for the overall bank, until further notice.
- 2.2 The requirement to maintain SLAR separately for Domestic Banking Unit (DBU) and Off-shore Banking Unit (OBU) as stipulated under the Circulars dated 21 January 2003, 08 October 2003 and 20 May 2004 is temporarily deferred.



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2.3 Licensed commercial banks shall continue the reporting of separate SLAR for DBU and OBU to the Bank Supervision Department for monitoring purposes.

**3. Liquidity
Coverage Ratio
(LCR) and Net
Stable Funding
Ratio (NSFR)**

3.1 Licensed commercial banks and licensed specialised banks are permitted to maintain an LCR and NSFR at a level not less than 90% up to 31.12.2022, as a short-term measure to allow further time to adjust the liquidity profiles of licensed banks, with enhanced supervision and frequent reporting.

Dr. P Nandalal Weerasinghe

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