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CENTRAL BANK OF SRI LANKA

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Press Release

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CENTRAL BANK OF SRI LANKA DECIDES TO ESTABLISH A RUPEES 50 BILLION, SIX MONTH RE-FINANCING FACILITY AND ISSUES INSTRUCTIONS TO FINANCIAL INSTITUTIONS TO SUPPORT COVID-19 HIT BUSINESSES AND INDIVIDUALS

The Central Bank of Sri Lanka (CBSL) has decided to set up a Re-financing Facility to implement the decisions taken by the Cabinet of Ministers on 20.03.2020 to introduce a wide range of concessions including a debt moratorium (capital and interest) and a working capital loan for COVID-19 hit businesses and individuals. Licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (Financial Institutions) are eligible to participate in this Re-financing Facility commencing 25.03.2020 and offer the concessions announced.

Highlights of the concessions and the refinancing facility are as follows.

1. General Terms and Conditions

1.1 The businesses/sectors eligible to avail of concessions:

- (a) Small and Medium Enterprises (SMEs) engaged in business sectors such as manufacturing, services, agriculture (including processing), construction, value addition and trading businesses including authorised domestic pharmaceutical suppliers with turnover below Rs. 1 bn.
- (b) Those affected by COVID-19 related repercussions:

- Tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation and related logistic suppliers adversely affected by work disruption and overseas lockdowns;
 - Self-employment businesses and individuals who have lost their jobs or income;
 - Foreign currency earners who have to repay loans in foreign currency and whose incomes/businesses have been adversely affected.
- 1.2 The eligible credit facilities are term loans, leasing facilities, pawning, overdrafts and trade finance facilities denominated in Rupees and foreign currency. However, import facilities are limited to imports of pharmaceutical drugs, medical equipment, food, fertilizer, essential raw materials and machinery & equipment.
- 1.3 All borrowers affected by COVID-19 related repercussions, can submit their requests for concessions under this Scheme from their respective financial institutions, through online facilities or other means on or before 30.04.2020. Financial Institutions are required to process such requests within 45 days from the receipt of a request. Recovery of existing loans from such applicants shall be suspended until processing is completed.

2. Concessions for Existing Loans of which installments have been Duly Repaid (Performing Loans) as at 25.03.2020

- 2.1 The recovery of capital and interest on all eligible Rupee and foreign currency term loans will be deferred as indicated below, based on a written request made by the eligible borrowers to the financial institutions on or before 30.04.2020.
- (a) Recovery of lease rentals of all three-wheelers, school vans, lorries, small goods transport vehicles, buses and related assets such as motor bikes & taxies operated by the self-employed/owners, for six months.
 - (b) Recovery of personal loans granted to all private sector non-executive employees, until 30.05.2020
 - (c) Recovery of personal loans and leasing, where the amount granted is less than Rs. 1 million, for three months.
 - (d) Recovery of facilities granted to affected industries in SME, tourism, apparel, plantation, IT and related logistic service providers, for six months.
 - (e) Recovery of facilities granted to all other eligible businesses/sectors specified under 1 (a) and (b) above, for six months.

- 2.2 Permanent Overdraft facilities falling due for settlement or maturing or were reviewed during the period up to 25.03.2020 shall be extended till 30.09.2020. Temporary Overdraft facilities expiring as at 25.03.2020 shall be extended by two months for eligible borrowers. A maximum interest rate of 13 percent will be charged on such facilities during the extended period.
- 2.3 Trade finance facilities falling due for settlement or maturing or were under review during the period up to 25.03.2020 shall be extended till 30.09.2020.
- 2.4 Further, pawning facilities falling due for settlement or maturing during the period up to 25.03.2020 shall be extended up to 30.09.2020.

3. Concessions for Existing Loans of which Repayment has been in Arrears (Non-Performing Loans) as at 25.03.2020

- 3.1 The penal interest charged up to 25.03.2020 is to be waived off, while the recovery of loans and advances will be deferred until 30.09.2020.
- 3.2 Loans and advances will be rescheduled based on the percentage of initial capital repaid by the borrower (i.e. more than 50% or less than 50%) as at 25.03.2020 and a percentage of the accumulated and unpaid interest of the defaulted instalments up to the date of consideration under this Scheme shall be deferred. The balance capital outstanding shall be rescheduled and repaid over a period of 3 years. The deferred interest will be waived off after the borrower settles the rescheduled loans in the agreed manner.
- 3.3 All financial institutions shall suspend recovery/legal action against non-performing borrowers who have been accepted under this Scheme, based on re-payment agreements reached between both parties.

4. New Working Capital or Investment Purpose Loan

- 4.1 Eligible borrowers can request an additional loan or a new loan facility in Rupees for working capital or investment purposes from the financial institutions, subject to the borrower submitting a credible business plan and complying with specified conditions. Further, recovery of both these types of loans will be deferred during the period from 25.03.2020 to 30.09.2020.
 - (a) Working capital purpose Rupee loan facility for two years at an interest rate equal to 4% p.a. may be obtained by eligible performing and non-performing borrowers. The amount should not exceed Rs. 25 mn per bank per borrower and Rs. 10 mn per other financial institutions per borrower or 2 months working

capital requirement, whichever is higher (only in the case of 2 months working requirement exceeds Rs. 25 mn), based on the requirement for working capital cycle.

- (b) Investment purpose Rupee loan facility for five years at an interest rate equal to maximum of AWPLR plus 1.5 may be obtained only by performing borrowers from a bank, with the amount not exceeding Rs. 300 mn per bank per borrower, to expand business activities.

5. Other Concessions

- 5.1 Financial institutions are required to stop charging for cheque returns, stop payments, late payment fees on all credit cards and other credit facilities during the period up to 30.09.2020.
- 5.2 Further, financial institutions are required not to decline borrowers' applications solely based on adverse reports of the Credit Information Bureau of Sri Lanka and to adopt an appropriate mechanism for assessing such applications.
- 5.3 The Monetary Board has also introduced several extraordinary regulatory relaxations to provide space for banks to support their customers during these extraordinary times. Such relaxations include permission to provide additional 60 days period to settle loans and advances, with respect to borrowers who are not entitled to any other debt moratorium.

CBSL requests the general public to contact their respective bank branches early, on or before 30.04.2020 and avail of the concessions indicated above, as appropriate, to obtain relevant reliefs during these times of severe hardships. CBSL will follow up with banks to facilitate implementation of the above Scheme.

The detailed Circular No. 5 of 2020 issued to Financial Institutions in this regard is published in the CBSL website (<https://www.cbsl.gov.lk/en/laws/directions-circulars-guidelines-for-banks>)