

Operating Instructions No: RDD/PR-COVID19/2020/04

Regional Development Department
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha
Colombo 01
19.06.2020

To: Licensed Commercial Banks Registered under the Saubagya COVID-19 Renaissance Facility.

Addendum to the Operating Instructions of the Saubagya COVID-19 Renaissance Facility

This addendum is issued further to the Operating Instructions No: **RDD/PR-COVID19/2020/02** dated 06.04.2020 (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 COVID-19 Renaissance Facility (the Facility), enabling the Licensed Commercial Banks (LCBs) participating under the Facility to accommodate the businesses affected by the COVID-19 outbreak.

1. Introduction

The intention of this Addendum is to make further provision of loans to the affected businesses by COVID-19 outbreak and following instructions shall apply in addition to the previously issued instructions in this connection.

2. Eligible Financial Institutions

LCBs, which are registered under the existing Saubagya COVID-19 Renaissance Facility are eligible for purposes of this Addendum.

3. Eligible businesses/ Sub-Borrowers

3.1 Businesses affected by COVID-19 outbreak, as stated in Section 2 of the Monetary Board Circular No. 05 of 2020 dated 27.03.2020.

3.2 Sub-borrowers who have already obtained refinance facilities under the Saubagya COVID-19 Renaissance facility shall not be eligible for a new loan under this Addendum.

4. Funding

Loans granted under this Addendum shall be funded by CBSL to LCBs up to a maximum amount of Rupees One Hundred and Twenty Billion, (Rs.120 bn). Total fund allocation, including Phase 1 of the Facility shall be Rupees One Hundred and Fifty Billion, (Rs 150 bn).

5. Effective Date

The effective date of this Addendum shall be 19.06.2020.

6. Submission of details Sub-borrowers to CBSL

6.1 The Head Office of LCB shall forward details of the sub-borrowers who wish to obtain loans under this Scheme by submitting hard copy of duly completed Loan Registration List signed by the authorised officer of the LCB on that behalf, given in Annex 1 hereto, to the Director of RDD. Soft copy of Annex 1 shall be sent to the email address issued by RDD, at the same time of submitting the hard copies.

6.2 LCBs shall ensure-

- (a) the accuracy and compatibility of the information provided for in Annex 1;
- (b) the eligibility of sub-borrowers under this Scheme is duly assessed;
- (c) all relevant documents relating to such assessment are collected; and
- (d) that sub-borrowers have not availed of/ applied for any loan under Saubagya COVID-19 Renaissance Facility from any other PFI, by obtaining written undertaking to that effect from the sub-borrower.

6.3 On receipt of Annex 1 from an LCB, RDD shall verify the details contained therein and determine the eligibility of sub-borrowers and the loan amount to be disbursed.

6.4 The deadline for submission of Loan Registration Lists to RDD shall be 31.08.2020.

7. Releasing Funds to LCBs

7.1 Upon RDD's confirmation on the eligibility of and the approved loan amount to be disbursed to sub-borrowers given in Annex 1 above, LCB shall submit to RDD duly completed promissory note according to the format issued hereunder as Annex 2, to the approved value of the total loan amount to be disbursed as referred to in Clause No. 6.3 above.

7.2 The promissory note submitted by LCB shall be secured by the following instruments:

- (a) Negotiable Treasury Bills, Promissory Notes, Debentures, Bonds, Guarantees, or other negotiable securities of the Government;
- (b) Gold coins or bullion;
- (c) Any other credit instrument as may be determined by CBSL from time to time.

7.3 Applicable haircut of the secured instrument/s shall be Ten *per centum* (10%). CBSL shall reserve the right to vary such haircut from time to time. Any shortfall in the haircut of the secured instrument/s shall be replenished immediately.

7.4 RDD shall determine the admissibility of the promissory note submitted by an LCB and disburse the total value stated therein.

7.5 The funds disbursed under 7.4 above shall be for a period of 180 days at the interest rate of One *per centum per annum* (1% *p.a.*). Immediate fresh facilities to be made available by

CBSL at the maturity on the submission of similar fresh promissory notes. Value of the fresh promissory note will be notified by the CBSL.

- 7.6 In addition to the above, CBSL may discount promissory notes and other credit instruments offered by LCBs having maturities of not more than 270 days enabling such LCBs to lend to the sectors namely, production, manufacture, or processing of agriculture, livestock, mineral, or industrial products.
- 7.7 It shall be the duty of LCBs to ensure disbursement of the said loan amount to individual sub-borrowers, eligible under this Addendum, within one (01) week from the date of the disbursement made by CBSL.
- 7.8 The repayment period for sub-borrowers shall be maximum duration of twenty-four (24) months including the grace period of six (6) months. Sub-borrowers are required to pay interest during the grace period.

8. Reporting

LCBs are required to report to CBSL on fortnightly basis on the utilisation of funds obtained under this Addendum, as per the format prescribed by RDD, as at 15th and 30th of each month within 3 working days.

9. Monitoring

RDD and Bank Supervision Department of CBSL shall jointly monitor the implementation of this loan scheme under this Addendum.

10. Other

The Director, RDD of CBSL reserves the right to revise the terms and conditions stipulated in this Addendum as and when necessary.

In the event of any inconsistency between the requirements of this Addendum and any other Operating Instructions/Addendum issued under Saubagya COVID-19 Renaissance Facility, requirements of this Addendum shall prevail.

Yours faithfully

Sgd. **M S K Dharmawardane**
Director/Regional Development Department
Central Bank of Sri Lanka