



CENTRAL BANK OF SRI LANKA

DEPARTMENT OF SUPERVISION OF NON-BANK FINANCIAL INSTITUTIONS

10 March 2020

CIRCULAR

No. 1 of 2020

CREDIT SUPPORT TO ACCELERATE ECONOMIC GROWTH

With a view to accelerating economic growth in the country, special credit support scheme to eligible Small and Medium Enterprise borrowers of Banking sector had been introduced. Subsequently, discussion has been held with representatives of Financial Sector and the Secretary to the President at the Presidential Secretariat emphasizing the importance of introducing similar scheme to the borrowers of the Non-Bank Financial Institutions Sector.

Based on the discussions the Central Bank of Sri Lanka (CBSL) had with the representatives of Non-Bank Financial Institutions Sector, this Circular sets out the guidelines for giving effect to the Scheme in a consistent manner across Non-Bank Financial Institutions Sector.

1. General Terms and Conditions

- (i) **Eligible Borrowers:** Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) may grant a special credit support for the individuals and entities who have engaged in income generating activities, already classified as Non-Performing as at 31.12.2019 and have registered with relevant business registration authority for their business activities.
- (ii) The credit support scheme shall not apply in respect of contracts which have terminated and repossessed or terminated and legal action initiated in court.
- (iii) LFCs/SLCs shall offer the credit support scheme to all eligible borrowers upon a written request being made by such borrowers on or before 31.03.2020.
- (iv) Borrowers who fails to service the instalments under rescheduled credit facilities as required in Section 2 and 3 below will not be entitled to enjoy the benefits¹ of this scheme and will be considered as non-participants of this scheme.
- (v) The operating details of the scheme are as set out in Section 2 to 5.

2. Leasing and hire purchase facilities

- (i) The total penal interest accrued and unpaid shall be waived and 10% of the accumulated and unpaid interest (after waiver of penal interest) of the defaulted

¹ Waiver of penal interest and deferred interest and capital moratorium



CENTRAL BANK OF SRI LANKA

DEPARTMENT OF SUPERVISION OF NON-BANK FINANCIAL INSTITUTIONS

10 March 2020

CIRCULAR

No. 1 of 2020

instalments up to the date of consideration by the LFC/SLC under this scheme shall be deferred. The deferred interest shall be waived by the LFC/SLC, after the borrower settles the rescheduled loans in the manner provided in Section 2 (ii) below.

(ii) Rescheduling of leasing and hire purchase facilities shall be as follows: The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled.

(a) Where the borrower has repaid 50% or more of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan or four year whichever is lower.

(b) Where the borrower has repaid less than 50% but at least 25% of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan or five years whichever is lower.

3. Credit facilities excluding leasing and hire purchase facilities

(i) Capital moratorium for credit facilities shall be as follows:

(a) The borrowers' of eligible credit facilities other than the borrowers obtained a leasing/hire purchase facility will be eligible for a six-months grace period for the capital repayment of loans referred in Section 3.

(b) During the period of the credit support scheme, borrowers shall be required to continue to service the interest due on credit facilities considered under this scheme in a timely manner in accordance with the condition applicable to this scheme.

(ii) The total penal interest accrued and unpaid shall be waived and 10% of the accumulated and unpaid interest (after waiver of penal interest) of the defaulted instalments up to the date of consideration by the LFC/SLC under this



CENTRAL BANK OF SRI LANKA

DEPARTMENT OF SUPERVISION OF NON-BANK FINANCIAL INSTITUTIONS

10 March 2020

CIRCULAR

No. 1 of 2020

scheme shall be deferred. The deferred interest shall be waived by the LFC/SLC, after the borrower settles the rescheduled loans in the manner provided in Section 3 (iii) below.

(iii) Rescheduling of credit facilities shall be as follows: The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled.

(a) Where the borrower has repaid 50% or more of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan at the end of six-month grace period or four year whichever is lower.

(b) Where the borrower has repaid less than 50% but at least 25% of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan at the end of six month grace period or five years whichever is lower.

4. LFCs/SLCs shall maintain necessary documents to substantiate the granting of such credit support scheme.
5. LFCs/SLCs shall report the special credit scheme availed by borrowers as per the format in Annex I to the Director, Department of Supervision of Non-Bank Financial Institutions as at 15th and 30th of each month, within 5 workings days commencing from 30.04.2020.

J P Gamalath

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

10

