



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

5 May 2020

BANKING ACT DIRECTION

No. 02 of 2020

**LIQUID ASSETS FOR LICENSED COMMERCIAL BANKS
AND LICENSED SPECIALISED BANKS**

Considering the potential adverse impact on the liquidity position of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 pandemic, as an extraordinary measure in terms of the powers conferred by Sections 21(1), 86, 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board has determined that the following assets shall be considered as liquid assets, until 30 June 2021 in this exceptional circumstance.

1. Empowerment under the Banking Act
 - 1.1 In terms of Section 21(1) of the Banking Act, every licensed commercial bank (LCB) shall maintain liquid assets in such amount as may from time to time be determined by the Monetary Board having regard to the nature of the business carried on by such bank provided that the percentage determined by the Monetary Board shall not be less than 20 per cent and not more than 40 per cent.
 - 1.2 In terms of Section 86 item (g) under Liquid Assets, the Monetary Board is empowered to determine such other assets as Liquid Assets.
 - 1.3 In terms of Sections 46(1) and 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed bank, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
2. Liquid Assets
 - 2.1 For the purpose of computation of Statutory Liquid Assets Ratio (SLAR) the following shall be considered as liquid assets until 30 June 2021.
 - (i) Interest subsidy receivable on Senior Citizens Special Deposit Scheme.



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- (ii) Exposures to State Owned Entities guaranteed by the Government of Sri Lanka and classified in Stage 1 under SLFRS 9: Financial Instruments for financial reporting purposes with maturity not exceeding one year with hair-cut of 10%.
- (iii) Fixed Deposits held by licensed banks in other licensed banks
- (a) where remaining period to maturity exceeds 1 year but is less than or equal to 2 years, with hair-cut of 20%
- (b) if the remaining period to maturity exceeds 2 years but is less than or equal to 3 years, with hair-cut of 30%.
- (iv) Loans secured by deposits under lien equivalent to 20% of the deposits.
- (v) Receivables from Employees Provident Fund (EPF) in settlement of loans.

Prof. W D Lakshman

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