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CENTRAL BANK OF SRI LANKA

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# Press Release

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Supervision of Non-Bank Financial Institutions Department

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## Central Bank introduces a Liquidity Support Scheme for Licensed Finance Companies

With a view to sustaining financial system stability and enhancing public confidence in the financial system, the Central Bank of Sri Lanka (CBSL) has decided to implement a Liquidity Support Scheme (LSS) for any licensed finance company (LFC) that faces liquidity constraints, thereby enabling such LFC to revive and restructure its operations. The liquidity support would be provided via the LSS of the Sri Lanka Deposit Insurance Fund (SLDIF), and would be granted on a case by case basis, after an assessment of the liquidity position of the particular LFC, by the CBSL.

In tandem with the LSS, the CBSL may direct the existing shareholders of the LFC to infuse fresh capital, or invite a strategic investor to assume a strategic stake in the LFC through a new infusion of capital, or in certain instances, direct the depositors to convert a part of their deposit liabilities into ordinary shares.

In order to obtain facilities under the LSS, a LFC will be required to submit an acceptable business restructuring plan to the CBSL, and also meet the terms and conditions prescribed by the CBSL, which would include the restriction of transactions with related parties, curtailment of remuneration and incentive payments to the board of directors and key management personnel, reduction of administrative costs, furnishing of acceptable collateral, and submission of periodic reports on the progress of the implementation of the restructuring plan.

The LSS will come into operation with immediate effect.