



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**30 September 2020      FINANCE BUSINESS ACT DIRECTIONS      No. 07 of 2020**

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**AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS**

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

The Monetary Board hereby issues following amendments to the Directions on liquid assets of the Licensed Finance Companies (LFCs), considering the challenging operating environment due to the prolonged impact of COVID-19 pandemic.

Accordingly, the following will replace Directions 2, 3 and 4.1 of the Finance Companies (Liquid Assets) Direction No.04 of 2013.

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| 2. Liquid asset requirement for time deposits, savings deposits and non-transferable certificates of deposits | LFCs 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 the total of: <ul style="list-style-type: none"><li>(i) Six (6) per cent of :-<ul style="list-style-type: none"><li>a) The outstanding value of the time deposits received by the LFC and accrued interest payable at the close of the business on such day; and</li><li>b) The face value of non-transferable certificates of deposit issued by the LFC and accrued interest payable at the close of the business on such day; and</li></ul></li><li>(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.</li></ul> |
| 3. Liquid assets requirement for borrowings   | 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 LFC, borrowings which are secured by the mortgage of any asset of the company provided that the total value of such borrowing   |



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shall not exceed the market value of the asset and unsecured foreign currency borrowings.

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| 4. Sri Lanka Government Treasury Bills, Treasury Bonds, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities requirement | 4.1 LFC shall at all times maintain assets in the form of Sri Lanka Government Treasury Bills, Government Treasury Bonds, Sri Lanka Government Securities, Sri Lanka Development Bonds, International Sovereign Bonds 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. |
| 5. Validity Period   | The Directions 2, 3 and 4.1 shall be effective for a period of Six (6) months until 31 March 2021, in order to facilitate the LFCs to overcome stress on liquidity at the present challenging environment.  |
| 6. Revocation of Previous Directions   | Finance Business Act (Amendments to Liquid Assets) Direction No. 02 of 2020 is revoked w.e.f. 01 October 2020.  |

**Prof. W D Lakshman**

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