



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

09 November 2020

CIRCULAR

No. 11 of 2020

**DEBT MORATORIUM FOR COVID-19 AFFECTED
BUSINESSES AND INDIVIDUALS**

With a view to meeting the challenges faced by businesses and individuals' due to the second wave of COVID-19, the Central Bank of Sri Lanka (CBSL) directs licensed finance companies and specialised leasing companies (hereinafter referred to as Non-Bank Financial Institutions (NBFIs), to extend the debt moratorium to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme) for a further period of six months commencing from 1 October 2020 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs. However, NBFIs may offer any additional concessions to borrowers in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular.

1. Tenure and applicability of the moratorium:

- (a) The tenure of the moratorium shall not exceed 6 months commencing from 1 October 2020 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers, based on internal guidance given by the NBFI's Board of Directors or other delegated authority.
- (b) The moratorium shall be granted for both capital and interest on the request made by affected borrowers.

2. Deadline for submission of the application:

Eligible borrowers may request for the moratorium on or before 25.11.2020 in writing or through electronic media. Financial Institutions are required to provide a simple format (hard form/ soft form) for affected borrowers to make the request and communicate the concessions, deadline and format for submission via printed and/or electronic media including email and SMS.

3. Eligible borrowers:

- (a) Businesses, proprietors and individuals engaged in tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation, logistic



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suppliers and any other sectors that have been adversely affected by work disruption and local and overseas lockdowns resulting from the COVID-19.

- (b) Small and Medium Enterprises (SMEs) and individuals engaged in business sectors such as manufacturing, non-financial services, agriculture (including processing), construction, value addition and trading businesses including authorised domestic pharmaceutical suppliers. For this purpose, SMEs refers to businesses with an annual turnover below Rs. 1 bn.
- (c) Self-employment businesses and individuals who have lost their jobs or income due to the outbreak of COVID-19.

4. Eligible credit facilities:

- (a) Term loans, leasing facilities, pawning, credit facilities similar to overdrafts, trade finance or any other credit facilities, which are in the performing category as at 31.03.2020 or at a later date.
- (b) In the case of credit card facilities, NBFIs may take appropriate business decisions to accommodate any request made by eligible borrowers.

5. Structuring of the moratorium:

- (a) NBFIs shall convert the capital and interest falling due during the moratorium period from 1 October 2020 to 31 March 2021, or a shorter period as applicable, into a term loan.
- (b) In the case of credit facilities similar to overdrafts where borrower is required to service the interest periodically, NBFIs shall convert the interest falling due during the moratorium period from 1 October 2020 to 31 March 2021, or a shorter period as applicable, into a term loan.
- (c) In the case of pawning facilities, the due date falling during the moratorium period shall be extended till 01 April 2021.
- (d) NBFIs may charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills, available by 1 April 2021, plus 5.5 per cent per annum and shall not exceed 11.5 percent per annum.



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- (e) The repayment period of such converted loan shall be minimum of two years and the repayment shall commence from 01 April 2021. However, if the borrower wishes to repay the loan in less than two years or if a NBFIs wishes to offer a longer period, NBFIs may facilitate such requests. NBFIs and the borrower shall agree on the interest rate, if the repayment period varies from the stipulated two-year period.
- (f) NBFIs shall waive off the penal interest accrued and unpaid as at 1 October 2020, if any. Penal interest shall not be accrued and charged during the moratorium period.
- (g) NBFIs shall ensure that eligible borrowers are made aware of the structure of moratorium facilities prior to approving such moratorium.

6. Accounting considerations on the moratorium

NBFIs shall account for the moratorium as per Sri Lanka Accounting Standards and any additional guidance provided by CASL on Financial Reporting implications under the COVID-19 Pandemic. Financial Institutions may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7. Reporting requirement

NBFIs shall report the details of moratorium availed by their borrowers to the Department of Supervision of Non-Bank Financial Institutions, as relevant as at 15th and 30th of each month, within 5 working days, commencing from 15.12.2020. A reporting format will be issued in due course.

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

