

Regional Development Department
Central Bank of Sri Lanka
PO Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
01.04.2020

To: All PFIs registered under Saubagya (Prosperity) Loan Scheme

**Addendum to the Operating Instructions for Introducing New Refinance Facility for the
Micro, Small and Medium sector Enterprises (MSMEs) adversely affected by the
COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme
(“Saubagya COVID-19 Renaissance Facility”)**

This addendum to the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) (the Addendum) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the implementation of the Saubagya Loan Scheme, is issued to enable the PFIs to accommodate Micro, Small and Medium Enterprises (MSMEs) affected by the COVID-19 outbreak, under the Saubagya Loan Scheme.

1. Introduction

- 1.1 Having identified the national importance of reviving the MSMEs adversely affected by the COVID-19 outbreak in order to contain the hampering of living conditions of the Sri Lankans and the economic growth of the country as a whole, CBSL under the instructions of the Government of Sri Lanka has introduced a series of relief measures through the financial sector by the Monetary Board Circular No: 05 of 2020 dated March 27, 2020 on “Rupees 50 Billion, Six-Month Re-financing Facility to Support COVID 19 Hit Businesses Including Self Employment and Individuals” (Monetary Board Circular).
- 1.2 The intention of this Addendum is to make provisions to include MSMEs adversely affected by the COVID-19 outbreak under a separate refinance component of the existing Saubagya Loan Scheme which is funded and implemented by the CBSL. Accordingly, the PFIs are eligible to claim refinance against the new loans granted for such affected MSMEs under this separate refinance component introduced to the Saubagya Loan Scheme.

1.3 This new refinance facility will be referred to as “Saubagya COVID19 Renaissance Facility” for the purpose of distinguishing from the main credit component of the Saubagya Loan Scheme.

1.4 It is pertinent to note that the terms and conditions stipulated in the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) of the Saubagya Loan Scheme will remain unchanged and the operations under the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) will not be disrupted by issuance of this new Addendum.

2. Areas of Operation

All island.

3. Funding

The new refinance component of the Saubagya Loan Scheme established to implement “Saubagya COVID19 Renaissance Facility” will be funded by the CBSL.

4. Implementation of the “Saubagya COVID-19 Renaissance Facility”

4.1. “Saubagya COVID-19 Renaissance Facility” will be implemented as a separate credit component under the Saubagya Loan Scheme.

4.2. RDD of the CBSL as the implementation agency of the Saubagya Loan Scheme, will also act as the implementation agency of the “Saubagya COVID19 Renaissance Facility”.

5. Effective Date

The effective date of this Addendum to the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) under the Saubagya Loan Scheme will be 01.04.2020.

6. Participating Financial Institutions (PFIs)

6.1. Existing PFIs under the Saubagya Loan Scheme will be considered as PFIs of the “Saubagya COVID19 Renaissance Facility” as well.

6.2. In addition, any Licensed Commercial Bank (LCB) or Licensed Specialized Bank (LSB), subject to the recommendation of the Director of Bank Supervision of the CBSL, will be eligible as PFIs of the “Saubagya COVID19 Renaissance Facility”. Such LCBs and LSBs willing to participate as PFIs shall inform their willingness to the Director, RDD of the CBSL on or before 15.04.2020. However, they will not be considered as PFIs of the Saubagya Loan Scheme.

6.3. Refinancing quota for each PFI will be determined and informed by the RDD.

7. Eligible Activities and Eligible Sub-borrowers

- 7.1. Any Income Generating Activity/Economic Activity conducted/carried out by MSMEs prior to the COVID-19 outbreak, as stated in the Section 2 of the Monetary Board Circular, will be eligible to receive new loans for revival of such activities and PFIs are eligible to claim refinance against such new loans under this addendum to the Operating Instructions.
- 7.2. Sub-loans under the “Saubagya COVID19 Renaissance Facility” will be granted to facilitate working capital requirements of the eligible sub-borrowers for their existing MSMEs.
- 7.3. Previous and existing sub-borrowers of the Saubagya Loan Scheme who have been adversely affected by the COVID-19 outbreak, will also be eligible for the relief granted under this Addendum.

8. Main Features of the “Saubagya COVID19 Renaissance Facility”

| | |
|---|--|
| 8.1. Maximum Loan Limit | Two months working capital requirement subject to maximum of Rs. 25 million per sub-borrower/MSME |
| 8.2. Interest Rate payable to the PFI by the Sub-Borrower | (i) 4% per annum (ii) PFIs shall not, in any circumstance, grant loans for the sub-borrowers at a rate higher than 4% per annum |
| 8.3. Interest Rate payable to the CBSL by the PFI | 1 % per annum |
| 8.4. Grace Period | (i) Maximum duration of six (06) months depending on the nature of the activity. (ii) Sub-borrowers are not required to pay both capital and interest during the grace period. |
| 8.5. Repayment Period | Maximum duration of twenty-four (24) months including the grace period. |
| 8.6. Collateral | The viability of the economic activity should be given priority. However, PFIs may obtain suitable collateral to mitigate the credit risk relating to credit facilities granted under “Saubagya COVID19 Renaissance Facility”. |

9. Registration of Borrowers

- 9.1. The Head Office of the PFI shall issue relevant guidelines and instruct its branches to identify the applicants/MSMEs affected by COVID-19 outbreak and collect loan applications from such eligible sub-borrowers on or before 30.04.2020.
- 9.2. The Head Office of the PFI should forward the details of the applicants who wish to obtain loans under the "Saubagya COVID19 Renaissance Facility", by submitting the hard copy of duly completed Loan Registration Forms given as Annex 1(a) and Annex 1(b) of this Addendum to the RDD. The final dead line for the submission of Loan Registration Forms to the RDD will be 22.05.2020.
- 9.3. For the expeditious implementation, PFIs should email the soft copy of the Annex 1(b) within 10 working days of receipt of sub-loan application from the eligible sub-borrower to the email addresses which will be informed by the Director, RDD of the CBSL.
- 9.4. The PFIs have to ensure the accuracy and compatibility of the information provided in the Annex 1(a) and Annex 1(b).
- 9.5. Based on the information provided in Annex 1 (b), RDD will register the sub-borrowers on first-come-first-served basis subject to the funding quota of the respective PFI within 05 working days. However, if discrepancy is observed between the information provided in the Annex 1(a) and Annex 1(b) after receiving the hard copies of those documents, RDD reserves the right to cancel the registration of the respective sub-borrower whose information found to be inaccurate without prior notice to the PFI.
- 9.6. The RDD reserves the right to refer back the registration application to the PFI, in the event that any further information or clarification is required by RDD for the purpose of registering such application.
- 9.7. Upon the registration of a sub-borrower, RDD will allocate a designated Registration Number to every loan registered and notify such Registration Number to the Head Office of the respective PFI. This Registration Number should be used for any correspondence with the CBSL regarding the particular sub-borrower.

10. Disbursement of Sub-loans

- 10.1. PFIs should release loans to the registered sub-borrowers within 1 weeks of such registration with the CBSL.
- 10.2. If a PFI is unable to disburse any sub-loan within the stipulated time period, RDD should be informed immediately with valid reasons for the delay in disbursement.

RDD will consider the reasons given for the delay and take appropriate decision/actions on registered applicants.

- 10.3. Any failure of the PFI to disburse sub-loans and to provide valid reasons within 30 days may cause cancellation of the registration of sub-borrowers by the RDD, without any prior notification to the PFI.
- 10.4. PFIs should submit a report on such registered loans which have not been disbursed with the specific reason for each application on or before 15.06.2020.

11. Refinance Procedure

- 11.1. CBSL will provide 100 per cent refinance for all sub-loans granted by the PFIs subject to the terms and conditions laid down in this Addendum.
- 11.2. Duly completed applications for refinance should be submitted to RDD for reimbursement after releasing the sub-loans to the registered sub-borrowers. Each refinance application should be accompanied with the following documents:
 - (i) Application for Refinance - Annex II
 - (ii) Statement of Loans Disbursed Application for Refinance - Annex III
 - (iii) Demand Promissory Note- Annex IV
 - (iv) Delivery Note - Annex V
 - (v) Form of Assignment by way of Pledge to CBSL - Annex VI
 - (vi) Disbursement Letter - Annex VII
- 11.3. RDD, having satisfied with the completion of required information in the refinance application together with all relevant documents mentioned above, will approve such refinance application and release refinance within 14 working days after receiving duly completed refinance application, on first come first served basis, subject to the availability of funds and the funding quota allocated to the respective PFI.
- 11.4. Refinance claims should be submitted to the RDD only through the Head Offices of PFIs within 30 days of the date of disbursement. Refinance claims sent to the RDD directly by the PFI branches will not be accommodated.
- 11.5. Capital and interest payments on refinance loans will be payable by the PFIs to the CBSL semi-annually according to the repayment schedule for refinance prepared by the CBSL based on the repayment schedule of each sub-borrower.

12. Recovery of Loans

- 12.1. PFIs should recover the capital and interest from the sub borrower as per the conditions apply for each sub-loan.
- 12.2. The capital and interest for the refinance released to the PFIs will be recovered semi - annually i.e. 30th June and 31st December of each year by the CBSL commencing from 31.12.2020 based on the date of the refinance granted.

13. Custody of documents

- 13.1. The PFI should make arrangements to keep all the evidence used to assess the losses of the applicant. Such documents shall be presented to the CBSL as and when requested by the CBSL for the examination or other purposes.
- 13.2. PFI Head Office or branch may retain any other document relevant to loan disbursement at the sole discretion of the PFI.

14. Auditing of Accounts

- 14.1. RDD will prepare annual financial statements under each refinance component and such financial statements will be audited by the Auditor General.
- 14.2. Further, PFIs shall conduct a special internal audit to check the assessments carried out to assess the losses of the sub-borrowers.

15. Role and Responsibilities of the PFIs

The PFIs are required to play an active role in the implementation of the "Saubagya COVID19 Renaissance Facility". In addition to the requirements mentioned in this Addendum, the PFIs are requested to comply with the additional roles and responsibilities. In this regard, the PFI shall;

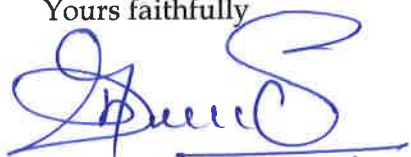
- 15.1. Ensure that adequate staff is allocated at the Head Office and the branches of the PFI for expeditious implementation of the "Saubagya COVID19 Renaissance Facility" within the stipulated time period.
- 15.2. Designate a senior official at the PFI Head Office to liaise with the RDD of the CBSL with regard to the implementation of the "Saubagya COVID19 Renaissance Facility".
- 15.3. Exercise due care and prudence at all times in disbursing loans to sub-borrowers and take all reasonable steps to ensure that the loans are disbursed only for the purpose of the "Saubagya COVID19 Renaissance Facility".

- 15.4. Take full responsibility of the delivery of credit and the recoveries in time.
- 15.5. Ensure that any branch of the PFI shall not, in any circumstance, grant loans for the sub-borrowers registered under the "Saubagya COVID19 Renaissance Facility" at a rate higher than the interest rate mentioned in this Addendum.
- 15.6. Confirm that each sub-borrower has been adversely affected by the COVID-19 outbreak prior to disbursing the new sub-loan.
- 15.7. Ensure regular supervision of the status and operations of the respective loan account in its books and take prompt actions, where necessary, to minimize any losses to the PFI.
- 15.8. Maintain Accounts and Financial Statements;
- (i) PFIs are required to maintain appropriate ledger accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
 - (ii) PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
 - (iii) PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD. Further, the PFI should submit the Accounts and Financial Statements and any information requested by the RDD with regard to the "Saubagya COVID19 Renaissance Facility", as and when required.
- 15.9. Follow the registration process and refinance procedure stipulated in the Operating Instructions.

16. Other

The Director, RDD of the CBSL reserves the right to revise the terms and conditions stipulated in this Addendum to the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) of the Saubagya Loan Scheme as and when necessary and removing of any PFI operating under the Scheme in the event of noncompliance to the OIs of the Scheme.

Yours faithfully



M S K Dharmawardane

Director/Regional Development Department
Central Bank of Sri Lanka

REGISTRATION NO:

**“Saubagya COVID-19 Renaissance Facility”
Registration Form**

| | | |
|----|------------------------|--|
| 1 | Name and Branch of PFI | |
| 2. | Address of the Branch | |
| 3. | Telephone/Fax No. | |

4. Status of Applicant/s: Individual Partnership Others

.....
(Please Specify)

5. Name and Contact details of Applicant/Partner/Director :

| Name | Address and Contact No. | NIC No. | Gender | Highest Educational Qualification |
|------|-------------------------|---------|--------|-----------------------------------|
| | | | | |
| | | | | |
| | | | | |

6. Complete Address/Location of the Project Site

.....
.....

7. District:

8. Type of Project : Small Medium

9. Brief description of the Project to be finance under the Saubagya COVID-19 Renaissance Facility (Purpose of the Loan).

.....
.....
.....
.....

| | |
|---|--|
| 10. Estimated Cost of the Project | |
| 11. Required Loan Amount | |
| 12. Amount Recommended/ Approved by the PFI | |

I certify that the proposed project described at 9 above has been examined by me/ credit officer and found that it has a sufficient cash flow for profitability and hence recommended for finance under the Saubagya COVID-19 Renaissance Facility.

Date :

.....
Signature of Branch Manager/Rubber Stamp

Date :

.....
Signature and rubber stamp of the
authorized officer of the PFI Head Office

“Saubagya COVID-19 Renaissance Facility”

SUB BORROWER REGISTRATION

Annex I(b) :

APPLICATION NUMBER:

TO : THE CENTRAL BANK OF SRI LANKA
 THROUGH : PFI HEAD OFFICE

Name of the PFI :
 PFI Branch Name : District of the Branch:

| # | Applicant Name | Address | NIC No. | Gender | Highest Educational Qualification | Location of the Site | | Loan Details | | CBSL Registration Number* |
|---|----------------|---------|---------|--------|-----------------------------------|----------------------|----------|--------------|---------------------|---------------------------|
| | | | | | | Address | District | Purpose | Estimated Cost (Rs) | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Saubagya COVID-19 Renaissance Facility.

.....
 (Name & Signature and
 Stamp of the Authorized Officer)

Date

* For CBSL use only

ANNEX II - Application for Refinance

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR-COVID19/2020/01 dated 01/04/2020)

Address:

Date:

**APPLICATION FOR REFINANCE UNDER
THE "Saubagya COVID-19 Renaissance Facility"**

To: The Central Bank of Sri Lanka.

Gentlemen

We,
a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees.....
..... (Rs.)
under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020.

3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "Saubagya COVID-19 Renaissance Facility" for agriculture, livestock and MSMEs. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.

4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of instalments) (monthly /quarterly/half yearly [state frequency]) instalments each of Rs. the first of which shall be payable on day of 20.....

5. We hereby certify that we have satisfied ourselves that

- (i) the loans granted to borrowers mentioned in paragraph 3 above are within their borrowing powers; and
- (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature Name and designation
of the Authorized Officer(s) of the PFI
Manager, Refinance Unit.

ANNEX III - Statement of Loans Disbursed Application for Refinance

REFINANCE APPLICATION NO.....

**STATEMENT OF LOANS DISBURSED UNDER THE
"Saubagya COVID-19 Renaissance Facility"**

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

TO : CENTRAL BANK OF SRI LANKA
FROM : REFINANCE UNIT

PFI :

BRANCH:

DISTRICT:

| Enquiry Number | Name, Address of The Borrower | Project Description & Purpose of Loan | Sub-Loan Amount (Rs.) | Amount Disbursed (Rs.) | Date of Disbursement | Disbursed Amount for which Refinance is Sought (Rs.) | Grace Period | Repayment Schedule | | | | |
|----------------|-------------------------------|---------------------------------------|-----------------------|------------------------|----------------------|--|--------------|--------------------|---------------------------|-------------------------------|------------------------------|--|
| | | | | | | | | Instalments | | Due Date for First Instalment | Due Date For Last Instalment | |
| | | | | | | | | No. of Instalments | Value of Instalment (Rs.) | | | |
| | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly installments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

.....
Name & Signature of Authorized Officer

ANNEX IV - Demand Promissory Note

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

DEMAND PROMISSORY NOTE

Colombo.

Date:

Rs.....

On demand, we, the undersigned

.....

.....

(name and address of **the Participatory Financial Institution**)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees

..... (Rs.....)

currency for value received, with interest thereon, at the rate of per centum per annum from the date hereof.

For (Name of the PFI)
REFINANCE UNIT
HEAD OFFICE

.....
(Stamp)

1.

2.

(Name and Signature of the Authorized Officer)

Witnesses:

1.

2.

ANNEX V - Delivery Note

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees

.....
(Rs.....) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Saubagya COVID-19 Renaissance Facility) referred to in your Operating Instructions No. RDD/PR-COVID19/2020/01 dated 30/03/2020 we herewith deliver to you our Promissory Note in your favour for **Rs.....**
(Rs.....) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

For (Name of the Participatory Financial Institution)
REFINANCE UNIT
HEAD OFFICE

1.

2.

(Name and Signatures of the Authorized Officers)

ANNEX VI - Form of Assignment by way of Pledge to CBSL

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE
MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA
UNDER SECTION 88A OF THE MONETARY LAW ACT***

Colombo,
Date:

We,

.....
(Name and address of Participatory Financial Institution)

in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees

..... (Rs.....)
granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

| Amount of Debt (Rs) | Borrower's Name and Address | Date | Notary |
|--------------------------------|------------------------------------|-------------|---------------|
| | | | |

.....
Name & Signature of the Authorized Officer

For (Name of the PFI)
REFINANCE UNIT
HEAD OFFICE

.....
* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

ANNEX VII - Disbursement Letter

DISBURSEMENT LETTER

(To Operating Instructions No. RDD/PR COVID19/2020/01 dated 01/04/2020)

Bank Name :
Bank Code No :
Branch Name :
Branch Code No :
Serial No. of the Loan :
Date :
Disbursement :

*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|----|

STATEMENT OF LOANS DISBURSED UNDER THE "Saubagya COVID-19 Renaissance Facility"

Enquiry Number :

1. Particulars of the Borrower :

1.1 Name of the Borrower :
1.2 NIC No :
1.3 Address of the Borrower :
1.4 Contact Number of the Borrower :

2. Particulars of the Loan :

2.1 Purpose of the Loan :
2.2 Location of the Sub-project :
2.3 Total amount of loan sanctioned : originally Rs.
Subsequent enhancement of loan for cost overruns Rs.

Total Rs.

=====

2.4 Date of original sanction of loan :
Date of sanction of enhancement of loan :

2.5 Repayment Programme for the installment for which refinance was applied for :

Date Amount (Rs.)

2.6 Rate of interest :

3. Status of Loan :

3.1 Amount released previously) Rs.
and refinance claimed from the CBSL)

3.2 Amount now released and for which) Rs.
refinance is sought)

Total Rs.

=====

I certify that the particulars given above are true and correct.

Date :

Signature of Branch Manager
Name of Branch Manager

* Please indicate whether it is 1st, 2nd or any other installment by putting a cross in the appropriate box.

