



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

14 September 2015

FINANCE LEASING ACT DIRECTION

No. 01 of 2015

**LOAN TO VALUE RATIO FOR LOANS AND ADVANCES
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) ratio in respect of loans and advances granted by Specialized Leasing Companies 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, No. 56 of 2000, 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, No. 56 of 2000 (hereinafter referred to as "Specialized Leasing Companies").
2. Maximum LTV ratio
2.1 Commencing 15th September 2015, Specialized Leasing Companies shall not grant loans and advances for the purpose of purchase or utilization of a motor vehicle, in excess of 70 per cent of the value of such vehicle (LTV ratio of 70%).
2.2 A Specialized Leasing Company shall not grant loans and advances for purchase or utilization of motor vehicles other than loans and advances granted in accordance with section 2.1 above.
3. Interpretations
3.1 In these Directions,
 - a. Loans and advances shall include finance leases, hire purchase facilities and other loans and advances granted for the purpose of purchase or utilization of motor vehicles.
 - b. The value of the motor vehicle shall be the market value obtained from a professional valuer at the time of granting loans and advances as per the prevailing practice.

K M A N Daulagala

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