



CENTRAL BANK OF SRI LANKA

16 January 2017

FINANCE LEASING ACT DIRECTION

No. 01 of 2017

LOAN TO VALUE RATIOS FOR CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES

Issued under section 34 of the Finance Leasing Act, No. 56 of 2000.

The Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred to as “Director”) issues Directions as follows for the implementation of a Loan to Value (LTV) ratios in respect of credit facilities granted by Specialized Leasing Companies (SLCs) for the purpose of purchase or utilization of motor vehicles.

1. Empowerment under the Finance Leasing Act
1.1 In terms of section 34 of the Finance Leasing Act, the Director is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act (hereinafter referred to as “Specialized Leasing Companies”).
2. Maximum LTV ratios
2.1 Commencing 16 January 2017, credit facilities provided by every SLC for the purpose of purchase or utilisation of vehicles shall not exceed the following percentages of the market value of such vehicles.
 - (i) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;
 - a) 90 per cent for commercial vehicles (lorries and heavy vehicles);
 - b) 50 per cent for motor cars, sports utility vehicles (SUVs) and Vans;
 - c) 25 per cent for three wheelers; and
 - d) 70 per cent for any other vehicles.
 - (ii) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for not less than one year after the first registration.
3. Exemptions from the Maximum LTV ratios
3.1 The limits in Direction 2 above will not be applicable to credit facilities granted to any company engaged in tourism and/or transportation for purchase of vehicle fleets to be utilized for their



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- core business operations, provided that such vehicles financed shall not be transferred to any person or entity within one year from the date of the first registration.
- 3.2 SLCs shall have internal limits and adopt adequate risk management procedures in granting credit facilities for this category of vehicles.
4. Other credit facilities for vehicles
- 4.1 An SLC shall not grant credit facilities for the purpose of purchase or utilisation of motor vehicles, other than credit facilities granted in accordance with Directions 2 and 3 above.
5. Interpretations
- 5.1 In these Directions:
- i. Credit facilities shall mean finance leases, hire purchase facilities and other credit facilities granted for the purpose of purchase or utilisation of vehicles.
- ii. The value of the vehicle shall be the market value obtained from a professional valuer at the time of granting credit facilities, as per the prevailing practice.
6. Revocation of previous Directions
- 6.1 The following Directions are hereby revoked:
- i. The Finance Leasing (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 01 of 2015
- ii. The Finance Leasing (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 02 of 2015

A handwritten signature in black ink, appearing to read 'U. P. Alawattage', with a long horizontal flourish extending to the left.

U. P. Alawattage

*Director, Department of Supervision of Non-Bank Financial Institutions
Central Bank of Sri Lanka*