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Press Release

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The Central Bank of Sri Lanka's COVID-19 Relief Measures: How are we helping the Country, Economy and YOU?

This press statement aims to create public awareness about the operational and policy measures undertaken by the Central Bank of Sri Lanka thus far during 2020, to support the economy, the financial system and the general public in the midst of the COVID-19 pandemic. Being the apex financial institution of the country, the Central Bank provided its full scope of essential services to the economy and the financial system during the lockdown. The Central Bank actively took steps to ease the burden on the general public during this unprecedented disruption of global scale, while preserving the focus on its legal mandate to maintain economic, price and financial system stability. These include, but are not limited to, the following measures[1] to:

1. reduce interest rates, enhance market liquidity, and finance the government,
2. manage foreign exchange flows, maintain exchange rate stability and preserve international reserves,
3. maintain financial system stability and enhance credit flows,
4. ensure uninterrupted currency operations and payments and settlements activities, and
5. manage the public debt.

[1] Some of these measures were introduced to operationalise the decisions taken by the government.

Measures to reduce interest rates, enhance market liquidity, and finance the government were aimed at supporting economic activity in the context of a low inflation environment. The Central Bank provided ample liquidity to the market at reduced and concessional interest rates. In addition to allowing increased currency flows in the economy, large liquidity injections to the banking system enabled banks to provide the support required by businesses and individuals to tide over the difficulties faced during the lockdown period in particular. Liquidity injections have been allowed to remain in the money market without being absorbed by the Central Bank in order to expedite credit flows. Key monetary policy instruments such as policy interest rates and the Statutory Reserve Ratio have been reduced to the lowest levels in history. The Bank Rate has been reduced sharply. Lower interest rates reduced the burden on borrowers who were facing various difficulties, while announced debt moratoria and working capital loan schemes provide extraordinary concessions to businesses and individuals. The Central Bank also provided required financing to the government to overcome fiscal stresses arising from the shortfall in government revenue and increased expenditure. This funding enabled the government to provide social security payments for a large share of the population and make payments in relation to essential health and other public services.

The Central Bank took several steps to maintain a stable exchange rate under extremely difficult conditions without a loss of international reserves to defend the exchange rate. Effects of COVID-19 resulted in large capital outflows, and limited export revenues, earnings from tourism, and workers' remittances. The Central Bank's timely intervention helped reverse the large depreciation observed until mid-April at the height of the lockdown. This enabled maintaining the domestic prices of essential imported goods at stable levels. As foreign exchange earnings declined, non-essential expenditure of foreign exchange was curtailed, and this created an environment for domestic producers to thrive particularly with the benefit of low interest rates.

As the difficulties faced by borrowers and adverse market conditions could adversely affect the financial sector, several measures were taken to safeguard the stability of financial institutions and the financial system. These were necessary to ensure the safety of customer deposits with authorised deposit taking institutions. Accordingly, regulated financial institutions were provided with adequate regulatory relief considering certain buffers built over a period, which in turn, allows them to support their customers and the overall economy. Measures have also been put in place to provide liquidity support to any distressed financial institution as and when a need arises.

The Central Bank took measures to ensure a smooth flow of currency required by the economy during the lockdown period. These measures allowed the general public to fulfil their currency requirements through bank branches and automated teller machines (ATMs) even during the curfew periods. The Central Bank also ensured the uninterrupted operation of payments and settlements systems for both rupee and foreign currency transactions needed by the economy and the financial system during the pandemic. Several electronic modes of payments were actively promoted and facilitated, enhancing convenience to the general public to effect transactions.

The Central Bank maintained Sri Lanka's impeccable record of timely debt service payments during the ongoing stress situation. A large amount of funds was mobilised from the domestic money market by the Central Bank on behalf of the government to meet debt service requirements as well as to meet essential expenditure of the government. Prudent foreign reserve management also allowed Sri Lanka's limited foreign reserves to be used to meet the large foreign currency debt service payments of the government in the context of the government's limited access to the foreign financial market. Regular interactions with foreign counterparts were held to preserve investor confidence in the Sri Lankan economy.

The above discussion provides a summary of the series of extraordinary measures taken by the Central Bank of Sri Lanka during the COVID-19 pandemic to support the economy, the financial system and the general public (a list of these measures are provided in the Annexure). These measures were in addition to the regular operations of the various departments of the Central Bank. Also noteworthy is the fact that the Central Bank published its flagship publication – the Annual Report, by the statutory deadline of 30 April 2020 under lockdown conditions, while providing the general public all regular information and data releases without interruption.

The Central Bank will continue to strive to carry out its responsibilities towards the nation while maintaining the essential balance between conflicting and competing objectives. However, Sri Lanka's ability to overcome the unprecedented difficulties caused by the COVID-19 pandemic depends on collaborative efforts of all stakeholders of the economy including the government, financial institutions, businesses and the general public. While the ongoing monetary stimulus will help the economy to tide over the stresses posed by the pandemic, Sri Lanka's success over the medium term post-COVID will depend on the successful implementation of a reform agenda to address the numerous structural bottlenecks to growth as also highlighted in the Annual Report 2019 which was handed over to Hon. Prime Minister and Minister of Finance on 28th April 2020 as statutorily required, and also submitted to His Excellency the President on 28th April 2020. These structural bottlenecks elucidated in the Annual Report of the Central Bank in fulfilling its role as economic advisor to the government will be discussed in a future press statement.

Annexure

Policy and Operational Measures Taken by the Central Bank of Sri Lanka during the COVID-19 Pandemic to Support Economic Activity

1. Measures to Reduce Interest Rates, Enhance Market Liquidity, and Finance the Government

- 30 January 2020: Policy interest rates of the Central Bank were reduced by 50 basis points. The Central Bank of Sri Lanka was "the first central bank to reduce policy interest rates after the outbreak of the coronavirus in China began to affect financial markets", according to the global central bank news website "www.centralbanknews.info".
- 26 February 2020: The Central Bank transferred Rs. 24 billion as profits to the government.
- 05 March 2020: While maintaining policy interest rates at reduced levels, the Central Bank signaled that it stands ready to provide liquidity to domestic financial markets as necessary to mitigate any adverse impact stemming from the COVID-19 outbreak.
- 13 March 2020: The Central Bank purchased Rs. 50 billion of Treasury bills from the primary market to fulfill urgent cash requirements of the government under exceptional circumstances.
- 16 March 2020: Policy interest rates of the Central Bank were reduced by 25 basis points with effect from 17 March 2020 and the Statutory Reserve Ratio (SRR) on all rupee deposit liabilities of licensed commercial banks (LCBs) was reduced by 1.00 percentage point to 4.00 per cent. This resulted in the injection of permanent liquidity of Rs. 65 billion to the market.
- 23 March 2020: The Central Bank purchased Rs. 50 billion of Treasury bills from the primary market to finance the establishment of the energy stabilisation fund by the government.
- 24 March 2020: A circular was issued to LCBs, Licensed Specialised Banks (LSBs) and leasing companies informing relief measures to assist businesses and individuals who were adversely affected by the outbreak. This included a debt moratorium on capital and interest, provision

of working capital at an interest rate of 4.00 per cent per annum, capping of interest rates charged on credit card payments, reduction of minimum monthly payment dues on credit cards, extension of the validity of cheques, and to keep all branches of licensed banks open on non-curfew days and corporate branches to be kept open during curfew days.

- 25 March 2020: The above circular was interpreted to include Licensed Finance Companies (LFCs).
- 27 March 2020: The Central Bank established a Rs.50 billion refinance scheme and a supplementary circular to the above circular was issued to LCBs, LSBs, LFCs and leasing companies informing eligibility to participate in the re-financing facility to support businesses affected by COVID-19 including self-employed businesses and individuals commencing 25 March 2020, and set out the operational guidelines to give effect to the re-financing facility. These concessions include debt moratorium (capital and interest) and a working capital loan at the interest rate of 4.00 per cent per annum for eligible customers.
- 30 March 2020:
    - Extended the provision of long term liquidity assistance for LCBs from 14 days to 90 days. This helped LCBs to source their long term liquidity needs with certainty.
    - Initiated the provision of long term liquidity assistance to Standalone Primary Dealers in addition to the overnight facility.
- 03 April 2020: Policy interest rates were reduced by a further 25 basis points to 6.00 per cent and 7.00 per cent, respectively, effective from the close of business on 03 April 2020.
- 03 April 2020: The Central Bank purchased Rs. 60 billion of Treasury bills from the primary market to facilitate the government to make salary payments in April.
- Commencing the Treasury bill auction on 25 March 2020, the Central Bank purchased the shortfall in Treasury bill issuances. Since then, the Central Bank has purchased Treasury bills worth Rs 67.4 billion to fulfil such shortfalls.
- 16 April 2020: The Bank Rate of the Central Bank, which is an administratively determined rate that could be used in periods of emergency, was reduced for the first time since 2003,

by 500 basis points while allowing the Bank Rate to automatically adjust in line with the SLFR, with a margin of +300 basis points.

- 16 April 2020: Reduced the minimum daily reserve requirement limit from 90 per cent to 20 per cent. This measure provided further space for LCBs to manage their overnight liquidity needs without any undue strains.
- 27 April 2020: Considering the necessity to provide relief to low income individuals who are engaged in the pawning of gold jewellery to meet short-term financing needs due to the adverse economic situation resulting from the COVID-19, licensed banks were instructed on the maximum interest rate to be charged on pawning advances, i.e., 12 per cent per annum or 1 per cent per month for advances with a tenure of less than one year.
- 28 April 2020: Licensed banks were informed on the extension of the deadline until 15May 2020 for submission of requests by eligible borrowers to avail concessions under the credit support scheme.
- 04 May 2020: Initiated the provision of short term liquidity assistance for Standalone Primary Dealers to manage their liquidity on a short term basis.
- 06 May 2020: Policy interest rates of the Central Bank were reduced by a further 50 basis points to 5.50 per cent and 6.50 per cent, respectively, effective from the close of business on 06 May 2020. Bank Rate was also reduced by a further 50 basis points.
- 16 June 2020: The Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of LCBs was reduced by 200 basis points to its lowest level of 2.00 per cent. This reduction resulted in the injection of around Rs. 115 billion of additional liquidity to the domestic money market.
- 16 June 2020: The Central Bank implemented three new Credit Schemes to support the revival of economic activity to support lending to business segments affected by COVID-19 (construction and other needy sectors) at the concessional rate of 4.00 per cent per annum.
  - Accordingly, in addition to the already disbursed Rs. 28 billion under the refinance scheme introduced on 27 March 2020, the Central Bank will provide funding to LCBs at the concessionary rate of 1.00 per cent against the pledge of a broad spectrum of collateral,

on the condition that LCBs in turn will on-lend to domestic businesses at 4.00 per cent, while ensuring the greatest possible distribution of this facility. This scheme along with the existing refinance Scheme will provide Rs. 150 billion in total to the businesses affected by the COVID-19 pandemic.

- In addition, the construction sector enterprises will be provided with a facility to borrow from LCBs, using guarantees issued by the government equivalent to the amount due on account of contracts carried out in the past, under a new dedicated credit scheme funded by the Central Bank and made available at the aforementioned concessionary rates.

2. Measures taken to Manage Foreign Exchange Flows, Maintain Exchange Rate Stability and Preserve International Reserves

- 19 March 2020: With a view to easing the pressure on the exchange rate and the stress on financial markets due to the impact of the COVID-19 pandemic, the Central Bank issued Banking Act Directions to LCBs and National Savings Bank to:
  - suspend facilitation of the importation of;
    - all types of motor vehicles, other than those excluded specifically under the Banking Act Directions, under Letters of Credit;
    - non-essential goods specified in the Directions under Letters of Credit, Documents Against Acceptance and Advance Payment;
  - suspend the purchase of Sri Lanka International Sovereign Bonds.

  Both measures were introduced for a period of 3 months.

- 19 March 2020: To further ease the pressure on the exchange rate from the demand side, the Central Bank issued Directions to Authorised Dealers informing them to issue foreign currency notes up to a maximum of US dollars 5,000 (or its equivalent in other foreign currency) as travel allowance to persons resident in Sri Lanka travelling abroad for any purpose, from the previously permitted travel allowance of US dollars 10,000.

- 20 March 2020: In conjunction with the Banking Act Directions issued on 19 March 2020, the Central Bank also issued Directions to Authorised Dealers, requesting them to suspend release of foreign exchange with immediate effect for the importation of certain non-essential consumer goods under the Documents Against Payments and Open Account Payment terms, for a period of three months until 20 June 2020.
- 20 March 2020: The Central Bank introduced Sell-Buy Forex SWAP Auctions for LCBs to provide foreign currency liquidity on term basis without depleting the foreign reserves with the accessibility to the external liquidity sources have been restricted owing to uncertainty created with the pandemic situation.
- 02 April 2020: Introduced following temporary regulatory measures on outward remittances for a period of 3 months.
    - Suspend the general permission granted to make outward remittances through the Outward Investment Accounts for the purpose of investing overseas by persons resident in Sri Lanka excluding the following;
        - investments to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
        - investments to be made to fulfill the regulatory requirement in that country.
    - Suspend outward remittances through Business Foreign Currency Accounts or Personal Foreign Currency Accounts held by persons resident in, Sri Lanka other than for the remittances on current transactions.
    - Suspend the repatriation of funds under the migration allowance through Capital Transactions Rupee Accounts by emigrants who have already claimed migration allowance.
    - Limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time has been limited up to a maximum of US dollars 30,000.

- The Monetary Board to grant permission for investments on a case by case basis, when they exceed the limits specified in the general permission granted in Schedule I of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorised Dealers) Regulations No. 1 of 2017 provided that,
    - the proposed investment is to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
    - the proposed investment is to be made to fulfill the regulatory requirement in that country.

- 03 April 2020: Alongside other regulatory measures taken by the Central Bank to support businesses and individuals affected by the COVID-19 outbreak, directions were also issued to Authorised Dealers informing them to recover any foreign currency loans granted to Business Foreign Currency Account holders in Sri Lanka Rupees, when recovery of such loans in foreign currency is remote, as a last resort by converting such loans to Sri Lanka Rupee denominated loans, where necessary.
- 08 April 2020: Hon. Minister of Finance in consultation with the Monetary Board and with the approval of the Cabinet of Ministers issued regulations to introduce a Special Deposit Account for any Sri Lankan individual resident in or outside Sri Lanka including Dual Citizens, Citizens of other States with Sri Lankan origin and any person resident outside Sri Lanka including funds, corporate bodies, association and other well-wishers with the following special features.
    - Minimum tenure: 6 months.
    - Interest payable: 1 percentage point and 2 percentage points per annum above the deposit rates applicable on normal deposits for SDAs with a tenure of 6 months and 12 months, respectively, payable at maturity of the deposit.
    - Repatriation of Funds: Freely convertible and repatriable outside Sri Lanka on the maturity of the term deposits.

- 15 April 2020: Approval was obtained to enter into a Bilateral Currency Swap Agreement with the Reserve Bank of India for US dollars 400 million. All necessary prerequisites for signing the Swap Agreement have been fulfilled by the Central Bank.
- 16 April 2020: Directions issued to Authorised Dealers informing that loans granted to Sri Lankans employed abroad shall be recovered in Sri Lanka Rupees, as a last resort where necessary when recovery of such loans in foreign is remote.
- 24 April 2020: The Central Bank commenced forward intervention to manage the excessive volatility in the exchange rate
- Net open positions (NOP) of LCBs were curtailed on a selective basis to prevent speculative activity in the foreign exchange market.
- 16 June 2020: Approval was obtained to initiate a Repo Facility for US dollars 1,000 million from Federal Reserve Bank New York, to meet the contingent liquidity needs of the government.

3. Measures to Maintain Financial System Stability and Enhance Credit Flows

- 27 March 2020: Considering capital and liquidity buffers and other factors which affect the safety and soundness of the banking sector, the Central Bank decided to introduce extraordinary regulatory measures for licensed banks to support businesses and individuals affected by the outbreak of COVID-19. Accordingly, the following extraordinary regulatory measures were introduced.
    - Permit Domestic Systemically Important Banks (D-SIBs) and non D-SIBs to draw down their Capital Conservation Buffers by 100 basis points and 50 basis points out of the total of 250 basis points, respectively.
    - Permit licensed banks to provide an additional 60-day period to settle loans and advances which are falling due during March 2020 and permit licensed banks to not consider such facilities as ‘past due’ facilities until the end of the 60-day concessionary period with respect to borrowers who are not entitled to other concessions.

- Allow licensed banks to consider all changes made to payment terms and loan contracts from 16 March 2020 to 30 June 2020, due to challenges faced by customers amidst COVID-19 outbreak, as modifications to loans and advances instead of restructuring for classification of loans & advances and the computation of impairment.
- Withdraw the requirement to classify all credit facilities extended to a borrower as non-performing when the aggregate amount of all outstanding non-performing loans granted to such borrower exceeds 30 per cent of total credit facilities.
- Permit the conversion and recovery of loans in foreign currency to Rupee denominated loans, where necessary, subject to banks ensuring that borrowers do not take undue advantage at the cost of country's foreign reserves or cause pressure on the exchange rate and proper documentation regarding the aforementioned is maintained.
- Defer the enhancement of capital by licensed banks, which are yet to meet the minimum capital requirement of end 2020, until end 2022 subject to certain conditions.
- Reset the timelines for rectification of supervisory concerns/findings, if necessary, prioritising the severity/importance of the concerns raised for rectification. Banks which are required to meet timelines to address supervisory concerns/findings during the period up to 30 May 2020, shall be granted an extension of 3 months.
- Extend the reporting period for submission of statutory returns to the Bank Supervision Department by two weeks and publication of quarterly financial statements by one month until further notice. Depending on the circumstances, the Director Bank Supervision may permit further extensions.

- 31 March 2020: The Central Bank introduced a number of measures to provide flexibility to LFCs and Specialised Leasing Companies (SLCs) facilitating them to support businesses and individuals affected by the outbreak of COVID-19 as follows:

  - Reduction of maintenance of liquid asset requirement, i.e., for time deposits and non-transferable certificates of deposits to 6 per cent from 10 per cent, savings deposits to 10 per cent from 15 per cent, borrowing to 5 per cent from 10 per cent and approved government securities to 5 per cent from 7.5 per cent which shall be maintained by LFCs and reduce the minimum liquid asset requirement to 5 per cent from 15 per cent which shall be maintained by SLCs for a period of 6 months with immediate effect, due to sudden withdrawal of cash by depositors and non-repayment of loan rentals.
  - An extension of 1 year to comply with minimum core capital requirements. Accordingly, the timeline of 01 January 2020 and 01 January 2021 already set for the enhancement of capital up to Rs. 2 billion and Rs 2.5 billion will be extended until 31 December 2020 and 31 December 2021, respectively.
  - Defer the enhancements of minimum capital adequacy requirements due by LFCs/SLCs on 01 July 2020 and 01 July 2021, for a further period of one year until 01 July 2021 and 01 July 2022, respectively.
  - Relax deadlines to submit statutory returns to the Department of Supervision of Non-Bank Financial Institutions within two weeks of the commencement of normal business operations of such LFCs/SLCs.
- 08 April 2020: To assist the meeting of liquidity difficulties of Licensed Microfinance Companies, the requirement to maintain liquid assets under the Microfinance Act Directions No. 04 of 2016 on Maintenance of Minimum Liquid Assets Ratio, was withdrawn with immediate effect.
- 05 May 2020: Licensed banks were permitted to consider the following assets as liquid assets for the computation of Statutory Liquid Assets Ratio until 30 June 2021.
  - Unpaid interest subsidy on Senior Citizen Special Deposit Scheme
  - Exposures to State Owned Entities guaranteed by the government and classified in Stage 1 under SLFRS 9: Financial Instruments for financial reporting purposes with maturity not exceeding one year with hair cut of 10 per cent.

    - Fixed Deposits held by banks in other banks (remaining maturity exceeding 1 year but less than or equal 2 years, the hair-cut to be 20 per cent and if the remaining period exceeds 2 years but less than or equal 3 years, hair-cut to be 30 per cent.
    - Loans secured by deposits under lien equivalent to 20 per cent of deposits
    - Receivables from Employees Provident Fund (EPF) in settlement of loans

- 05 May 2020: Reduction of the minimum requirement for Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to 90 per cent with enhanced supervision and frequent reporting up to 30 June 2021.
- 06 May 2020: Frequently Asked Questions (FAQs) on Circular Nos. 04, 05 and 06 of 2020 on Concessions granted to COVID-19 hit Businesses including Self-Employment and Individuals, the Letter Dated 27 March 2020 on Extraordinary Regulatory Measures, and the Monetary Law Act Order No. 1 of 2020 on Maximum Interest Rates on Pawning Advances of Licensed Banks were published on the website of the Central Bank of Sri Lanka .
- 13 May 2020: With a view to strengthening the liquidity position of licensed banks, the Central Bank restricted the following discretionary payments of licensed banks until 31st December 2020.
    - Declaring cash dividends that have not already been declared for financial year 2019 and any interim cash dividends for financial year 2020
    - Repatriation of profits not already declared for financial years 2019 and 2020
    - Buying back of its own shares
    - Increasing management allowances and payments to Board of Directors
- Further, licensed banks were required to exercise prudence and refrain from incurring non-essential expenditure such as advertising, business promotions, sponsorships, travelling and training etc. as much as possible while exercising extreme due diligence and prudence when incurring capital expenditure during the above-mentioned period.
- 12 June 2020: With the view to support the liquidity position of LFCs due to the implementation of the credit support scheme to assist COVID-19 affected businesses and

individuals, and the need to meet other urgent liquidity needs of LFCs, the Monetary Board had decided to provide Liquidity Support amounting to a total of Rs.20 billion for LFCs based on the expected maximum of interest income losses due to the moratorium, on proportionate basis under Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS).

- 19 June 2020: Suspension imposed on the purchase of Sri Lanka International Sovereign Bonds (ISBs), introduced on 19 March 2020, was further extended by an additional three months, subject to the fact that such purchases of ISBs are funded by using new foreign currency inflows to the banks.

4. Measures to Ensure Uninterrupted Currency Operations and Payments and Settlements Systems

- Ensured uninterrupted operations of the payment and settlement systems of the country in collaborations with LCBs and other financial institutions by activating the Business Continuity Plan.
- Carried out uninterrupted settlements for the foreign reserve management operations of the country enabling maintenance of sufficient liquidity in terms of foreign currency to meet country's external debt obligations and meet the government's foreign exchange needs.
- 17 March 2020: Increased the ceiling of Rs 500 million on emergency cash withdrawal and relaxed two emergency cash withdrawals limit per month (per bank) by LCBs until 15 May 2020 to meet the public demand for cash during lockdown.
- Following actions were taken to facilitate customers to register for online transactions during the period with travel restrictions within the country due to COVID - 19 outbreak;
    - 20 March 2020: Instructions were issued to Financial Institutions to waive off registration fees and charges for providing online banking services and to facilitate existing customers to register for online banking products without having to physically present themselves at bank branches for registration.

    - 26 March 2020: Financial institutions were allowed to open wallet or wallet facilitation accounts by digitally fulfilling know your customer (KYC) requirements. However financial institutions were instructed to physically verify the KYC details subsequently.

- 30 March 2020: In order to facilitate transactions of e-money account holders, approval was granted to increase the e-money wallet limit from Rs. 10,000 to Rs. 25,000 during this period temporarily.
- 01 April 2020: Increased the maximum per transaction value limit from Rs. 10,000 to Rs. 25,000 for mobile app based transactions carried out through JustPay payment solution of LankaClear (Pvt) Ltd.
- Following approvals were granted to facilitate the public to access their funds:
    - 02 April 2020: Approval was granted to a remittance service provider to provide cash home-delivery services enabling disbursement of foreign remittances to be delivered to beneficiaries during the period.
    - 04 April 2020: Considering the difficulty of withdrawing cash from ATMs during this period, approval was granted to a LCB to provide door-step cash delivery services.
- 06 April 2020: Considering the government's request, financial institutions were instructed to waive off fees charged from Senior citizens for cash withdrawals carried out through ATMs connected to the Common ATM Switch.
- 10 April 2020: Enhanced limits applicable for merchants of a mobile phone based e-money system in order to facilitate more digital transactions during the period.
- 12 May 2020: Waived off the service charge on currency notes deposits (serviceable currency notes) by LCBs for three months period from 01 April 2020 to 30 June 2020 considering the pandemic situation.
- 15 May 2020: Validity period of cheques of value less than Rs. 500,000 were extended.
- 04 June 2020: Validity period of cheques issued by Employees' Provident Fund Department (EPF) of the Central Bank were extended to 30 June 2020.

- 08 June 2020: Online payments by comstomers to government and other institutions through the LankaPay Online Payment Platform were further enabled through increasing the maximum per transaction value limit.
- In addition, approval was granted to several mobile application based payment products to operate subject to certain restrictions, in order to further facilitate digital transactions during the period with travel restrictions within the country.

5. Measures to Manage the Public Debt and Ensure Uninterrupted Debt Service Payments

- Conducted regular Treasury bill, Treasury bond and Sri Lanka Development Bond auctions without interruption amounting to over Rs. 1 trillion thus far during 2020. During the 3 months up to mid-June 2020, auction based financing amounted to over Rs. 600 billion. Further, deviating from the established practice of conducting a single monthly Treasury bond auctions, frequency of Treasury bond auctions a month during May and June 2020 were expanded to two to finance government's funding requirement.
- 13 May 2020: Administratively issued Treasury bonds to the tune of Rs. 100 billion on book value basis to allow adjustments in other instruments of government's cash flow management such as the overdraft with state banks.
- Amidst the lockdown, Sri Lanka's unblemished record of debt service payments was maintained, with debt service payments amounting to over Rs. 1.5 trillion thus far during 2020.
- Debt repayments of the government are usually settled using the government foreign reserves. As the government could not raise adequate liquidity owing to the unprecedented adverse market conditions, the Central Bank continued to provide liquidity from the foreign reserves of the Central Bank since 08 April 2020. Accordingly, during the period of 08 April to 22 June 2020, the Central Bank has settled US dollars 1,007 million of government debt utilising the Central Bank's foreign reserves.