



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

24 March 2022

CIRCULAR

No. 01 of 2022

**GUIDELINES ON ESTABLISHMENT OF POST COVID-19 REVIVAL UNITS IN
LICENSED BANKS**

The prolonged nature of the COVID-19 pandemic has led to disruption in income generating activities of businesses adversely impacting their ability to duly repay their loans and thereby impairing the recovery process of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks). Therefore, with a view to facilitating the sustainable economic revival of businesses affected by the COVID-19 pandemic and to mitigate the increase in impaired assets of licensed banks, the Central Bank of Sri Lanka (CBSL) in its “Six-Month Road Map for Ensuring Macroeconomic and Financial System Stability” announced the need for establishment of Post COVID-19 Revival Units in licensed banks. Accordingly, CBSL hereby issues broad guidelines to give effect to the establishment of Post COVID-19 Revival Units in licensed banks.

1. Objective

1.1 The purpose of establishment of the Post COVID-19 Revival Unit (hereinafter referred to as the Unit) is to identify and assist under performing and non-performing borrowers of licensed banks who are affected by COVID-19 and are facing financial difficulties due to reduction of income or sales, reduction or impairment of business operations or the closure of business etc., with the aim of reviving viable businesses which will provide benefits to such borrowers, leading to enhancement of economic activities and contributing to the development of the national economy.

**2. Governance
Framework and
Resources**

2.1 Licensed banks are required to formulate a revival and rehabilitation policy approved by the Board of Directors for a locally incorporated licensed bank and the regional/global head office for a licensed bank incorporated outside Sri Lanka.



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2.2 The revival and rehabilitation policy should *inter alia* include the following at a minimum:

- (i) the mandate for establishment of the Unit;
- (ii) its scope of activities including deliverables;
- (iii) the revival mechanism for borrowers including financial and non-financial strategies which may include but not limited to rescheduling/restructuring of existing credit facilities;
- (iv) granting other additional credit facilities on needs basis and;
- (v) provide any other appropriate measures for the revival of affected borrowers, post COVID-19.

2.3 The Unit shall be headed by a Key Management Personnel of the licensed bank with sufficient authority and seniority to ensure effective and efficient oversight of the Unit and expeditious implementation of revival and rehabilitation activities.

2.4 Licensed banks to ensure that the Unit shall be adequately staffed and possess sufficient expertise and authority for credit appraisal and monitoring and be provided with all other resources on needs basis.

2.5 In the case of banks with more than 50 bank branches, such licensed banks may consider establishment of Units at large branches / regional offices of banks as appropriate. Other licensed banks shall have the Post COVID-19 Revival Unit centrally.

**3. Duties and
Functions of the
Revival Unit**

3.1 The Unit shall actively liaise with branches and other business units of the bank to;

- (i) identify borrowers who require rehabilitation assistance, including borrowers considered for liquidity support to unwind moratorium
- (ii) develop rehabilitation proposals after completing a thorough analysis and coordination with all stakeholders



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

24 March 2022

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No. 01 of 2022

(iii) obtain necessary approvals and review the performance

3.2 In the case of 3.1(i) above, licensed banks shall not consider the following borrowers for revival.

- (a) Borrowers that have been identified as willful defaulters
- (b) Borrowers that have defaulted due to diversion of funds (i.e., funds borrowed from licensed banks have been utilised for purposes un-related to the operations of the business of the borrower)
- (c) Borrowers that have defaulted due to mismanagement and/or frauds in the business
- (d) Borrowers engaged in unviable projects

3.3 In the case of 3.1(i) above, licensed banks may consider the following borrowers for revival at the discretion of the banks.

- (i) Borrowers that have been classified as non-performing prior to 01 April 2020.
- (ii) Borrowers that are under litigation.

3.4 The Unit shall conduct awareness programs on rehabilitation, initiatives, procedures and methodologies to relevant stakeholders viz., branches and business units of the bank, borrowers etc.

3.5 The Unit shall provide credit counselling and business advisory services and assist businesses in reaching out to potential investors, obtain seed capital, equity etc., if necessary.

**4. Accounting
Considerations**

4.1 Licensed banks shall adopt accounting treatment for facilities considered under the Unit as per the Sri Lanka Accounting Standards and related Circulars/guidelines issued by CBSL. In the case of risk elevated borrowers or sectors, licensed banks are required to make adequate impairment charges. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

24 March 2022

CIRCULAR

No. 01 of 2022

Lanka and Auditors for additional guidance and clarification in this regard.

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| 5. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka | 5.1 Licensed banks, in consultation with CRIB, shall develop a reporting modality to report credit facilities transferred to this Unit, so that participation in revival and rehabilitation schemes of this Unit will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports. |
| 6. Re-finance or Interest Subsidy Schemes | 6.1 The restructuring of facilities granted under refinance or interest subsidy schemes shall be considered in accordance with the related guidelines issued by the Regional Development Department of CBSL or the Ministry of Finance in this regard. |
| 7. Recovery Action for Default after Revival | 7.1 Licensed banks may adopt suitable recovery actions against borrowers that have failed to adhere to the terms and conditions agreed for revival and rehabilitation under this Unit as per the bank's internal guidelines and policies. |
| 8. Implementation | 8.1 Licensed banks are required to make necessary arrangements to establish Post COVID-19 Revival Units by 30 April 2022. In the case of licensed banks that have already established Revival Units such banks may expand the scope of activities of these Units to be in line with the requirements of this Circular. |
| 9. Reporting Requirement | 9.1 Licensed banks shall report the details on progress of rehabilitation proposals availed to the bank's borrowers as at the end of each quarter, within 15 working days, commencing 30 June 2022 as per the reporting format given in Annex I. |

Nivard Ajith Leslie Cabraal
*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*

All Amounts in Rs. 000

[illegible]

Notes:

Column 4 - Sectors to be mentioned as per the Sectorwise Return, specify sub-sectors if applicable

Column 7 - Outstanding balance/s of credit facility/facilities that are considered for revival

Please email the position as at the end of each quarter, within 15 working days commencing from 31.03.2022 to bsddb@cbsl.lk