



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

13 September 2021

CIRCULAR

No. 10 of 2021

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

With a view to meeting the challenges faced by businesses and individuals engaged in tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to extend the debt moratorium granted for tourism sector under Circular No. 08 of 2020 dated 26 August 2020 (hereinafter referred to as the Scheme) for another nine months commencing 1 October 2021 as specified below. However, licensed banks may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

- A.** The following provisions of the Circular No. 08 of 2020 have been amended and other provisions of the Circular No. 08 of 2020 will remain unchanged:
- 1. General Terms and Conditions**
- 1 (i) (b) Employees of eligible businesses and members of eligible associations who are affected by COVID-19. In the case of such employees and members, the registration of the business or the association with the relevant institutions referred in (a) above shall be considered sufficient.
- 1 (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of nine months commencing 1 October 2021 to 30 June 2022.
- 1 (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant licensed bank on or before 15 October 2021. Licensed banks are requested to accept any request submitted after 15 October 2021, if the reasons for delay in making such request are acceptable. 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.



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

13 September 2021

CIRCULAR

No. 10 of 2021

2. Structuring the debt moratorium

- 2 (i) Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2021 to 30 June 2022 into a term loan. Licensed banks shall amalgamate the capital and interest falling due during the previous moratorium granted with the capital and interest falling due during 1 October 2021 to 30 June 2022.
- 2 (ii) Licensed banks may commence recovery of such converted loan once the extended moratorium period is over.
- 2(v) Licensed banks shall waive off the accrued and unpaid penal interest as at 1 October 2021, if any, on performing loans considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

3. Reporting Requirement

Licensed banks shall continue to report the details of moratorium availed by borrowers to the Director of Bank Supervision as at 30th of each month, within 15 working days as per the reporting format prescribed under Circular No. 08 of 2020.

B. The following new provisions are included in this Circular:

1. Alternatively, licensed banks may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on terms and conditions including a concessionary interest rate, considering the prevailing low interest rates.
2. In the case where an eligible borrower has expressed his/her willingness to settle the existing credit facilities or amounts fallen due during the moratorium period, instead of opting for moratorium under this Circular, licensed banks are encouraged to provide interest rebates. Further, licensed banks shall waive-off early settlement fees and other fees and charges including recovery of future interest of lease facilities, if any.
3. Licensed banks shall suspend all types of recovery actions against non-performing facilities until 30 June 2022, provided that such facilities have been classified as non-performing on or after 01 April 2020. Further, licensed banks shall take all the



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

13 September 2021

CIRCULAR

No. 10 of 2021

- precautions not to excessively contact/force the borrower or visit the borrower as part of the routine collection procedure with regard to the above borrowers. In instances where there are on-going litigations in Courts relating to recovery, borrowers shall enter into an agreement in the Courts to obtain this concession.
4. Licensed banks shall account for the concession granted under this scheme as per guidelines issued by CBSL to licensed banks on adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments. Licensed banks shall identify tourism sector as a risk elevated sector and provide accordingly. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.
 5. Licensed banks are required to seek necessary guidelines from the relevant agencies with regard to providing concessions for credit facilities granted under various refinance or interest subsidy schemes.
 6. Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of a rejection of the application, licensed banks shall inform the applicant, preferably within 14 days, in writing/ through electronic medium, the reasons for such rejection, and that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), CBSL requesting for a review. The licensed bank shall advise the applicant by and through the same letter of rejection that the applicant is entitled to duly avail himself of the review facility, if the borrower so wishes.
 7. Licensed banks shall circulate this Circular to all branches within 3 days and provide necessary internal guidelines/circulars within 7 days.

Prof. W D Lakshman

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