



MONETARY BOARD
CENTRAL BANK OF SRI LANKA

13 May 2020

BANKING ACT DIRECTION

No. 03 of 2020

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 outbreak and the importance of maintaining appropriate levels of liquidity in licensed banks while managing cash flows prudently, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

- 1. Empowerment** 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, 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. Scope and Period of Application** 2.1 These Directions shall be applicable to licensed banks:
(i) incorporated or established in Sri Lanka, and
(ii) incorporated or established outside Sri Lanka.

2.2 These Directions shall come in to effect immediately and be applicable until 31 December 2020.
- 3. Restrictions on Discretionary Payments** 3.1 Licensed banks incorporated or established in Sri Lanka shall refrain from declaring cash dividends not already declared for financial year 2019 and any interim cash dividends for financial year 2020.

3.2 Licensed commercial banks incorporated outside Sri Lanka shall refrain from repatriation of profits not already declared for financial years 2019 and 2020.



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- 3.3 Licensed banks shall refrain from buying-back its own shares.
- 3.4 Licensed banks shall refrain from increasing management allowances and payments to Board of Directors.
- 3.5 Licensed banks shall exercise prudence and refrain to the extent possible from incurring non-essential expenditure such as advertising, business promotions, sponsorships, travelling and training, etc..
- 3.6 Licensed banks shall exercise extreme due diligence and prudence when incurring capital expenditure, if any.

Prof. W D Lakshman

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