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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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உள்ளநாட்டு தொழிற்பாடுகள்
திணைக்களம்

Domestic Operations
Department

03.07.2020

Operating Instructions No: 35/03/023/0001/002

To: CEOs of All Licensed Commercial Banks

Liquidity Facility to the Construction Sector upon 'Letter of Acceptance of Payments of Outstanding Bills Due to Contractors' Issued by the Treasury on behalf of the Government

This Operating Instructions (OI) replaces OI No. 35/03/023/0001/001 issued on 18.06.2020 on '*Liquidity Facility to the Construction Sector upon Promissory Notes/Guarantees Issued by the Government*'.

This OI will be effective from 03.07.2020 until further notice.

1. Introduction

1.1 Having identified the national importance of reviving economic activities that was adversely affected by the COVID-19 pandemic, with the instructions of the Government of Sri Lanka, the Monetary Board of the Central Bank of Sri Lanka has introduced a liquidity facility scheme to support the construction sector through Licensed Commercial Banks (LCBs).

1.2 The Monetary Board has approved a '*Liquidity Facility to the Construction Sector*' (LFCS), initially on 16.06.2020 and subsequently on 26.06.2020, for the construction sector enterprises to borrow from LCBs, backed by a '*Letter of Acceptance of Payments of Outstanding Bills Due to Contractors*' (LAPC) issued by the Treasury on behalf of the Government. In turn, LCBs shall provide promissory notes secured by pledged Treasury bills and Treasury bonds in their own holding to the Central Bank of Sri Lanka (CBSL) to obtain credit facilities at a concessionary rate of interest under Section 83(1) of the Monetary Law Act No. 58 of 1949 (MLA) for on-lending to the construction sector.

1.3 Accordingly, the intention of this OI is to enable LCBs to provide credit facilities to the construction sector backed by the LAPC issued by the Treasury on behalf of the Government and to obtain LFCS from the CBSL at concessionary rates of interest.

2. Main Features of the Liquidity Facility

2.1 LFCS provided by the CBSL to LCBs is expected to serve as a liquidity support to address liquidity needs of the construction sector enterprises arising from outstanding dues from the Government of Sri Lanka on account of construction projects carried out in the past.

2.2 LCBs are required to enter into a Loan Agreement and a Pledge Agreement with the Monetary Board of the Central Bank of Sri Lanka each time this LFCS is drawn by the LCBs.

2.3 Under LFCS, the CBSL may grant loans to LCBs at a concessionary rate of one per cent (1%) per annum for a period not exceeding 180 days for on-lending to the construction sector enterprises under Section 83(1) of the MLA, upon receipt of promissory notes from LCBs secured by pledged Treasury bills and Treasury bonds with the CBSL. Immediate fresh facilities shall be made available upon submission of similar fresh promissory notes by the LCBs backed by pledged Treasury bills and Treasury bonds with the CBSL.

2.4 LCBs may maintain an interest margin not exceeding three per cent (3%) per annum for this facility, so that the construction sector enterprises shall have access to credit at an interest rate not exceeding four per cent (4%) per annum.

3. Key Operational Requirements

3.1 In order to seek this LFCS, an LCB shall forward details of the construction sector enterprises that have been issued with LAPCs by the Treasury on behalf of the Government as set out in Schedule I and the promissory note as set out in Schedule II, along with the details of government securities which are expected to be pledged for this facility as in Schedule III, to the CBSL. LCBs are advised to submit duly authenticated hard copies of Schedule I and II to the Director of the Domestic Operations Department (DOD). The soft copies of all schedules should be sent to DOD in advance, to facilitate accounting procedures.

3.2 LCBs are required to enter the details of Treasury bills and Treasury bonds to be pledged with the CBSL electronically through the Online Electronic Bidding System (OEBS) and the days to maturity of such pledged securities should be not less than 180 days. Pricing of the pledged

securities is based on the existing price calculation used for the government securities by the CBSL.

- 3.3 On the receipt of duly completed hard copies of the schedules and agreements from an LCB, the Director of the DOD will make arrangements to credit an amount equivalent to the face value of the promissory note to the Current Account of the respective LCBs after verifying the adequacy of the pledged securities in the Schedule III. However, funds shall not be disbursed on the same day unless the hard copies of the duly completed schedules and agreements are received before 12:00 hrs.
- 3.4 LCBs are required to maintain an adequate amount of securities in their own holding to pledge at the time of releasing funds. Securities pledged under this facility will be transferred to a Securities Settlement Account in the LankaSecure System.
- 3.5 CBSL may inform LCBs of the details of upcoming maturities two weeks prior to the maturity date of the promissory note.
- 3.6 On the maturity date of the loan, the CBSL may deduct the principle amount of the loan plus the interest from the Current Account of the respective LCBs. LCBs are required to immediately repay the loan and the interest in the event that the government settles the due payments as set out in the LAPC.
- 3.7 LCBs should ensure that LFCS is exclusively utilised for on-lending to the construction sector enterprises backed by LAPCs.
- 3.8 LCBs are required to report to DOD on a fortnight basis on the utilisation of funds obtained under LFCS, as per Schedule IV, as at 15th and 30th of each month within 3 working days from the due date.
- 3.9 The Bank Supervision Department and the DOD may jointly monitor the implementation of this facility.



C A Abeysinghe

Director/Domestic Operations

Liquidity Facility to the Contractors and Suppliers of the Government

1. Name of the Bank:
2. Promissory Note No :
3. Details of the Loans requested by Contractors/Suppliers:

	Letter of Acceptance of Payments of Outstanding Bills Due to Contractors/Suppliers of the Government Issued by the Treasury on behalf on the Government		Office use only (CBSL Ref.)
	Ref. No of Letter of Acceptance of the Treasury	Name of the Contractor/Supplier	
		Value (Rs.)	
1			
2			
3			
4			
5			
		Total	

4. Types of securities specified in Pledged Agreements: T-Bills T-Bonds

.....
Date

.....
Authorised by

You are requested to email the same to dod@cbsl.lk

Promissory Note No:

PROMISSORY NOTE

Colombo

Date: / / 2020

Rs.

M/s (Name and address of Participating Financial Institution) promise to pay the sum of Rupees (Rs.....) in 180 days from the date hereof, to the MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA OR ITS ORDER, together with the interest thereon, at the rate of One per centum per annum (1% p.a).

STAMP

Name of Participating Financial Institution

Signature and Rubber Stamp of the Authorized Officer

Witness:

1.
2.

Office Use Only
CBSL Ref No:
Maturity Date:
Total Amount with Interest (%):

CBSL Ref: 35/03/023/0001/003

Liquidity Facility to the Construction Sector upon Letter of Acceptance of Payments of Outstanding Bills to Contractors and Suppliers Issued by the Treasury on behalf of the Government

Details of Pledged Securities:

- 1 Promisory Note No:
- 2 Promisory Note Value:
- 3 Date Issued:

	ISIN of T-Bill(s)/ Bond(s)	T- Face Value of the pledged Securities(Rs.)	Market Value of the pledged Securities as per Central Bank Price File (Rs.)
1			
2			
3			
4			
5			

.....
Date

.....
Signature & Rubber Stamp of the Authorised Officer

You are requested to email the same to dod@cbsl.lk

Liquidity Facility to Contractors and Suppliers of the Government

Name of the Bank:

Fortnight Report on Utilisation of Funds obtained under the Liquidity Facility to the Contractors/Suppliers							
#	Details of the Fund Disbursement by the CBSL			Details of the Fund Disbursement by the LCB			
	Promissory Note No.	Amount Disbursed (Rs.)	Date of Disbursement	Treasury Ref. No. for LAPC	Name of the Contractor	Amount Disbursed (Rs.)	Date of Disbursement
1							
2							
3							
4							
5							

..... Date

..... Checked by

..... Authorised by

You are requested to email the same to dod@cbsl.lk