



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

26 August 2020

CIRCULAR

No. 08 of 2020

**EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED
BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY**

With a view to meeting the challenges faced by the tourism industry due to the Easter Sunday Attack and the outbreak of COVID-19, the Central Bank of Sri Lanka (CBSL) has implemented debt moratorium schemes since April 2019. Considering the ongoing travel restrictions, disruption to economic activities and representations made by the Ministry of Tourism and related agencies, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to provide a debt moratorium to COVID-19 affected businesses and individuals in the tourism sector (hereinafter referred to as the Scheme) for a further period of six months commencing from 1 October 2020 to 31 March 2021. CBSL observed that the proposed Scheme may not cause an undue level of stress or threaten the stability of the banking system considering the lower level of exposure to the tourism sector by licensed banks, the capital buffers maintained by licensed banks and measures proposed by the Ministry of Tourism to revive the tourism industry. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks. However, licensed banks may offer any additional concessions to borrowers in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular.

1. General Terms and Conditions

(i) Eligible borrowers

- (a) Businesses and individuals who are affected by COVID-19 and registered with:
- i) Ministry of Tourism
 - ii) Sri Lanka Tourism Development Authority
 - iii) Agencies under Sri Lanka Tourism Development Authority
 - iv) Local Government Authorities such as Pradeshia Sabha, Urban Council or Municipal Council. However, such businesses shall now register with the relevant institutions referred in i), ii) and iii) above



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- v) Department of Cultural Affairs
 - vi) The Hotels Association of Sri Lanka
 - (b) Employees of eligible businesses who are affected by COVID-19. In the case of such employees, the registration of the business with the relevant institutions referred in (a) above shall be considered sufficient.
 - (ii) Credit facilities to be supported under this Scheme shall include all performing credit facilities as at 18 April 2019 or a later date, granted to eligible borrowers and non-performing loans re-structured under Circular No. 05 of 2020 issued on 27 March 2020.
 - (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of six months commencing 1 October 2020 to 31 March 2021.
 - (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant licensed bank on or before 25 September 2020. Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for this extension.
 - (v) Licensed banks shall accommodate such requests, considering the potential repayment capacity of the borrower.

2. Structuring the debt moratorium

- (i) Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2020 to 31 March 2021 into a term loan. Licensed banks may amalgamate the capital and interest falling due during 1 April 2020 to 30 September 2020 with the capital and interest falling due during 1 October 2020 to 31 March 2021, except for EMI loans for which the interest rate for the moratorium period is capped at 7 per cent per annum.
- (ii) Such converted loan shall be recovered not earlier than 1 July 2021 onwards.



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- (iii) Licenced banks may charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills, available by 1 April 2021, plus 1 per cent per annum.
- (iv) The repayment period of such converted loan shall be minimum of two years. However, if the borrower wishes to repay the loan in less than two years or if the licensed bank wishes to offer a longer period, licensed banks may facilitate such requests. Licensed bank and the borrower shall agree on the interest rate, if the repayment period varies from the stipulated two-years period.
- (v) Licensed banks shall waive off the accrued and unpaid penal interest as at 1 October 2020, if any, on performing and non-performing loans considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

3. Reporting Requirement

Licensed banks shall report the details of moratorium availed by borrowers to the Director of Bank Supervision as at 30th of each month, within 15 working days commencing from 1 November 2020. A reporting format will be issued in due course.

4. Revocations

Circular No 07 of 2020 dated 16 July 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals is hereby revoked.

Prof. W D Lakshman
*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*