



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA
CIRCULAR**

06 October 2021

No. 09 of 2021

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

The Central Bank of Sri Lanka has received many requests from concerned parties and Government Authorities to extend the concessions granted to the borrowers affected by the continuation of the outbreak of the COVID-19 pandemic in Sri Lanka. Accordingly, in order to facilitate meeting the challenges faced by businesses and individuals, CBSL requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Bank 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 than given in this Scheme to affected businesses and individuals, on their request. Accordingly, this Circular is issued to provide concessions in a consistent manner to all affected borrowers of NBFIs, with a view to easing the burden on the borrowers of NBFIs to duly repay their loans.

1. Eligible Borrowers

- 1.1. A borrower of NBFIs, who faces financial difficulties, such as loss or reduction of income/salaries or sales, closure of business or loss of employment, etc., due to COVID-19 would be eligible to receive these concessions.
- 1.2. The eligible borrowers of transportation and tourism sectors, who have availed concessions under the Circular No. 04 and No. 05 of 2021 are also eligible to obtain concessions under this Scheme.

2. Eligible Concessions

- 2.1. Eligible borrowers opting for concessions under this Scheme shall choose one of the three options given below.

(i) Option 01: Restructuring of credit facilities

- (a) NBFIs shall restructure the existing credit facilities (performing and non-performing as at 01 October 2021) over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan agreed by both parties.



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- (b) The interest rate applicable for 2.1(i)(a) above shall be the original contractual interest rate minus 3 percent per annum, subject to a floor of 11.5 percent per annum and cap of 15 percent per annum.
- (c) A minimum of 3 months grace period shall be granted to commence repaying capital portion of the instalment as per restructured terms.
- (d) NBFIs may aggregate the amounts fallen due during the previous moratorium schemes (i.e., capital, interest and additional accumulated concessionary interest during the moratorium period) with the balance capital outstanding at the time of restructuring.
- (e) Any additional interest charged on inability to repay the instalment as per agreed terms, shall not exceed 2 percent per annum and charged only on the amount in arrears.
- (f) NBFIs shall waive-off penal interest accrued or charged during the period 1 April 2020 to 30 September 2021.

(ii) Option 02: Facilitating early settlement

If an eligible borrower is willing to settle the existing credit facilities on or before 31 March 2022, NBFIs shall fully waive-off future interest, fees and applicable charges.

(iii) Option 03: Extending the moratorium for performing credit facilities as at 01 October 2021

- (a) NBFIs shall defer recovery of capital, interest, or both up to 31 March 2022.
- (b) NBFIs shall convert the capital and interest falling due during the moratorium period into a term loan.
- (c) NBFIs shall aggregate the amounts fallen due during the previous moratorium schemes (i.e., capital, interest and additional accumulated concessionary interest during the moratorium period) and the term loan referred to in 2.1(iii)(b) above, into a new loan.
- (d) NBFIs may charge an interest rate on the new loan, not exceeding 11.5 percent per annum.



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- (e) NBFIs may commence recovery of new loan referred to in 2.1(iii)(c) above commencing from 01 July 2022 with a minimum repayment period of 12 months.
- (f) The borrower shall commence the repayment of the original loan instalment from 01 April 2022.
- (g) NBFIs shall extend the due dates of revolving credit facilities up to 31 March 2022, if such due dates fall from 01 October 2021 to 31 March 2022.
- (h) Penal interest shall not be accrued or charged during the moratorium period.
- 2.2. Suspension of recovery actions:** NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers until 31 March 2022, provided that such facilities have been classified as non-performing on or after 01 April 2020 and the respective borrowers are not in a position to continue/immediately start repayment of loans due to the disruption to their normal income earning activities.
- 3. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka**
- 3.1. NBFIs shall not to decline loan applications from eligible borrowers solely based on an adverse CRIB record.
- 3.2. NBFIs, in consultation with CRIB, shall develop a reporting modality to report moratorium/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.
- 4. Deadline for Submission of request and Appeal Procedure**
- 4.1. NBFIs shall circulate this Circular to all branches within 3 working days and provide necessary internal guidelines/circulars within 7 days.
- 4.2. Eligible borrowers who are opting for concessions under option 01 and option 03 above, shall apply for the above concessions on or before 01 November 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.
- 4.3. NBFIs shall accept any request submitted after 01 November 2021, if the reasons for delay in making such request is acceptable.



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- 4.4. NBFIs shall ensure that the borrowers are made aware of the structure of the moratorium or restructuring of credit facilities prior to approval.
- 4.5. In the case of declined requests, NBFIs shall inform the borrower in writing or through electronic means and clearly mention the reasons for rejection.
- 4.6. NBFIs shall educate the borrowers on the option to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), Central Bank of Sri Lanka requesting for a review.

5. Accounting Treatments 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. In the case of risk elevated borrowers or sectors, NBFIs are required to make adequate impairment charges. NBFIs may seek advice from Institute of Chartered Accountants Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.

6. 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 November 2021. The reporting format will be circulated in due course.

Nivard Ajith Leslie Cabraal
*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*