



Deshamanya Professor W D Lakshman

GOVERNOR

Central Bank of Sri Lanka

30, Janadhipathi Mawatha, Colombo 1, Sri Lanka

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To : All Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Chief Executive Officers,

Extraordinary Regulatory Measures to provide Liquidity to Licensed Banks amidst COVID-19 Outbreak

The Monetary Board of the Central Bank of Sri Lanka (CBSL) in the wake of the possible adverse impact on liquidity and other key performance indicators of licensed banks due to the implementation of the credit support scheme to assist COVID-19 hit businesses and individuals, and the need to meet other urgent liquidity needs, considers it imperative to strengthen the liquidity position of banks. The Monetary Board expects all financial institutions to provide uninterrupted credit flows in a prudent manner to revive the economic activities where in turn all sectors including financial sector of the economy will benefit. The confidence that certain fallback options are in place are expected to drive the banks' management to take their decisions comfortably.

In view of the above, the Monetary Board granted approval for the following extraordinary measures to strengthen the liquidity position of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to ensure continued supply of credit and to meet urgent liquidity needs of banks under these exceptional circumstances.

- (i) Provide additional funding under the refinance facility or through credit operations under the Monetary Law Act, enabling the banking sector to provide working capital and other loans at concessionary rates of interest, to spur demand in the economy.

- (ii) Permit licensed banks to consider certain assets as liquid assets in the computation of Statutory Liquid Assets Ratio (SLAR) under the Banking Act during the period up to 30 June 2021, subject to hair-cut and other conditions. Licensed Banks will be notified of these Assets in due course.
- (iii) Permit licensed banks to operate maintaining a Liquidity Coverage Ratio and Net Stable Funding Ratio at 90%, in this exceptional circumstance, with enhanced supervision and frequent reporting up to 30 June 2021.
- (iv) Allocate funds from the Sri Lanka Deposit Insurance and Liquidity Support Scheme as liquidity support to the banking sector.
- (v) Provide liquidity to banks under the provisions of the Monetary Law Act as emergency loans and advances in Rupees and facilitate the supply of liquidity for banks which are in need of funds. Such funds will be made available under an approved Framework of Emergency Loans and Advances to Licensed Banks based on acceptable collateral and liquidity forecasts.

Licensed banks are strongly advised to monitor the liquidity position of their respective banks and use liquid funds accruing as a result of the above Measures prudently for intended purposes of strengthening credit flows in the economy and liquidity management, and to refrain from utilizing such funds for discretionary payments such as dividends, bonuses, share buybacks and other non-essential operational expenses.

Yours sincerely,



Deshamanya Prof. W D Lakshman
Chairman of Monetary Board and
Governor of the Central Bank of Sri Lanka

