



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

10 March 2021

CIRCULAR

No. 03 of 2021

**CONCESSIONS FOR LEASE FACILITIES OBTAINED BY
BUSINESSES AND INDIVIDUALS IN PASSENGER TRANSPORTATION SECTOR**

With a view to meeting the challenges faced by businesses and individuals engaged in passenger transportation 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 provide concession for lease facilities obtained by COVID-19 affected businesses and individuals engaged in passenger transportation services (hereinafter referred to as the Scheme) for six months commencing from 1 April 2021 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

1. Period of deferment of lease installments

- 1.1 Licensed banks shall defer the lease installments for a period not exceeding 6 months commencing from 1 April 2021 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers.
- 1.2 The lease installment (both capital and interest) shall be deferred on the request made by affected borrowers.

2. Deadline for submission of the application

- 2.1 Eligible borrowers may request on or before 19 April 2021, for deferring the lease instalments in writing or through electronic means. Licensed banks shall expeditiously communicate the concessions, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including email and SMS.
- 2.2 Licensed banks shall accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable.



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CENTRAL BANK OF SRI LANKA**

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No. 03 of 2021

3 Eligible borrowers

- 3.1 Businesses and individuals engaged in providing public passenger transportation, private passenger transportation such as school transport service, office transport service, taxis including three wheelers, etc. and providing passenger transportation services to tourism sector.
- 3.2 Licensed banks may request the eligible borrower to submit necessary documentation to ensure that the vehicle is used to provide passenger transportation to the sectors referred in 3.1 above.

4 Eligible credit facilities

Performing lease facilities including lease facilities under moratorium as at 31 March 2021 obtained by eligible borrowers referred to under paragraph 3 above.

5 Structuring of the concession

5.1 Extending the existing tenure of lease facilities

- (a) Licensed banks shall extend the existing tenure of lease facilities eligible for deferment by the respective period of deferment.
- (b) Licensed banks may charge an interest rate for the deferred period only on the lease instalments falling due during the deferred period, not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 1 per cent per annum.
- (c) Such interest shall be recovered from April 2023 along with the existing lease installment falling due during this period. In the case where, the remaining tenure of the lease facility ends before April 2023, financial institutions may commence recovery of such interest at the completion of the remaining tenure of the lease facility.
- (d) Once the remaining tenure of the existing lease facility is over, borrowers shall commence repayment of the deferred instalments referred to in paragraph 5.1(a) above.



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

10 March 2021

CIRCULAR

No. 03 of 2021

5.2 Recovery of amounts due on the moratorium

- (a) Considering that the use of public and private transportation is gradually returning to normalcy due to reopening of schools (monthly payments being collected uninterrupted by many transport providers), offices, airport, etc., potential impact of the extended debt moratoriums on the licensed banks, and the ongoing vaccination program, licensed banks shall commence recovery of installments falling due in relation to the moratorium granted during 01 April 2019 to 31 March 2020, 01 April 2020 to 30 September 2020 and 01 October 2020 to 31 March 2021 (hereinafter referred to as moratoriums), as applicable, during the deferred period of the existing lease facility referred to in paragraph 5.1(a) above.
- (b) Once the deferred period of the existing lease facility (referred to in paragraph 5.1(a) above) is over, the repayment of the installments due on the moratoriums shall be deferred until the remaining tenure including the deferred period of the existing lease facility is over.
- (c) For such deferred period of the installments due on the moratoriums, interest shall accrue at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 1 per cent per annum.
- (d) Such interest shall be recovered immediately after completing the payment of interest referred to in 5.1(b) and (c) above along with the installments on the existing lease facility and deferred installments relating to moratoriums, as applicable.
- (e) Once the remaining tenure including the deferred period of the existing lease facility is over, borrowers shall commence repayment of the deferred installments relating to the moratoriums referred to in paragraph 5.2(b) above.

5.3 If the borrower submits a written request to settle the lease instalments falling due during the deferred period including the dues of moratoriums and interest for the deferred period, early, licensed banks shall facilitate such requests. In such case, licensed bank and the borrower shall agree on the structure, interest rate and the tenure. The interest rate shall be in line with the current market rate.



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

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No. 03 of 2021

- 5.4 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. In such case, licensed banks shall clearly explain the interest computation under all options including the structure proposed in this Circular to the borrower, prior to approving such concession.
- 5.5 Licensed banks shall waive off the penal interest accrued and unpaid as at 01 April 2021, if any. Penal interest shall not be accrued and charged during the period of deferment.
- 5.6 Licensed banks shall not levy excessive fees or charges in relation to granting of the concessions.
- 5.7 In the case of declined requests, licensed banks shall clearly mention the reason for such decline.

6 Accounting considerations on the deferment of lease installments

Licensed banks shall account for the deferment of lease installments as per Sri Lanka Accounting Standards and any additional guidance provided by CA Sri Lanka (CASL) on Financial Reporting implications due to the outbreak of COVID-19. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7 Reporting requirement

Licensed banks shall report the details of deferment of lease installments availed by their borrowers to the Bank Supervision Department as at the 30th of each month, within 15 working days, commencing 01 May 2021, as per the attached format.

Prof. W D Lakshman

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

