



MONETARY BOARD
CENTRAL BANK OF SRI LANKA

27 March 2020

CIRCULAR

No. 05 of 2020

**RUPEES 50 BILLION, SIX-MONTH RE-FINANCING FACILITY TO
SUPPORT COVID-19 HIT BUSINESSES INCLUDING
SELF EMPLOYMENT AND INDIVIDUALS**

1. Introduction

- (i) The Central Bank of Sri Lanka has decided to set up the above Re-financing Facility in order to implement the decisions taken by the Cabinet of Ministers on 20.03.2020 to introduce a wide range of fiscal and financial concessions for COVID-19 hit business activities including self-employment businesses and individuals. Among these concessions are debt moratorium (capital and interest) and a working capital loan at the interest rate of 4% p.a. for eligible customers.
- (ii) The licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (hereinafter referred to as Financial Institutions) will be eligible to participate in this re-financing facility to support COVID-19 hit businesses including self-employment businesses and individuals commencing 25.03.2020.
- (iii) This Circular is issued to supplement the Circular No. 04 of 2020 dated 24.03.2020 and sets out the operational guidelines to give effect to the re-financing facility.

2. General Terms and Conditions of the Financing Facility

- (i) Eligible businesses/sectors:
 - (a) Tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation and related logistic suppliers that have been adversely affected by work disruption and overseas lockdowns resulting from COVID – 19.
 - (b) Small and Medium Enterprises (SMEs) engaged in business sectors such as manufacturing, services, agriculture (including processing), construction, value addition and trading businesses including authorised domestic pharmaceutical suppliers with turnover below Rs. 1 bn.



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- (c) Self-employment businesses and individuals who have lost their jobs or income due to the outbreak of COVID-19.
 - (d) Foreign currency earners (individuals and corporates) who have to repay loans in foreign currency and whose incomes/ businesses have been adversely affected due to the outbreak of COVID-19.
 - (ii) For the avoidance of doubt, import facilities shall not be permitted under this re-finance facility, for imports other than pharmaceutical drugs, medical equipment, food, fertilizer and essential raw materials and machinery and equipment.
 - (iii) Credit facilities to be supported under this Financing Scheme shall be term loans, leasing facilities, pawning, overdrafts and trade finance facilities denominated in Rupees and foreign currency subject to the requirements specified.
 - (iv) Financial institutions shall offer concessions under this Scheme to all borrowers who have been affected by work disruption due to COVID – 19 and overseas lockdowns and requested relief through online facilities or other communication arrangements before 30.04.2020. The financial institutions shall complete processing of such requests within 45 days from the date of receipt of the request. Until the processing of requests is concluded recovery of loans from the respective applicants shall be suspended.

3. Concessions for Existing Performing Loans as at 25.03.2020

- (i) Upon a communication by a borrower requesting concessions under this scheme on or before 30.04.2020, the financial institutions shall offer a debt moratorium for the period as given below in respect of all eligible Rupee and foreign currency term loans.
 - (a) A six-month debt moratorium on the leasing rentals of all three-wheelers, school vans, lorries, small goods transport vehicles and buses and related assets such as motor bikes and taxies operated by the self-employed/ owners.



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- (b) A debt moratorium until 30.05.2020 on personal loans granted to all private sector non-executive employees.
 - (c) A three-month debt moratorium for all personal loans and leasing where the granted amount is less than Rs. 1 million.
 - (d) A six-month debt moratorium for affected industries in small & medium enterprises, tourism, apparel, plantation, IT and related logistic service providers.
 - (e) A six-month debt moratorium for all other eligible businesses/sectors specified under 2 (i) above.
- (ii) Financial institutions shall extend the existing tenure of loans eligible for debt moratorium by the respective moratorium period.
 - (iii) Permanent Overdraft facilities falling due for settlement or maturing or are reviewed during the period up to 25.03.2020 shall be extended up to 30.09.2020. However, in the case of Temporary Overdraft facilities as at 25.03.2020, the expiry shall be extended by two months for eligible borrowers. Interest rate on such facilities will be capped at 13 percent during the extended period.
 - (iv) Eligible trade finance facilities falling due for settlement or maturing or were under review during the period up to 25.03.2020 shall be extended up to 30.09.2020.
 - (v) Paving facilities falling due for settlement or maturing during the period up to 25.03.2020 shall be extended up to 30.09.2020.

4. Concessions for Existing Non-Performing Loans (NPLs) as at 25.03.2020

- (i) The penal interest charged up to 25.03.2020 shall be waived off by the concerned financial institutions.
- (ii) Rescheduling of loans and advances shall be as follows:
 - (a) Where the borrower has repaid 50% or more of the initial capital, 50% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of



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consideration by the concerned financial institutions under this re-financing facility shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled over a 3 year period. The deferred interest shall be waived by the financial institution, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.

- (b) Where the borrower has repaid less than 50% of the initial capital, 25% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the financial institution under this re-financing facility shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled over a 3 year period. The deferred interest shall be waived by the financial institutions concerned, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.
- (c) The balance capital outstanding referred to in paragraphs (a) and (b) above shall be rescheduled and repaid over a period of 3 years.
- (d) The balance portion of interest of the defaulted instalments and the future interest referred to in paragraphs (a) and (b) above shall be transferred to a suspense account and recovered over a period of 3 years.
- (e) A moratorium up to 30.09.2020 shall be granted.
- (f) Licensed banks may reclassify NPLs under this Scheme as performing loans and advances provided that the borrower has serviced interest for six consecutive months during the debt moratorium period, if required. However, in the case of instalments in arrears before rescheduling the NPL facility is less than six months, upgrading to performing category shall be done only after the borrower has serviced interest for a period equal to instalments in arrears before rescheduling the NPL facility.



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- (iii) Suspension of recovery actions
- (a) In the case of eligible borrowers who are in the NPL category as at the date of this Circular, if financial institutions have commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990 or Mortgage Act No. 06 of 1949 as amended or Finance Leasing Act No. 56 of 2000, such recovery action will be suspended on condition that the concerned financial institution and the client reach a debt re-payment agreement.
 - (b) Financial institutions shall defer passing new resolutions under the above Acts, for recovery of loans and advances in respect of borrowers participating in this Scheme. In instances where resolutions for recovery have already been passed, auctioning of assets will be suspended until 30.09.2020 in respect of such borrowers who are participants in the Scheme.
 - (c) In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to participate in the Scheme upon entering into an agreement by submission of affidavit to Courts agreeing to comply with the requirements set out in this Scheme.
 - (d) All financial institutions shall suspend legal action against non-performing borrowers who have been accepted under this Scheme.

5. New Working Capital or Investment Purpose Loan

- (i) Financial institutions may grant an additional loan or a new loan facility in Rupees for working capital or investment purposes subject to the following conditions, provided that the borrower submits a credible business plan:
 - (a) The working capital purpose loan facility shall be granted to eligible performing and non-performing borrowers in Rupees not exceeding Rs. 25 mn per bank per borrower and Rs. 10 mn per other financial institutions per borrower or 2 months working capital requirement



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whichever is higher, based on the requirement for working capital cycle. Such loan shall be repaid over two years at an interest rate equal to 4% p.a. CBSL will subsidise interest cost up to 4% for licensed banks and up to 7% for other financial institutions as a rebate.

- (b) The investment purpose loan facility shall be granted only by banks and only for performing borrowers in Rupees not exceeding Rs. 300 mn per bank per borrower to expand business activities. Such loan shall be repaid over five years at an interest rate equal to maximum of AWPLR plus 1.5%.
- (ii) Financial institutions shall properly evaluate the funding requirement of the borrower and agree on the loan size.
- (iii) A moratorium for a period 25.03.2020 to 30.09.2020 will be granted for both working capital loans and investment loans.
- (iv) Financial institutions may obtain suitable collateral to mitigate the risk relating to any additional credit facilities granted under this re-finance facility.

6. Repayment of Capital by Banks under Refinance Schemes

The Government has indicated its willingness to defer capital repayments on refinance loans granted to licensed banks falling due from 01.01.2020 until 31.12.2020. However, banks are required to seek extension if required and enter into supplementary agreements with the relevant Government agency in this regard.

7. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- (i) Financial Institutions are expected to have a mechanism not to decline loan applications solely based on an adverse CRIB record.
- (ii) Financial Institutions, in consultation with CRIB, shall develop a reporting modality in respect of the capital deferment granted under this scheme to performing borrowers, so that participation in the Scheme will not have an



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impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

8. Financial institutions shall discontinue charging for cheque returns, stop payments, late payment fee on all credit cards and other credit facilities during the period up to 30.09.2020.

9. Reporting Requirement

Financial institutions shall report the details of moratorium availed by their borrowers to the Bank Supervision Department and 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 01.05.2020.

Prof. W D Lakshman

*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*