



MONETARY BOARD

CENTRAL BANK OF SRI LANKA

31 March 2020

FINANCE BUSINESS ACT DIRECTIONS

No. 02 of 2020

AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS

Issued under Section 12 of the Finance Business Act, No.42 of 2011

The Monetary Board hereby issues Direction on liquid assets to be maintained by Licensed Finance Companies (LFCs) considering the slowdown of the current market condition.

Accordingly, the following Directions of the Finance Companies (Liquid Assets) Direction No.04 of 2013 shall be replaced with the following.

2. Liquid assets requirement for time deposits, saving deposits and non-transferable certificate of deposits
 - (i) Six (6) per cent of :–
 - (a) The outstanding value of the time deposits received by the finance company and accrued interest payable at the close of the business on such day; and
 - (b) The face value of non-transferable certificates of deposit issued by the finance company and accrued interest payable at the close of the business on such day; and
 - (ii) Ten (10) per cent of the outstanding value of savings deposits accepted by such company and accrued interest payable at the close of the business on such day.
3. Liquid assets for borrowing

In addition to the requirement in Direction (2), LFC shall maintain a minimum holding of liquid assets as defined in Section 74 of the Finance Business Act, No. 42 of 2011 which shall not, at the close of the business on any day, be less than five (5) per cent of the total outstanding borrowings and any other payable that may be determined by the Director excluding borrowings that are included in the capital funds of the finance company and borrowings which are secured by the mortgage of any asset of the company provided that the total value of such borrowing shall not exceed the market value of the asset.



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- 4.1. Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities requirement.¹
- LFC shall at all times maintain assets in the form of Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities equivalent to five (5) per cent of the average of its month end total deposit liabilities and borrowings of the twelve months of the preceding financial year. Such holdings of the Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities should not be considered for computation of Investment Fund Account utilization.

These Directions shall be effective for a period of Six (6) months from the date of these directions in order to facilitate the LFCs to overcome the outbreak of COVID 19.

Prof. W D Lakshman

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