



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

09 June 2021

CIRCULAR

No. 06 of 2021

**CONCESSIONS FOR COVID-19 AFFECTED
BUSINESSES AND INDIVIDUALS**

With the outbreak of the third wave of COVID-19 in Sri Lanka, Central Bank of Sri Lanka (CBSL) received many requests from concerned parties and Government Authorities to consider granting certain concessions to the affected borrowers/customers. Accordingly, with a view to meeting the challenges faced by businesses and individuals due to the third wave of COVID-19, CBSL requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Banking Financial Institutions (NBFIs)), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme). Further, NBFIs may offer additional concessions to businesses and individuals affected due to the third wave of COVID-19, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs, with a view to easing the burden on the borrowers of NBFIs that are affected by the current disruption in business /income generating activities to duly repay their loans.

1. **Deferment or restructuring of existing credit facilities in the performing category as at 15 May 2021**
 - (a) NBFIs shall defer recovery of capital, interest, or both of the existing credit facilities of borrowers who are affected by the third wave of COVID-19, on case-by-case basis, during the period up to 31 August 2021, considering the financial difficulties faced by the eligible borrowers, such as loss of job, loss or reduction of income/salaries or sales, closure of business, etc.
 - (b) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted considering the financial difficulties and repayment capacity of the eligible borrowers.
 - (c) For credit facilities considered for the above deferment, NBFIs may charge an interest rate not exceeding the 364-days Treasury Bills auction rate as at 19 May 2021 plus 5.5 per cent per annum (i.e., 5.18% + 5.5% = 10.68% p.a.) for the deferred period and only on the amount deferred amount.



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- (d) Alternatively, NBFIs may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the NBFIs and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
 - (e) Penal interest shall not be accrued or charged during the concessionary period, i.e., 15 May to 31 August 2021.
 - (f) NBFIs shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 10 working days) due to the ongoing travel restrictions, without deferring or re-structuring such facilities. NBFIs shall not charge any additional interest or other charges for such delay.
 - (g) Borrowers who are currently enjoying deferment of lease repayments under Circular No. 04 of 2021 issued on 12 March 2021 or moratorium under Circular No. 05 of 2021 issued on 19 March 2021 are not eligible for concessions provided above.
2. **Concessions for credit facilities in the non-performing category as at 15 May 2021**
- (a) NBFIs may reschedule the existing non-performing credit facilities as at 15 May 2021 of eligible borrowers under this scheme, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the NBFIs and the borrower shall agree on the terms and conditions including the interest rate.
 - (b) NBFIs shall waive-off penal interest accrued or charged during the period 1 April 2020 to 15 May 2021, provided such facilities are considered for rescheduling under the scheme as specified in 2 (a) above.
 - (c) NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers that have been classified as non-performing on or after 01 April 2020, until 31 August 2021.
 - (d) NBFIs shall not levy excessive fees or charges in relation to granting of concessions.
3. NBFIs shall discontinue late payment fee on credit cards and other credit facilities during the period up to 30 June 2021, for those who are demonstrably affected.



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4. NBFIs shall not charge any early settlement fee for eligible borrowers under this circular, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 31 August 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities
5. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka
 - (a) NBFIs shall not decline loan applications from eligible borrowers under this Scheme solely based on an adverse CRIB record.
 - (b) NBFIs, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
6. **Deadline for submission of request**
 - (a) Eligible borrowers may request for the above concessions on or before 15 July 2021 in writing or through electronic means. NBFIs shall expeditiously communicate the concessions, deadline, and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
 - (b) NBFIs shall accept any request submitted after 15 July 2021, if the reasons for delay in making such request is acceptable.
 - (c) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
 - (d) NBFIs shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of declined requests, NBFIs shall clearly mention the reasons for such decline.
7. **Accounting considerations on the moratorium**

NBFIs shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under letter dated 31 December 2020. NBFIs may seek advice from CASL and Auditors for additional guidance/clarification in this regard.



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8. Reporting requirement

NBFIs shall report the details of concessions availed by their borrowers to the Department of Supervision of Non-bank Financial Institutions as at 30th of each month, within 15 working days, commencing 30 July 2021. The reporting format will be circulated in due course.

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